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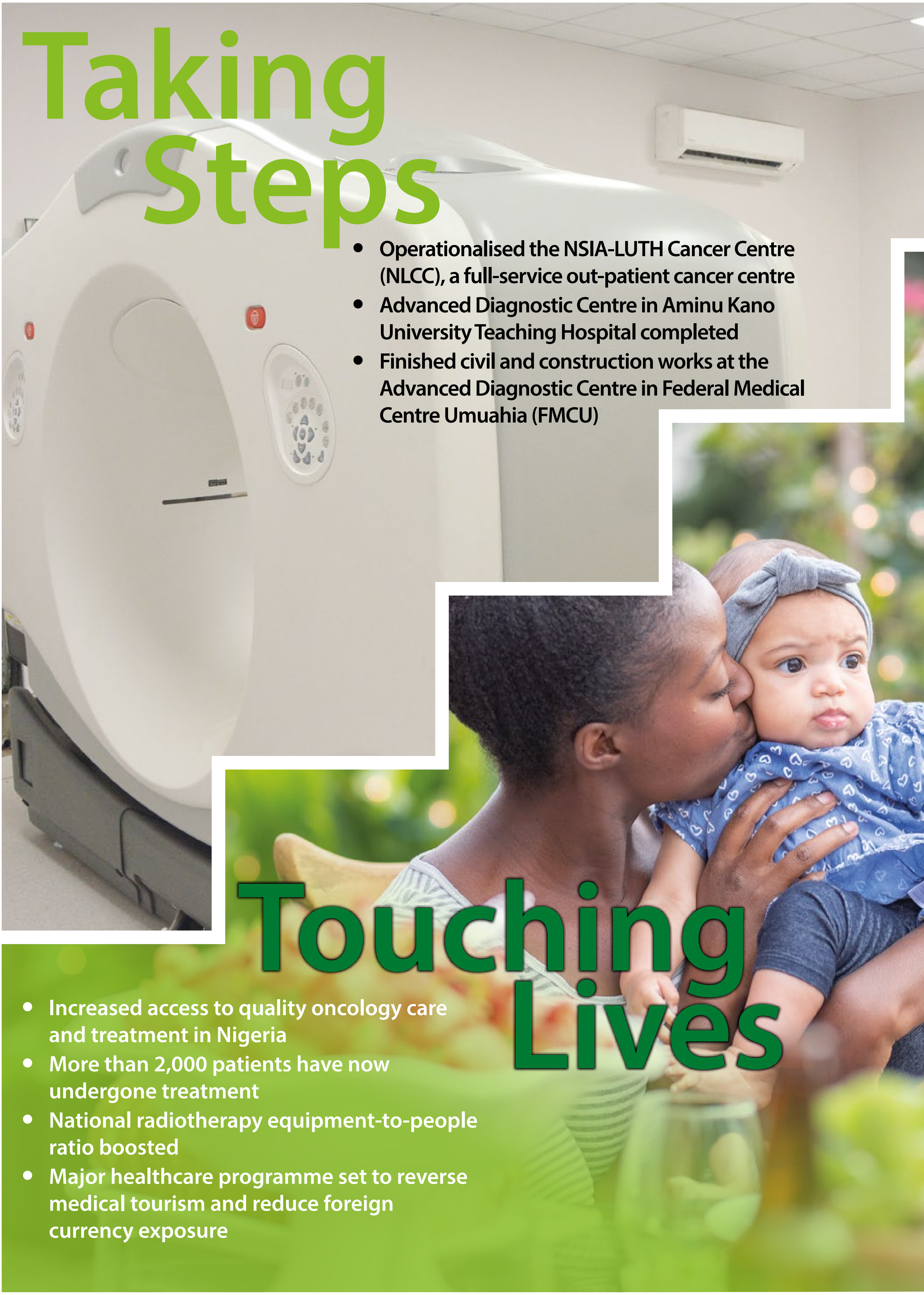
Nigeria Sovereign Investment Authority

Taking steps
Touching lives

ANNUAL REPORT & ACCOUNTS 2019



Taking Steps

- Operationalised the NSIA-LUTH Cancer Centre (NLCC), a full-service out-patient cancer centre
- Advanced Diagnostic Centre in Aminu Kano University Teaching Hospital completed
- Finished civil and construction works at the Advanced Diagnostic Centre in Federal Medical Centre Umuahia (FMCU)

Touching Lives

- Increased access to quality oncology care and treatment in Nigeria
- More than 2,000 patients have now undergone treatment
- National radiotherapy equipment-to-people ratio boosted
- Major healthcare programme set to reverse medical tourism and reduce foreign currency exposure

Nigeria Sovereign Investment Authority

Is an investment institution which manages Nigeria's Sovereign Wealth Fund.

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

Contents

Introduction

The Nigeria Sovereign Investment Authority's Consolidated Financial Statements complies with the applicable legal requirements of government gazettes and comprises the Separate and Consolidated Financial Statements of the Authority and the Group for the financial year ended 31 December 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria. It is also compliant with the provision of the Companies and Allied Matters Act for NSIA's subsidiaries and affiliates.

For better understanding, certain disclosures and some prior year figures have been presented in line with current year figures. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

About NSIA

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

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

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

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

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

The Mandate Funds

The Stabilisation Fund

The Stabilisation Fund (SF) is intended to safeguard against budgetary deficits. It is, in effect, a last resort from which government may make withdrawals in order to meet shortfalls in the budget brought about by falls in the oil price, or other budgetary constraints.

The Future Generations Fund (FGF)

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

The Nigeria Infrastructure Fund (NIF)

The Nigeria Infrastructure Fund invests in domestic infrastructure that aligns with national priorities; has potential for attractive commercial returns and high social impact; creates opportunities for co-investment with NSIA; and promotes environmental sustainability.

Our Corporate Philosophy

Our Mission

NSIA's mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians by:

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

Vision

To establish the Authority as a leading sovereign wealth fund globally and to play a key role in promoting investments which benefit Nigeria's economic development.

Values

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

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

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

Chairman's Statement

Dear Stakeholders,

I am pleased to introduce the 2019 Annual Report and Accounts of the Nigeria Sovereign Investment Authority ("NSIA" or "the Authority"). 2019 was a critical year as it was the last full year prior to the Covid-19 pandemic and the first year of the Authority's 2019-2023 five-year strategic plan. The initiatives that took form in 2019 established a platform that enabled NSIA to weather the current public health and economic storm that is unprecedented in modern Nigeria. This foundation also positioned NSIA to be a force for good during these challenging times.

Before discussing the results and specific strategic initiatives, I want to take a moment to remember Mallam Abba Kyari, former Chief of Staff to the President who we lost this past April. Mallam Kyari was a fierce advocate for NSIA as an institution, for the principles that define our organization and our work to serve the Nigerian people. We owe him a deep debt of gratitude.

Mr Jide Zeitlin
Chairman, Board of Directors

NSIA today is an institution where roughly half our funds are focused on having a near-term positive impact on everyday Nigerians, while the remainder of our funds are managed as savings for the benefit of future generations. Current investments, as described further below, are in financial markets infrastructure, motorways(roads and bridges), power (clean and renewable energy), healthcare (regional medical centers), agriculture (accelerate import substitution), and education (leveraging technology and global partnerships).

Roughly half our funds are focused on having a near-term positive impact on everyday Nigerians, while the remainder of our funds aremanaged as savings for the benefit of future generations.

Savings for future generations are invested in a diverse set of asset classes across multiple global geographies with a focus on managing risk as much as on achieving outsized returns. Our objective, whether investing for current or future generations is to establish and maintain transparent decision-making processes that are run by a talented and experienced local team with deep domestic and international exposure.

Financial Results

NSIA's total assets-under-management at year-end 2019 were N649.84billion. Comprehensive income was N36.15 billion which is an 18% reduction relative to the 2018 income of N44.34billion. NSIA's investments in equities and related investment products were impacted by volatility in global markets. Considering the volatile global and generally challenging local investment environment, the Authority's overall results reflect the strength and capability of the institution's investment and risk management processes.

Interest income, earned in 2019, was N27.02billion, representing a 13% increase over the N23.82billion recorded in 2018. This reflects NSIA's strategy to generate predictable fixed returns, including returns from Eurobonds, Treasury bills, and other secured deposits.

- The Stabilisation Fund (SF) returned 5.81%, outperforming its benchmark, the US CPI, by 352 basis points;
- The Future Generations Fund (FGF) returned 6.45%, outperforming its benchmark of 6.43% (US CPI + 4%); and
- The Nigeria Infrastructure Fund (NIF) returned 6.60%, outperforming its benchmark of 5.29% .

In November of 2019, the National Economic Council ("NEC") voted to contribute an additional US$250million to NSIA's core capital. These funds were received in March 2020. An additional sum of N90billion was allocated to NSIA by the government to be applied to the PIDF projects described below.

These contributions to our capital base, underscore the current Administration's commitment to savings and economic development even during challenging times. We are grateful for the government's consistent support and continued vote of confidence in NSIA.

Investments that are having a positive impact on Nigerians today

Amongst other critical projects, NSIA oversees the Presidential Infrastructure Development Fund ("PIDF") and the Presidential Fertiliser Initiative ("PFI").

A significant portion of PIDF's funds is deployed across three important projects that are expected to be completed by 2022. These projects are: Lagos-Ibadan Expressway, Abuja-Kaduna-Kano Road, and the Second Niger Bridge.

We have spoken about the PFI before, an initiative that provides farmers across the country with access to affordable fertilizer thus enabling greater agricultural productivity at a time when import substitution is of particular importance. NSIA's has sourced key raw materials and identified operating partners to mix and distribute finished product. This active engagement demands capabilities that extend well beyond our financial capacity.

Another example of NSIA's impact is our partnership with the Federal Government and the Kano State Government. NSIA is developing the Kano Solar Project. This project is a 10MW grid-interactive solar PV plant located in Kumbotso LGA of Kano State. NSIA serves as the fund and project managers for this initiative. The power plant is expected to be commissioned and operationalized in Q4 2021. Furthermore, NSIA intends to launch a 1,000MW Renewable Energy Programme that would see projects of similar scale developed across the country.

The above projects are examples of long-term infrastructure investments being made by NSIA that employ thousands of Nigerians today and will boost economic growth, enhance mobility, and contribute to increased productivity.

Our People

NSIA's impact is only as good as the quality of our people. We are fortunate to be able to attract smart, ambitious, and hard-working talent who want to work in a collaborative culture that values transparent decision making and advancement based on merit. Our workforce is diverse – across gender, geopolitical zone, and experience. It is only with this diverse team and culture that we can strive to have an outsized impact on Nigeria.

I am proud of our track record of nurturing top-notch internal talent. For example, in 2019, the Presidency confirmed the reappointment, for a second term, of Mrs. Stella Ojekwe-Onyejeli, an Executive Director and, at the time, Chief Risk Officer for the NSIA. Following her renewal, Ms. Ojekwe-Onyejeli now serves as NSIA's Chief Operating Officer.

Mr. Aminu Umar-Sadiq, the former NSIA Deputy Head of Direct Investments was appointed as an Executive Director. He has responsibility for NSIA subsidiaries and the Authority's infrastructure development programmes.

Following shortly on these appointments, in 2020, Mr. Kolawole Owodunni was named the Chief Investment Officer of the Authority having earlier served as the Head, Externally Managed Investments and prior to that, Head, Investment Risk.

Conclusions

The world has changed dramatically since 2019. The Covid-19 pandemic has placed a spotlight on pre-existing social and economic fault lines. NSIA's institutional values and capabilities have been important in helping us navigate through this challenging environment – in particular our investments in human talent and in meritocratic and transparent investment processes.

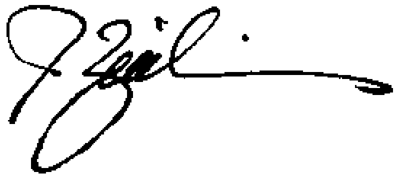
As we look forward, our experience in 2019 having solidified our foundation, has served us and Nigeria well and makes us even more deeply committed to certain key principles:

- Continue to invest in attracting, training, and empowering the best human talent we can from across every region of Nigeria and from the diaspora;
- Continue to balance our investment of effort and capital between initiatives that drive employment, productivity, and quality of life in the present with being responsible stewards of funds that will only be accessed by future generations of Nigerians;
- Recognize that our capital and reach is finite and thus remain focused and strategic in how we invest these scarce resources:
  - Infrastructure: critical infrastructure projects such as the PIDF, while exploring next generation infrastructure demands, especially those related to the digital economy (from fiber optic networks to data centers);
  - Education: leveraging our global reach and domestic network to identify organizations with whom we can partner to introduce technology driven education products and programmes at the primary, secondary, and tertiary levels; and
  - Healthcare: continue to invest in regional healthcare service centers so as to provide Nigerians with high quality care (providers, know how, and equipment) domestically.
- Invite international investors to collaborate with NSIA on domestic investments. International investors leverage our local experience and network to access the dynamic Nigerian market;
- Work with key Federal and state policy makers to develop a consistent mechanism for allocating additional funds to NSIA consistent with the provisions of the NSIA Act 2011 that established the Authority.

Interest income, earned in 2019, was N27.02billion, representing a 13% increase over the N23.82billion recorded in 2018.

I thank the President, the Vice President, the Minister of Finance, the leadership and members of the National Assembly, the Governors of the 36 States, the Minister of the Federal Capital Territory and the Nigerian people for your support of NSIA and our mission.

I also thank my fellow Board members and the Management team for your commitment to this remarkable organization. I am confident that NSIA will continue to succeed in fulfilling its mandate.



Jide J. Zeitlin
Chairman
Board of Directors

Chief Executive Officer's Review

I am pleased to present the Annual Report of the Nigeria Sovereign Investment Authority ("NSIA" or "the Authority") for the year ended 31 December 2019.

In many respects, 2019 was an eventful fiscal period for the Authority as we completed key programmes and initiatives particularly in healthcare and agriculture, strengthened operational capacity within the NSIA and received significant vote of confidence from crucial stakeholders including the Federal Government of Nigeria. The successes recorded in the year underscore our commitment to the execution of our threefold mandate through which we constantly explore new avenues to touch the lives of Nigerians in meaningful ways.

The global markets experienced a strong bullish run due to the accommodative interest rate environment, softening intensity of the trade wars between the US and China, and the signing of the Brexit agreement. Further, the global economy experienced broad-based growth and inflation was subdued while unemployment fell in key regions. The aggregate of these developments was favourable to the Authority's investment strategy as our asset managers were able to leverage the risks to generate returns.

A few key highlights of the performance in 2019 are as follows:

- Total comprehensive income of N36.15 billion in 2019 (previous year: N44.34 billion)
- Net income of 2019 N34.87 billion (compared to N26.28 billion in 2018). Note that these exclude Foreign Exchange gain of N18 billion in 2018 and N1.28 in 2019.
- 5% growth in Total Assets to N649.84 billion as of year-end (previous year: N617.70 billion)
- Asset allocation strategy remaining stable across the various funds: Future Generations Fund remains 25% public equities, 25% private equity, 25% Absolute Returns and 25% Other diversifiers.
- Financial close in key transactions resulting in increased capital deployment on domestic infrastructure projects specifically in motorways, agriculture, healthcare, and power:
  - Deployment of N181.9 billion across all three projects under the PIDF namely the 2nd Niger Bridge, Lagos – Ibadan Expressway and Abuja-Zaria-Kaduna-Kano Road.
  - Commissioning and operationalization of a world-class cancer treatment centre, the NSIA-LUTH Cancer Centre (NLCC) located with the premises of the Lagos University Teaching Hospital, Lagos.
  - Completion all civil and construction works at NSIA Kano Diagnostic Centre (NKDC) located in Aminu Kano University Teaching Hospital.
  - Blended and delivered 6.5 million 50kg bags of NPK 20:10:10 for use by Nigerian farmers for the year and increasing.
- Return across all three funds:
  - Stabilisation Fund (SF) – 5.81%
  - Future Generations Fund (FGF) – 6.43%
  - Nigerian Infrastructure Fund (NIF) – 6.60%
- Favourable fund performance with aggregate returns of 6.37%.

Although, the total comprehensive income generated declined by 18% relative to 2018, as the one-off positive impact exchange rate in 2018 was not repeated in 2019. Excluding this, the core performance of the Authority in 2019 was better by 32%. Given the generally challenging local investment environment, this performance reflects the strength and capability of portfolio and risk management within the Authority.

Mr Uche Orji
Managing Director and
Chief Executive Officer

2019 was an eventful and momentous fiscal period for the Authority as we completed key programmes and initiatives particularly in healthcare and agriculture, strengthened operational capacity within the NSIA.

Fund Report

In the FGF, significant changes were made to our pool of hedge fund managers which resulted in sharply improved performance in this asset class compared to previous years. We also commenced allocation to the Venture Capital (VC) segment of our Private Equity Asset class.

Stabilisation Fund (SF)

At year-end 2019, the SF has been fully invested. In terms of return on investment, the Stabilisation Fund returned 5.81%, outperforming its benchmark, the US CPI, by a 381 basis points.

The SF holds 20% of NSIA's assets and is focused on providing stabilization support in times of economic stress and as such liquidity, preservation of capital in USD is paramount in our investment policy. During the year, asset allocation remained split between Hedge Assets (short-term US government debt) and Growth Assets (absolute return fixed income) with the introduction of VCs as a new strategy.

Future Generations Fund (FGF)

In the year under review, the FGF strategically gained more market exposure by investing in global equities and passive funds. Within the private equity asset class, we started making venture capital investments. As of year-end 2019 we had not yet fully deployed capital in the Future Generations Fund. The fund returned 6.45% as of year-end, outperforming its benchmark of 6.43% (US CPI + 4).

The overall fund performance saw relative weakness in Emerging markets and European markets equities offset strength in US equities markets. Our asset allocation in the public equities segment was more weighted towards emerging markets than USA markets which resulted in a relative underperformance as USA markets remained the standout performers as President Trump's tax policy continued to fuel strong USA equity performance.

In 2020, we plan to maintain the diversified asset allocation as we expect a rotation into Emerging markets equities.

We on-boarded 3 new hedge fund managers in 2019, and divested from 4 during the year 2019 and as a result we have seen improvements in performance in the hedge fund asset class. In total, NSIA has invested in 10 hedge funds with strategies ranging from global macro-credit to long-short equity. Our total investments in hedge funds constituted 15% of the FGF. NSIA continued to allocate capital to private equity managers with recent decision by the Board to invest in venture capital and made commitments to two venture funds focused on Africa.

Chief of Staff to the President of Nigeria, Abba Kyari and NSIA MD and CEO Mr. Uche Orji, chat informally after a project review.

Nigeria Infrastructure Fund (NIF)

We deployed capital throughout the year across key infrastructure projects. The focus areas for NIF include: Health, Toll Roads, Agriculture, Power, Gas Industrialization and Financial Markets Infrastructure. The NSIA also manages third party mandates such as the Presidential Infrastructure Development Fund (PIDF), Presidential Fertilizer Initiative (PFI), gas-to-power fund for the Debt Management Office (DMO) and the FGN Stabilization Account for the Federal Government. In addition, the NSIA invested in a 50:50 Agriculture co-investment fund with UFF-Agri and co-sponsored the Fund for Agriculture Finance in Nigeria (FAFIN) currently managed by Sahel Capital.

These areas of focus are defined as segments where NSIA will sponsor, develop and invest in projects. Besides these, there are areas of interest, which are defined as sectors where the NSIA will only invest, without which are: Free Trade Zones & Industrial Parks, Refining, Water Rescources, Ports, Mining & Basic Materials, Gas Pipeline, Waste & Sewage, Real Estate, Aviation and Communications.

Let me provide brief update on the status of these sectors:

Direct Investments

Healthcare/NSIA Healthcare Development and Investment Company (NHDIC),
The NSIA-LUTH Cancer Centre (NLCC), a full-service Out-patient Cancer Centre, was commissioned by His Excellency, President Muhammadu Buhari on 9 February 2019 and became operational on May 29th, 2019. Work also commenced on an administration and training center to improve the training of radiotherapists and other oncology personnel in Nigeria. A total sum of US$12 million was committed to the project, including working capital. Healthcare Group of South Africa are the operators of the center in partnership with local LUTH personnel.

During the period, construction work on two ultra-modern medical diagnostic centres, located in Kano and Umuahia, were at advanced stages with Kano largely completed. An aggregate sum of US$10.5 million investment was made in both facilities, including working capital, and a combined team of Pathcare Laboratories and Crestview Clinical Laboratories were recruited to create a joint operating company (StatPath) to manage the center. These facilities enabled Nigeria to provide fully automated laboratory and radiological diagnostic services to the north-west and south-east regions of the country.

Developing our fed production capabilities, ensure sustainable food products.

Gas Industrialization

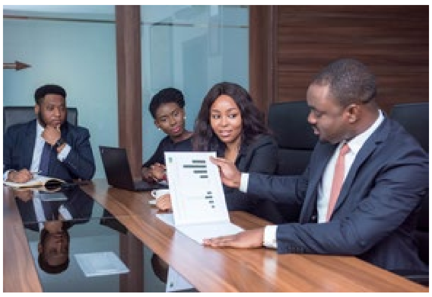
In 2019, NSIA partnered with OCP of Morocco to sponsor a basic chemicals platform, Project (BCP) in Nigeria, that will produce 1.5MT PA and Diammonium Phosphate fertilizer plant. We believe commercializing Nigeria's vast natural gas resources will provide cost-competitive Ammonia products for the international market. In the year, the NSIA also commenced work on glass flare reduction projects with the aim of converting flare gas to LPG and other valuable products, as a way to switch wasted asset to productive use and reduce the damaging environmental impact of gas flaring.

Agriculture

We concluded the acquisition and restructuring of PandaAgri/Novum Farms in Nasarawa State, an integrated farm with a feed mill which was acquired by the UFF/NSIA joint venture agriculture fund. Aggressive investment commenced with an objective to achieve close to 13 tonnes/HA production of maize (compared to an average of 2 tonnes /HA for the Nigerian farmer) on the 2300 HA farm and install feed mill capacity of up to 147 Ktonnes pa. This will be over US$25 million investment by the JV. Other projects in the pipeline include Gurara farm project in Kaduna for which we are awaiting land allocation from the Ministry of Water Resources.

Babban Gona Farmer Services Ltd (BG)

NSIA invested in the Babban Gona Farmer Services Ltd. which is an inclusive agriculture model designed to link small holder farmers to larger economic operators with the goal of improving agricultural productivity, expanding markets and trade, and increasing the economic resilience of rural communities. Working in partnership with Babban Gona, members utilize the newest agricultural technologies while adopting agricultural best practices. We expect at least 20,000 out-grower farmers to benefit from the programme within the first 4 years.



Staff training and assessment is crucial to our success.

Presidential Fertiliser Initiative (PFI)

2019 was the third full year of implementing the PFI with about 6.5 million 50kg bags of NPK 20:10:10 delivered in bringing total delivered products to c.20 million 50KG bags of NPK 20:10:10 since inception of the program in 2017. We had 22 blending plants participating in the program with many more on the way, we believe we will have in excess of 30 blending plants in the program next year, indicating significant new investments in fertilizer capacity which is expected to rise to 4 million MT by early 2020 from less than 1M operational capacity at the start of the PFI.

Education

NSIA is one of the anchor investors in in the Nigeria entity of Bridge International Academies (BIA) which is one of the largest chain of schools serving low-income communities in Nigeria with over 200,000 students and is now the model on which the EDO Best school system is based. We expect more widespread adoption of this system across many more states in Nigeria in 2020.

Financial Markets Infrastructure

Infrastructure Credit Guarantee Limited – InfraCredit

InfraCredit continues to make great strides with new guarantee products and closed new tier-2 capital investments from AfDB and KfW. In 2019, the company completed two major transactions. The first is a 15-year guarantee for North South Power Company Limited's NGN8.5 billion bond which is due in 2034. The second is a 15-year co-guarantee with the United States government through its agency for International Development (USAID), for GEL Utility Funding SPV Plc's N13.0 billion Fixed Rate Infrastructure Bond due in 2034.

African Development Bank (AfDB) approved a US$15 million investment package to InfraCredit, to support infrastructure financing through the domestic debt capital markets in Nigeria. The investment package to InfraCredit is comprised of a subordinated loan of US$10 million and a risk sharing facility of up to US$5 million.

KfW, the German Development Bank invested Euro 23.5 million capital in InfraCredit. This complements the closure of the investment by Africa Finance Corporation (AFC) which made a US$25 million equity investment in the company. The onboarding of these respected financial institutions highlights the pivotal role the InfraCredit plays in Nigeria's financial system.

We will continue to monitor the market conditions with the view to leverage the upside risks that avail themselves in the market.

Nigerian Mortgage Refinance Company (NMRC):

The Nigeria Mortgage Refinance Company (NMRC) is a private sector-driven mortgage refinancing company, co-anchored by the NSIA in June 2013, with the public purpose of developing the primary and secondary mortgage markets to provide accessible and affordable housing in Nigeria. NMRC closed an additional bond raise of N10 billion as part of a long term program to augment its capital structure. NMRC's Tier 1 investors include NSIA, Ministry of Finance Incorporated (MoFI), five commercial banks (CBs) and 14 primary mortgage banks (PMBs). The Company's Tier 2 Capital is subordinated debt drawn from a World Bank International Development Agency (IDA) loan facility.

Development Bank of Nigeria (DBN)

NSIA controls about 15% stake in DBN on behalf of the Ministry of Finance Incorporated (MOFI). As of December 2019, DBN had disbursed funds to Micro, Small and Medium Enterprises (MSMEs) valued at over N10 billion. So far, facilities have been made available to over 50,000 MSMEs through various microfinance institutions as part of efforts to unlock access to credit in the economy. Small scale enterprises make up 60% of Nigeria's economy and NSIA seeks to empower these businesses.

Family Homes Funds Limited (FHFL):

The Family Homes Funds Limited (FHFL) was incorporated and commenced operations in September 2016 as a flagship initiative of the Honourable Minister of Finance, with a 51% – 49% shareholding structure between MOFI and NSIA. FHFL is designed to create a blended pool of long-term funds to solve the problems in mass housing development and seeks to provide affordable homes and mortgages. As at 2019, FHF had built and delivered.

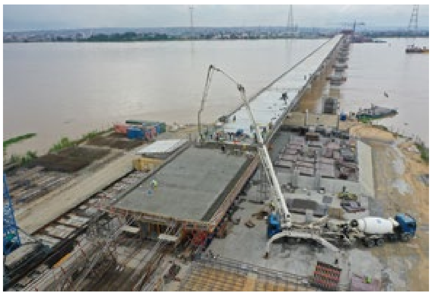
Third Party Asset Management

The Authority continues to manage US$100 million in assets on behalf of the Debt Management Office (DMO). It also manages a portion of the FGN's Stabilisation Account (FGN Stab.), a naira-denominated fund which was established in late 2015 which is in excess of N30bn as of year-end 2019. Under the Investment Management Agreements for these thirds party assets, NSIA makes marginal returns as management fee while these assets are managed under the same terms as NSIA's core funds using NSIA's investment policies. These assets do not form part of NSIA balance sheet as they are third party funds.

Toll Roads (Motorways)

Presidential Infrastructure Development Fund

The NSIA manages the PIDF to serve as fund manager for this fund. This PIDF aims to eliminate the risks of project funding, cost variation and completion which had plagued the development of the nation's critical infrastructure assets including the 2nd Niger Bridge, Lagos to Ibadan Expressway, Abuja to Kano Road, the East West road and Mambilla Hydroelectric Power. Following the signing of the tripartite agreement between the NSIA, the Ministry of Works and the Ministry of Finance, disbursements have been made to the Lagos Ibadan Expressway, Second Niger Bridge and the Abuja-Kano Highway projects. No disbursements have been made to East-West Road because the tripartite contracts have not yet been signed by the Ministry of Niger Delta Affairs. Mambilla Hydro project is yet to commence as the loan agreement is still being negotiated between Nigeria and China.



Our major infrastructure projects will benefit the future prosperity of our country, seen here is good progress on the 2nd Niger Crossing.

The milestones recorded on each project are as follows:

- **Second Niger Bridge:** This is a 10.7km bridge and approach road project and as at end of 2019, 30% of the civil works on the bridge have been completed. Presently, the deck which will span across the piles is being pushed through using the incremental launch system from the western approach.
- **Lagos – Ibadan Expressway:** Over 65km out of 120km of road works has been completed. Presently, site clearance, earthworks, culverts and drains construction, pavement and surfacing works are ongoing according to schedule at various points on the roughly remaining 62km of road to be completed.
- **Abuja – Kano Expressway:** this is a rehabilitation contract totaling c.97km out of the 375km 2x2 dual carriage expressway. Significant progress has been made on the original contract, although a rescoping of the project with a view to convert it to reconstruction of a 3x3 dual carriageway for the entire 375km has necessitated a redesign of the project, leading to significant delays in the construction work.

Negotiations were concluded on a Trilateral Agreement amongst the governments of Nigeria, Bailiwick of Jersey and the United States America on the US$311 million relating to recovered assets from Late Gen. Abacha that will be invested across the three PIDF projects under construction. The funds are expected to be received by the NSIA in April 2020 and to be applied on agreed segments of the project.

Power

Kano Solar

NSIA is developing a solar power plant in Kano state in partnership with the Federal Government. The Kano Solar project will be a 10MW solar power plant will be cited in Kumbotso Local Government Area, Kano State. This will be the largest solar farm in Nigeria, and we expect many others in the pipeline to be catalyzed by the completion of this project.

Corporate Governance & Transparency

We were all delighted that NSIA's efforts at transparency and accountability continues to be recognized in the Linabuarg-Maduell ranking of the US-based Sovereign Wealth Fund Institute (SWFI), where NSIA remains in the second quartile. NSIA was benchmarked alongside other major sovereign wealth funds and we are honoured to have received such recognition for our efforts.

Capital Contributions

The National Economic Council voted for an additional capital contribution of US$250 million in November 2019 which was received in April 2020. We are particularly grateful for this vote of confidence as the contribution was made at a time when oil prices had fallen below benchmark and when the country was in a rather difficult economic position.

Outlook

In our view, it is predictable that the volatility introduced by the onset of the pandemic may linger. We will continue to monitor market conditions with the view to leverage the upside risks that avail themselves in time.

Our strategy remains to approach the international markets with the same highly diversified strategy adopted in 2019. We expect that our investment strategy will continue to deliver positive returns in the long-term as the markets normalize in 2020 and new opportunities emerge.

We remain focused on Agriculture, Healthcare (including Pharmaceuticals), Toll Roads, Gas industrialization, Financial Markets Infrastructure and Power in our Nigeria Infrastructure Funds as the primary sector for our infrastructure investment efforts.

Closing

Finally, I wish to convey our unreserved gratitude to His Excellency, the President and Commander in Chief of the Federal Republic of Nigeria, President Muhammadu Buhari (GCFR); His Excellency, the Vice President of the Federal Republic of Nigeria, Prof. Yemi Osinbajo (GCON), SAN, the Honourable Minister of Finance, Mrs. Zainab Shamshuna Ahmed and the highly esteemed members of the National Economic Council for the immense support given to NSIA during the year. I also wish to thank the Board, Management and Staff for their dedication, hard work and commitment and look forward to a more positive 2020

Mr Uche Orji

Managing Director and Chief Executive Officer

Investment Milestones

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

Mallam Abba Kyari Chief of Staff to the President along side Alh. Mohammed Badaru (MON), Governor Jigawa State and Chairman, Presidential Committee on Fertilizer and NSIA MD & CEO Uche Orji

New equipment at Novum Farm, Nasarawa State – Investing in mechanisation to raise the efficiency of labour and enhance the farm production per hectre.

2015

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

2016

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

2017

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

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

Cancer Treatment Unit at the Lagos University Teaching Hospital.

Work on Second Niger Bridge continues at pace.

2018

- NSIA's total Assets Under Management grew by 3% year-on-year to US$2.32 billion.
- Received US$650 million from Federal Government to manage under the Presidential Infrastructure Development Fund (PIDF).
- Invested US$260 million under the PIDF. Project portfolio includes Abuja-Kano Road, Lagos-Ibadan Expressway, Second Niger Bridge, East-West Road, and Mambila hydropower.
- Commenced US$11 million Cancer Treatment Centre project at the Lagos University Teaching Hospital (LUTH).
- Commenced diagnostic centre projects at Aminu Kano Teaching Hospital (AKTH), Kano State, and Federal Medical Centre Umuahia (FMCU), Abia State.
- Supplied over 704,237MT (about 14 million 50kg bags) of NPK 20:10:10 fertiliser as part of the Presidential Fertiliser Initiative (PFI) and grew the PFI investment portfolio to N85.7 billion.
- Began development of the US$2 billion ammonia terminal with OCP Group of Morocco.
- Made a commitment in Project Panda (Novum), a food production project, in Nasarawa State.
- Return on investment (ROI) in naira terms, for NSIA core funds: Stabilisation Fund (11.5%); Future Generation Fund (3.3%); Nigeria Infrastructure Fund (13.8%).
- Africa Finance Corporation (AFC) invested US$25 million in NSIA-incubated InfraCredit, leading to joint ownership.

2019

- Core capital stood at US$1.5 billion as of end-year
- Total Assets grew 5% to N649.84 billion (2018: N617.70 billion)
- The government contributed an additional N90 billion to the PIDF, for which we act as fund and investment manager
- Deployed N208.2 billion across the three PIDF road and bridge construction projects: Second Niger Bridge, Lagos-Ibadan Expressway and Abuja-Zaria-Kaduna-Kano Road.
- Nigeria, Jersey and the US concluded an agreement to invest the US$311 million recovered assets across the three PIDF projects
- First allocation to the venture capital sector, to G-squared IV and Ingressive Capital Fund, to increase our footprint in West Africa
- Reinstated a total of 31 blending plants with a combined annual installed capacity of over 5 million metric tons of fertiliser.
- Invested US$5 million in Babban Gona, a scalable agriculture franchise that tackles constraints in smallholder farming
- The NEC approved an additional investment of US$250 million into the Authority, a further endorsement of our prudent fund management investment strategy
- The US$11 million NSIA-LUTH Cancer Centre at the Lagos University Teaching Hospital (LUTH) was inaugurated by His Excellency, President Muhammadu Buhari, GCFR
- DBN, in which NSIA controls a minority stake on behalf of the government, lent more than N10 billion to micro, small and medium enterprises (MSMEs) by year end

Taking Steps

- Panda Farms: Pandagric acquired state of the art farming, irrigation and feed production equipment
- Strengthened the farm's capacity to cultivate 2,300 hectares of arable land
- Invested in the Fund for Agriculture Finance in Nigeria (FAFIN) and US$5 million in Babban Gona, a scalable agriculture franchise

Touching Lives

- Domestic fertiliser production capacity has increased by nearly 400% since inception of the program.
- Presidential Fertiliser Initiative (PFI) delivered 39.6m 50kg bags of NPK fertiliser to date; Enough to cover 13 million Ha of arable land at an average of 3 Ha/farmer
- Supply of variant samples of fertilizer ultimately increasing quality and quantity of food products. Supplied over 9.6m 50kg bags of other variants of fertiliser.
- Creation of a significant number of direct and indirect jobs at the various blending plants, in the logistics and bag-making industries as well as along the entire agricultural value chain.
- Farmer net incomes in an extremely poor region of the country show promising growth

Funds Management
Market Overview 2019

At 2.4%, global growth was at its slowest since the financial crisis of more than a decade ago. According to the IMF, developed economies grew by 2.2% and emerging markets by 4.1%. Rising trade barriers, including tensions between China and the USA, created an environment of uncertainty, which weighed on business sentiment and global economic activity. Further pressure came from weakness in emerging markets such as Brazil, Mexico and India.

This environment saw firms reduce long-term investment, as well as purchases of machinery and equipment. Household consumption of durable goods also slowed, despite a pick-up in Q2. Industrial production contracted against the backdrop of slow demand for consumer durables. In response to the weak growth and generally uncertain climate, Monetary Authorities in advanced and emerging market economies cut rates on average between 20 and 40 basis points. These policy interventions supported purchases of non-durable goods and services which, in turn, encouraged job creation. Strong employment figures (a 5% reduction in unemployment since the 2008 global economic crisis) and rising wages in labour markets supported consumer confidence and encouraged household spending.

Financial Markets

Stock markets in developed economies finished strongly in 2019 – arguably one of the best years since the financial crisis, given the context of trade wars, geopolitics and growing debt. On Wall Street, the Dow Jones Industrial Average was up 22% as of the last day of trading, S&P 500 up 29% and Nasdaq adding 35% in value. In Europe, the FTSE 100 gained 12%, the DAX 30 was up 25% and the CAC 40 in France finished 26% higher. In Asia Pacific there was a similar story, with Japan's Nikkei 225 up 18% and Hong Kong's Hang Seng Composite Index up 9%. The main driver for this performance was the low interest environment in these countries, led by the US (Source: Business Insider).

Emerging economy stock markets, most notably China and India, experienced growth rates of 6.1% and 5% respectively. Commodities such as gold increased 18.3% to $1,525 per ounce, the largest annual rise in nearly a decade. Palladium grew 54.21%, a record high prompted by demand for the precious metal in automobile exhaust systems exceeding supply. Crude oil rose 31.55%, making it one of the best commodities for investors. Precious metals now sit at multi-year highs against an interesting economic and geopolitical backdrop at the start of 2020, with platinum, for example, up 21.48% (Source: Visual Capitalist).

Developed Markets

US stock markets performed well, posting their largest gains since 2013. Apple and Microsoft reached the status of trillion-dollar companies. In the Eurozone, the FTSE 100 had a record year, as the Brexit talks progressed well. JD Sports was the best performing FTSE 100 stock, gaining 140% for the year, while IT firm Aveva Group plc was up 90%. In Asia Pacific, Japan's NIKKEI increased 18% and TOPIX was up 2.38%. The Hang Seng Composite Index rose 36.4%.

Emerging Markets

Global equities experienced great uncertainty during 2019, with the outlook for trade and Hong Kong protests fuelling market volatility. However, both US and emerging markets were up by year end, increasing by 30.70% and 18.42% respectively (Source: KraneShares). The Brazilian market outperformed its emerging market counterparts by 14% in Q4 2019 and 27% for the year (in US dollar terms). Although the economic recovery has been slower than anticipated, government and central bank efforts are improving the country's longer-term growth potential (Source: Franklin Templeton).

The Chinese government's decision to prioritise economic restructuring and long-term sustainable growth resulted in an increase in the implementation of structural reforms and widespread industry consolidation. Additionally, China is at forefront of the fifthgeneration wireless technology (5G) and is predicted to secure about 40% of the forecast 1.6 billion subscribers globally (Franklin Templeton). Indian stock markets also recorded gains, with the Sensex rising 14.4% and the Nifty50 gaining 12%. Although the blue-chip indices saw positive gains, 2019 was a year in which India's economic growth slowed to a five-year low and as a result, their smaller peers suffered losses. The Bombay Stock Exchange (BSE) Midcap Index shed 3.1% and the BSE SmallCap index lost 6.9% (Source: cnbc.com).

Lastly, the Russian stock market delivered the greatest returns to investors globally. The MSCI Russia Index soared by 44%, according to Sberbank analyst Cole Akeson (The Moscow Times). In addition, the MSCI Emerging Markets Index, which includes Russian stocks and companies listed in 23 other developing economies, such as China, Brazil, Mexico and India, delivered returns of 12%. According to Mikhail Ganelin, a senior analyst at Aton, Russia's stock market boom was driven by appetite for greater global risk and a search for higher-paying assets following interest rate cuts (Source: The Moscow Times).

Market Outlook 2020

Economic Growth

Despite weak trade and investment prospects, global growth in 2020 is forecast at 2.5%, slightly better than the post-financial crisis low of 2.4% in 2019. But there are risks for both developed and emerging economies associated with this projection. The potential for trade tensions to escalate, a sharp downturn in some major economies, the backdrop of high debt levels and weak productivity will combine to test the ability of policy makers to respond to economic events.

Market perceptions have been shaped by signs that manufacturing activity and global trade are reducing; intermittent favourable news on US-China trade negotiations; diminished fears of a no-deal Brexit; and a shift towards accommodative monetary policy. This has led to some retreat from the risk-off environment that had set in at the time of the WEF in October, but there are few signs of any turning point in global macroeconomic data.

Coronavirus

The outbreak of Coronavirus (Covid-19) in China in early 2020 will certainly have a significant knock-on effect on global growth – but the question is by how much? The WHO stated that Coronavirus is the first "global health emergency" of the new era and will affect not only global markets, but geopolitics, as well.

Although it is too early to measure, it is evident that the disease will significantly impact Chinese and global supply chains, markets and economies. Here, the legitimacy and the trust enjoyed by the Chinese Communist Party with its own people, and on Asian regional politics and US-Chinese relations, might be adversely affected.

Its impact on the global economy is predicted to be more significant than that of the 2003 SARS pandemic, which is estimated to have provoked a global economic loss of US$40 billion and a hit on global GDP of 0.1%.

Stock Markets

It is arguable that the major concern for investors is a recession in 2020. While that is considerable – following a brief inversion of the two-year and 10-year Treasury bonds in late August – Credit Suisse data from 1978 shows that the average recession does not show up until 22 months after the inversion occurs. Similarly, data suggests that stock market returns rarely turn negative until an average of 18 months after an inversion, putting the market on track to lose steam during the first quarter of 2021 (Source: The Motley Fool).

The year saw several global economic growth disruptors, from the escalation of the trade war between the US and China, to Germany's manufacturing and automotive decline and Brexit. As a result, global trade growth has almost come to a standstill. Although not at recession level, nearly every market and sector, as well as businesses in those sectors, has felt the impact of policies and decision making. Although a rebound in trade growth to a modest 1.5% during 2020 is possible, economic policy uncertainty remains high. If uncertainty does reduce in the year ahead, however, it will likely only be to a limited extent.

The global volume of merchandise traded slowed dramatically in 2019, against an average growth rate this century of about 3.4% per annum. Following the effective disbanding in December 2019 of the WTO's dispute settlement mechanism, we expect this trend to continue into 2020 and for trade tensions to persist in the global goods market. This means that globalisation is predicted to give way to continued integration of the global economy via trade, financial and other flows, but albeit at a significantly slower pace (Source: pwc.com).

The Institute of International Finance (IIF) has estimated that global debt is expected to climb to a new all-time high of more than US$257 trillion in the coming months, adding that there is no sign of it retreating either. This amount equates to roughly US$32,500 for each of the 7.7 billion people on the planet and more than 3.2 times the world's annual economic output. Total debt across the household, government, financial and non-financial corporate sectors surged by some US$9 trillion in the first three quarters of 2019 alone.

In mature markets, total debt now tops US$180 trillion, or 383% of these countries' combined GDP, while in emerging markets it is double what it was in 2010 at US$72 trillion, driven mainly by a US$20 trillion surge in corporate debt. The IIF further predicted that, spurred by low interest rates and loose financial conditions, total global debt will exceed US$257 trillion in Q1 2020, adding that non-financial sector debt alone was now approaching US$70 trillion (Source: Reuters.com).

The World Employment and Social Outlook: Trends 2020 (WESO) shows that unemployment is projected to increase by around 2.5 million in 2020. Global unemployment has been roughly stable for the last nine years. However, the slowdown in economic growth globally means that, as the global labour force increases, not enough new jobs are being generated to absorb new entrants into the labour market.

WESO also explores labour market inequalities. Using new data and estimates, it shows that income inequality globally is higher than previously thought, particularly in developing countries. In addition, moderate or extreme working poverty is expected to edge up in developing countries in 2020-21, increasing the obstacles to achieving Sustainable Development Goal 1 on eradicating poverty everywhere by 2030 (International Labour Organisation).

Trade wars are expected to continue. It is possible, however, that a Phase 1 deal can be reached soon, since both Presidents will benefit from a consensus. As well as pleasing investors, a deal will also prove beneficial to emerging markets, which are perceived to be more leveraged to global trade than developed ones.

The strength of the US dollar has been driven by loose fiscal policy, coupled with tight US monetary policy. This mix also came to an end in 2019 and is not expected to return any time soon. As a consequence, it is believed that the US dollar will more likely weaken in 2020. Although significant dollar strengthening is behind us, a more stable US dollar would be very positive for emerging markets.

These factors could help frontier markets enjoy another year of positive returns. This will be driven by solid 11% earnings growth in 2020 (from a high, 17%+ growth base in 2019). Frontier markets will continue to add value to diversified portfolios by reducing their overall volatility, due to the low correlations among individual markets, and with emerging and developed markets (Source: East Capital.com).

Developed Markets

USA

According to the World Bank's Global Prospects Report, growth for 2020 is expected at 1.8%, which represents a slowdown compared to 2019. With fears of a recession this year, consensus forecasts have predicted a 33% chance. Support from tax cuts and changes in government spending are expected to drag on growth in 2020. Labour markets remain tight, with unemployment at a near 50-year low, and strong wage growth, which has supported consumption.

The Fed has kept rates low, cutting these for the past two years – by mid-2019, the policy rate had been cut by 75 basis points. Policy makers are expected to use monetary policy as the main tool to counter the expected slowdown, but this outlook is based on tariffs remaining at current levels, fiscal policy maintained and uncertainty fading. Assuming the US and China trade negotiations progress, so reducing uncertainty, then growth could be higher than predicted.

Europe

Economic outlook in the Eurozone is less positive, as the German industrial sector continues to struggle with falling demand from Asia and disruption to the automotive production process. Growth is expected to slow to 1% in 2020 – 0.4% lower than previous forecasts – and follows weak data in industrial production. On top of this, several economies were close to recession last year. The UK's exit from the EU has also generated continued uncertainty in the region as the European Commission and Westminster have struggled to negotiate a trade deal.

The ECB has provided much stimulus for the region, with a low policy rate environment and resurgences in quantitative easing (QE), but fiscal policy is not expected to provide much additional support over the forecast period.

Japan

The Japanese economy was hit by Typhoon Hagibis, which contributed to a decline in activity and an increase in value added tax (VAT). The economy grew at 1.1%, but is expected to slow to 0.7% in 2020. There are also weaknesses in manufacturing and exports to China, while consumer confidence has also declined. Nevertheless, the unemployment rate remains at record lows, ending Q4 2019 at 2.2%. Labour force participation and GDP per capita incomes continue to grow.

Emerging Markets

The IMF forecasts growth will accelerate in 2020 as improving fiscal, economic and monetary policies, and renewed focus on structural reforms, gain momentum. According to the World Bank, growth in emerging and developing Asia is forecast to increase from 5.6% in 2019, to 5.8% in 2020 and 5.9% in 2021. In addition, India's growth, estimated at 4.8% in 2019, is projected to improve to 5.8% in 2020 and 6.5% in 2021.

Growth in China is expected to slow from an estimated 6.1% in 2019 to 6.0% in 2020. The anticipated partial rollback of past tariffs and a pause in additional tariff hikes – as part of a 'Phase One' trade deal with the US – is likely to reduce near-term cyclical weakness, resulting in a 0.2% upgrade to China's 2020 growth forecast, relative to the October WEO. However, it is important to note that unresolved disputes on broader US-China economic relations, as well as a need to strengthen the domestic financial regulatory framework, are expected to weigh on activity (source: IMF, World Economic Outlook).

Frontier Markets

2019 was a momentous year for global markets, which bounced back strongly from a weak 2018, shrugging off fears of trade wars and concerns over a global economic slowdown, to deliver double-digit returns for investors across most asset classes (East Capital, 2019). Growth was notably absent in 2019, however, with S&P and emerging markets earnings expected to be roughly flat year-on-year.

Earnings were typically diverse, with India and China posting solid growth, but Taiwan and South Korea dragging the overall number lower.

However, it is predicted that not only is growth momentum set to pick up in 2020, but earnings growth will once again outpace S&P. This can be attributed to the impact of President Trump's tax cuts wearing off and an uptick in growth.

Further, fears of recession in 2020 are over-stated and economic growth will recover, with the IMF expecting to see global growth accelerate from 3.0% in 2019 to 3.4% in 2020. Emerging and frontier markets will be the main drivers, with growth jumping from 3.9% to 4.6%. Growth in developed markets growth is expected to remain flat at 1.7%.

The Future Generations Fund (FGF)

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

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

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

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

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

Table 2.1: Target Asset Allocation for FGF

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

Growth Drivers

Long Only Equity

The long only equity portion of the asset allocation is 20%. It is invested in a combination of developed market and emerging/frontier market assets. The developed market allocation was 6.61% and returned 18.55% in US dollar terms in 2019, lagging the MSCI World Index, which returned 27.67%.

All three managers in this space provide regional diversification by focusing on three main developed regions: US, European and Japanese equity markets. All managers had positive returns, including the new investments, which are a Global Equities manager (Fundsmith) and an ETF that tracks the S&P 500 (Vanguard S&P 500). In the year under review, a decision was taken to include a Global Equities manager, and passive exposure to equity markets, to increase the public market exposure of the FGF and reduce the fee burden on the portfolio.

Emerging Market (EM) equities also enjoyed positive returns. Emerging markets ended on a strong note after a turbulent year in which US-China trade tensions dominated headlines and central banks around the world came to the rescue of the global economy to prevent it from falling into recession. However, EM equities recorded a strong performance in Q4 2020, driven by renewed optimism global growth and a trade agreement.

EM allocation constituted 12.34% of the portfolio. The five managers in this component had a positive return of 11.84% on aggregate for the year, but underperformed the MSCI benchmark, which returned 18.44%.

Absolute Return

As of December 2019, the Absolute Return component constituted 14.67% of the FGF. This allocation returned 8.72% versus 7.49% by the HFRI Event-Driven (Total) Index. The managers in this asset class deploy strategies that seek to earn a positive return, irrespective of market direction. Each manager has the discretion to invest across different strategies and geographies and is expected to provide growth in times of equity market stress. The best performer in 2019 was Palestra Capital, returning 25.04%, while JHL Capital Fund detracted over the same period with a negative return of -26.09%. We have since exited the JHL capital position.

Private Equity

The private equity component made up 16.48% of the fund in 2019, and a commitment of 30%, which is above the strategic target. This component is well diversified with a good mix of developed market private equity managers from Europe and the US. There is additional exposure to EM through pan-African focused managers.

In 2019, we invested in Cardinal Stone Private Equity Funds, Xenon VII (specialising in leveraged buyouts, lower mid-market buyouts, add-on acquisitions and replacement and growth capital investments); Petershill Private Equity Seeding Offshore (this Goldman Sachs unit takes equity in PE and alternative investment groups); and Verod Growth Fund III (targets mid-sized growth companies in Anglophone West Africa, with a primary focus on Nigeria and Ghana).

We made commitments during the year to the venture capital sector, specifically to G-squared IV, a global venture capital fund, and Ingressive Capital Fund, a seed and series A VC Fund with a focus on Sub Saharan Africa. These investments increased our West Africa footprint, while boosting its sectoral, regional and style diversification. This is the first time we have included VC in our portfolio. We will continue to look for opportunities in venture capital as they offer further diversification to the fund

Other Diversifiers

This component of the FGF has a target allocation of 10%. At end 2019, 7.69% had been allocated and 6% committed. The objective is to select managers that can provide exposure to products such as direct lending, leasing and royalties, with the aim of seeking returns uncorrelated to the rest of the portfolio. Two investments were added in 2019: Healthcare Royalty IV and Falko Regional Aircraft Opportunities Fund II, which are successor funds of 2014 vintage in which the Authority had previously invested.

Inflation Hedges

Hard Assets

The Hard Assets component of the FGF has a target allocation of 5%, with 0.7% allocated and 1.5% committed by end 2019. RMB Westport II is undergoing a managed realisation, while Actis is still in its investment period. We did not appoint any new managers in the Hard Asset component in the period under review.

Deflation Hedge

The deflation hedge allocation represented 44% of the FGF. For most of 2019, this allocation was held in cash and very liquid instruments with both local and foreign counterparties. However, a proportion of the deflation hedges are undrawn commitments to Private Equity, Hard Assets and Other Diversifiers, which represent 21% of the AUM of the FGF.

Year in Review

2019 was a good year for markets, but FGF returns could have been better relative to the MSCI World Index, which returned 27.67% for the year. This strong global performance was pronounced in US markets, with the Dow Jones ending the year up 22% and the S&P 500 28%. As mentioned previously, central bankers played a significant role in driving this global performance with ultra-low interest rates.

2020 Outlook

In 2020, we aim to gain additional market exposure by allocating to the passive investments in the DM and EM Equities Long Only Component to reduce the fee burden. We are also aiming to increase our hedge fund exposure and will increase the allocation to Venture Capital Fund and Private Equity on an opportunistic basis. The goal is to harness optimal risk-adjusted returns within the dynamic global market environment.

The Stabilisation Fund (SF)

The SF has an allocation of 20% among our pool of core funds. It is structured to play a fundamental role in serving as a source of stability for government revenues in times of economic downturn.

Singapore's Ambassador to Nigeria makes an Exploratory Business Visit to NSIA.

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

Hedge Assets

US Treasury Bills and US Treasury Bonds

This asset class made up 24.42% of the fund and provided exposure to the very liquid and highly rated US Treasury instruments in 2019, tracking The Bloomberg Barclays U.S. 1-3 Year Treasury Bond Index. The underlying investment has a maturity range of between one and three years. This component returned 3.57%, slightly below the benchmark of two basis points.

Growth Assets

US Corporate Bonds, US Asset-Backed Securities and Structured Collateralised Deposits
There are two managers in this space providing exposure in investment grade corporate credit across the yield curve. One manager has a short duration strategy that invests across very high-quality US corporate and securitised fixed income instruments, while the other invests in short- to medium-term investment-grade US corporate bonds. We also have some exposure, through credible counterparties, to Structured Collateralised Deposits that provide some yield enhancement and an element of downside protection, thereby fulfilling the fund's capital preservation goal.

Year in Review

SF performed well over the course of the year, returning 5.81%, an improvement on the 5.04% achieved the previous year. This was due mainly to expectations that the Federal Reserve would not be raising interest rates any time soon. As with other funds, cash management formed a significant part of this component, given the dynamic market environment. The Nigeria treasury bills hedged to the US dollar returned 1.6%, providing the main contribution to the SF as a whole.

2020 Outlook

Management will continue to monitor the fund's performance against its mandate and the strategic asset allocation guidelines. As the Fed continues to reduce US interest rates during 2020, we expect returns to decline. However, we will continue to seek ways to optimise returns, while meeting the fund's capital preservation mandate.

Table 2.2: Target Asset Allocation for SF

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

The Nigeria Infrastructure Fund (NIF)

The NIF focuses entirely on domestic investments in selected infrastructure sectors, with total funds under management. The fund is managed by an in-house team of investment professionals tasked with identifying infrastructure investments, undertaking project development for potential investments and recommending projects for investment to the Board.

NIF looks to bring private sector efficiencies to government-run sectors, in situations where such an approach may add value and make for attractive investments, and in cases where the government seeks collaboration with the Authority.

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

With the Authority now in its seventh year of strategic investment in key sectors of the economy, the NIF is beginning to ramp up delivery on its mandate. When the rolling five-year infrastructure investment plan was developed in 2013, 15 investible sectors were identified. Of these, the core areas of initial focus have remained agriculture; healthcare; motorways; power; and gas industrialisation. Other sectors will be addressed as assets under management are enhanced, or if compelling opportunities present themselves.

The Nigeria Infrastructure Fund (NIF)

Investment Strategy

Nationwide Strategic Impact

+

Attracts Foreign/Local Institutional Capital

+

Attractive Commercial & Social Returns

+

Conducive Legal/Regulatory Environment

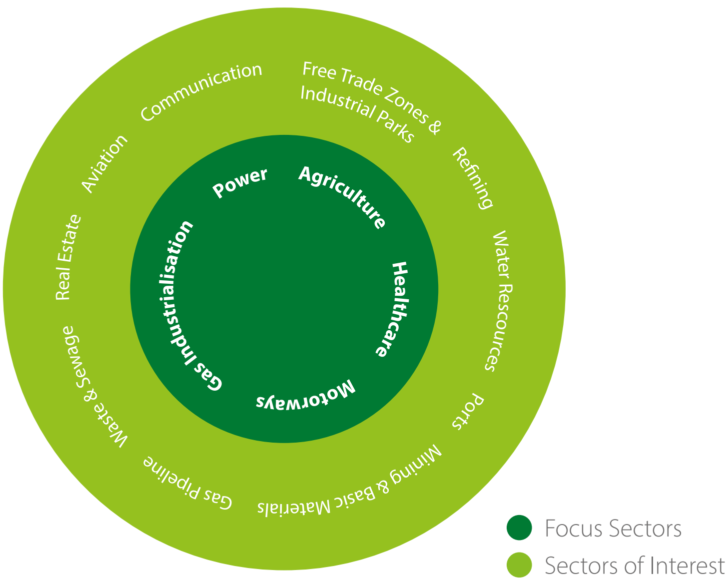
=

NIF Investment Portfolio

Fund Management Allocation

- NIF Portfolio (Total): $637.7mm
- NIF Portfolio (Total) – Committed Transactions: $507.8mm
- PIDF (Total): 1st Tranche from NLNG $650mm

Focus Sector Allocation



NSIA and University College London (UCL) representatives with Dr. Chikwe Ihekweazu, Director General of the Nigeria Centre for Disease Control (NCDC) during a joint courtesy visit to NCDC

Infrastructure Investments

Healthcare

Our investment strategy for the healthcare sector is to partner with both public and private institutions to create Centres of Excellence in healthcare delivery throughout Nigeria, with a focus on tertiary healthcare (targeting non-communicable diseases), diagnostics and medical and pharmaceutical manufacturing.

As part of its intervention in tertiary healthcare, we resolved to invest in oncology as a positive response to the large and growing incidence of cancer in Nigeria and the inadequate pace of growth in cancer infrastructure. At the time of our investment, Nigeria had only one functional radiotherapy machine. Manufacturers of radiotherapy equipment recommend one radiotherapy machine per one million people. It is little wonder that, as of 2014, 40% of medical tourism was driven by oncology.

In response, we embarked on developing a full-service out-patient cancer centre. The project started in 2018 and, following a commissioning ceremony by His Excellency President Muhammadu Buhari, became operational in May 2019. The project is intended to support the eradication of the growing cancer burden in Nigeria and West Africa. By mid-year, the NLCC had already attended to more than 2,000 patients.

The provision of radiotherapy treatment as part of a suite of services is expected to reduce delays in the treatment of patients with curable cancers, reducing morbidity and mortality, and improving quality of life and economic productivity.

Turning to diagnostics, we progressed the construction of two ultra-modern medical diagnostic centres in Kano and Umuahia. Once operational, this aggregate US$10.5 million project will enable Nigeria to provide fully automated laboratory and radiological diagnostic services in a number of regions. The completion of civil works, and operation of both centres, is slated for the first half of 2020.

We have a number of other healthcare projects covering the three focus segments and are continuing to make progress on them.

Stock of bagged high quality feed produced by Novum farms, an integrated feed mill in Nasarawa State, owned by NSIA-UFF Agrifund.

Agriculture

Panda Farms/UFF-NAIC Fund

Under a Joint Venture with Old Mutual, we continued the development of a large agricultural production and processing facility, which is primarily geared to the production of poultry feed from the cultivation and milling of grain, on 1,500 hectares of farmland in Panda, Nasarawa State.

The development includes the expansion of the existing mill, and the construction of a new industrial compound and living quarters, to accommodate the management team. This will allow for an overall increase in production and for better streamlined production processes.

This will upgrade the facility's capacity to 147KMT of animal feed and 52KMT of soybeans per annum as well as processing 25,000 tonnes of maize, with a storage capacity of 75KMT, and creating jobs for more than 500 staff.

UFF-NAIC started with a small out-grower scheme in Panda this year to support and enable local communities to increase their wealth generation and contribute significantly to the local economy. This out-grower scheme will be expanded year-on-year until we reach our target of 20,000 out-grower farmers by 2022.

NSIA and UFF team conduct joint investment appraisal in Imo State.

Babban Gona

We invested US$5 million in Babban Gona, a scalable agriculture franchise that tackles multiple constraints in smallholder farming, with promising increases to farmer net incomes in an extremely poor region of Nigeria, where few interventions have managed to generate sustainable impact.

It is an end-to-end engagement with farmers that allows for robust data collection and quantification of outcomes. The significant pace of growth to date suggests an efficient and replicable model. It has enabled strong social entrepreneurship and offers an opportunity to act as a catalyst in unlocking DFI capital. Some 4,200 grassroots farmers are currently franchised.

Presidential Fertiliser Initiative (PFI)
Through our wholly owned SPV, NAIC-NPK, we continued to progress the PFI whose objective is to deliver commercially significant quantities of NPK (20:10:10) fertilizer in time to farmers at a target price of N5,500 per 50kg bag (ex-factory price of N5,000 per 50kg bag) for wet season farming. The price of NPK fertilizer was however been reduced to N5,000 per 50kg bag (ex-factory price of N4,500 per 50kg bag) as part of the palliative measure introduced by Mr. President to provide relief to Nigerian farmers on account of the COVID-19 pandemic.

Uralkali Agreement signing for Russia to supply potash to Nigeria for fertiliser production.

The project has bolstered local production of farming products, while simultaneously reviving the local fertiliser lending industry, making fertiliser available to Nigerian farmers at a reduced cost.

Overall, the project has also increased yield of food production and supply, and as such, enhanced food security.

Power

Kano Solar Project
This project is a 10MW grid-interactive solar PV plant in Kumbotso LGA of Kano State. Haske Solar Company Limited, the project vehicle, is an entity jointly owned by the Federal Government (represented by MOFI); Kano State Government (represented by KSIP) and the host local government area (Kumbotso). We act as the fund and project manager.

On completion, the project will be the largest of its kind in Nigeria, with the potential to energise between 3,000 and 5,000 households. In addition, the project has significant socio-economic positives, including job creation during the construction and operational phases. It is expected to serve as a template for the proliferation of clean, affordable and sustainable energy and will spur economic growth, since access to energy has a direct correlation to commercial and industrial activities.

The power plant is expected to be commissioned and operationalised during Q4 2021. The Authority intends to launch a 1,000MW Renewable Energy Programme that will see the development of similar scale projects across the nation.

Basic Chemicals Platform and Gas Industrialisation

Gas Flare Reduction Project
Nigeria is the sixth highest gas flare producer in the world, with some 800 million standard cubic feet (MMscf) of gas flared per day. This is gas that could otherwise be used as feedstock for gas to power projects, petrochemical plants or other industrial uses.

The Gas Flare Reduction Project, to be situated within Mobil Producing Nigeria's Qua Iboe Terminal (QIT) in Akwa Ibom, is a flare gas capturing, processing and commercialisation project in partnership with Vitol Group, the world's largest energy trader, and the International Finance Corporation (IFC), a World Bank company.

The project, and others like it, will have an enormously positive environmental impact, since it will eliminate about 15MMscf of gas flared per day at QIT. In addition, it will generate domestic cooking gas for local consumption – Nigeria has about a 9% adoption of cooking gas, which has led to wide scale deforestation. The project will further increase energy access and act as a model for almost 180 flare sites in and around the coast of Nigeria.

NSIA – OCP Basic Chemicals Platform Project
This is a strategic sovereign bilateral co-operation between the Federal Government of Nigeria and the Kingdom of Morocco, through NSIA and OCP Group, to develop a large-scale petrochemical complex in the southern region of Nigeria.

The plant, currently under development, will produce 750,000 metric tonnes per annum (MTPA) of ammonia and one million MTPA of phosphate-based fertilisers in the first phase. Completion is expected in Q4 2023.

Morocco is the world's second largest phosphate producer and one of the largest consumers of ammonia. The Platform will export about 60-70% of ammonia to the Kingdom, with the balance used in fertiliser production for domestic consumption.

The first phase of the project will attract an estimated investment of US$1.4 billion. It is expected to have a significant strategic and developmental impact on Nigeria, including:

a) Job creation: at least 300 direct jobs during the operation phase and about 20,000 direct and indirect jobs during the construction phase.
b) Bilateral trade dynamics: the project has been structured in such a way so as to help realign the trade balance between Nigeria and Morocco and, more importantly, reduce forex spending by the Federal Government.
c) Fertiliser sufficiency: it will increase access to and the use of premium fertiliser, boosting productivity and unlocking the massive potential along the agriculture value chain. The project is also a back-integration strategy that will further strengthen the PFI.
d) Gas sector development: it chimes with government policy on gas sector development and is an essential focus area of the Authority's gas industrialisation initiative. Further anticipated benefits include value creation; greater investor confidence in the gas sector; increased local expertise; and much-needed gas infrastructure development.

Education

Bridge International Academies

Bridge International Academies (BIA), an NSIA investee company, invests in the largest chain of schools serving low-income communities in Nigeria. In partnership with some state governments, BIA is invigorating and improving public schools and had more than 166,800 Nigerian students at the end of 2018. Improving Nigeria's 60% adult literacy rate is vital if the country is to meet its modernisation and growth targets.

As we have demonstrated with our commitment to BIA, even a modest investment can catalyse dramatic improvements in the education sector. By the end of 2018, we had invested 18% of NIF.

Financial Markets Infrastructure

Infrastructure Credit Guarantee Company Ltd (InfraCredit)

A specialised financial guarantor (capitalised with US$100 million), established to provide guarantees to enhance the credit quality of local currency infrastructure debt instruments. The project is a potentially transformational initiative and expected to catalyse up to US$1.2 billion in institutional capital (pension funds/insurance companies), towards the financing of infrastructure project companies.

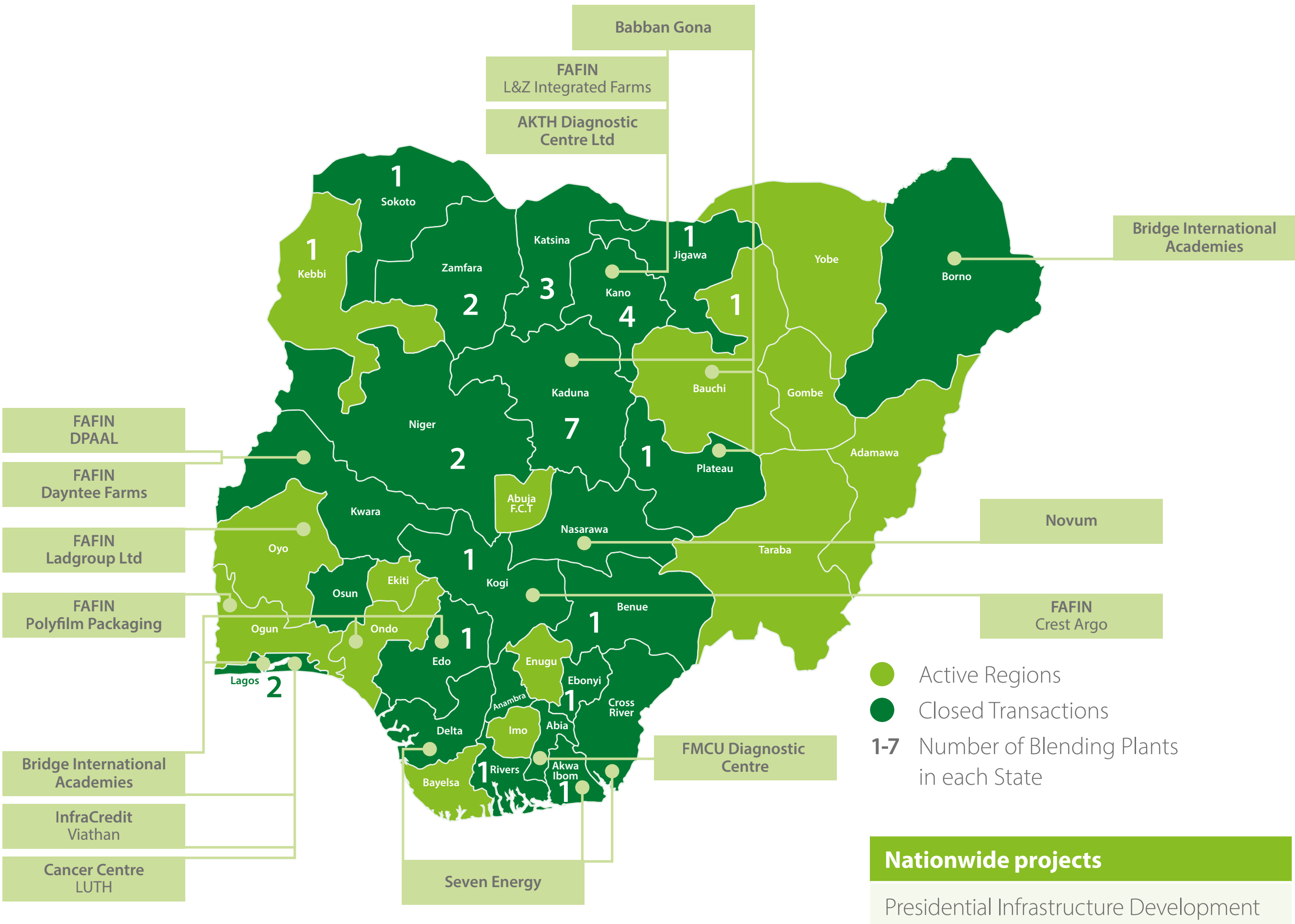
Development Bank of Nigeria (DBN)

We control a minority stake in DBN on behalf of the government. As at the end of 2019, DBN had lent more than N10 billion to micro, small and medium enterprises (MSMEs) through their preferred financial partners. Some 50,000 MSMEs have now benefited through various microfinance institutions as part of efforts to unlock access to credit in the economy.

Family Homes Funds Ltd (FHFL)

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

Geographic Impact Spread



Nationwide projects
Presidential Infrastructure Development Fund (PIDF)
Presidential Fertilizer Initiative (PFI)
Nigeria Mortgage Refinancing Company
CHD Nigeria Infrastructure Debt Fund (NIDF)
NG Clearing
MTN Nigeria

Third-Party Managed Funds

We have proven expertise in investment and fund management across the domestic and global markets.

Our investment strategies and risk management framework have preserved our capital and earned above-average returns during seven years of investing. We are building a growing portfolio of third-party funds for management, leveraging a growing reputation as a savvy investment and fund manager.

We deploy a specific and appropriate strategy for each third-party fund. Based on the individual mandate, the investment strategy is usually similar to that of the three funds into which our core capital is allocated: SF, FGF or NIF.

We offer significant capacity to successfully manage third-party funds, based on the strategies for our three core funds. As part of plans to grow total AUM, we are also actively developing projects for co-investment.

Presidential Infrastructure Development Fund (PIDF)

On 25th February 2018, His Excellency President Muhammadu Buhari (GCFR) approved the establishment of the Presidential Infrastructure Development Fund ("PIDF") to accelerate the execution of strategic infrastructure projects essential to the rapid growth and modernization of Nigeria's economy.

The Nigeria Sovereign Investment Authority ("NSIA") was appointed as PIDF's fund manager with an initial seed capital of US$650 million. In Q4, 2019, the government contributed an additional N90 billion.

The PIDF is responsible for overseeing the development of (i) Lagos-Ibadan Expressway, (ii) Second Niger Bridge Project, (iii) Abuja-Kaduna-Zaria-Kano Road, (iv) East West Road, and (v) Mambila Hydro-Power Project.

Debt Management Office (DMO)

We were appointed as investment manager for a US$200 million fund the government had earmarked for investment in gas-to-power and power-related projects in 2013. The fund was part of the proceeds of the US$1 billion Eurobond issued through the DMO by the government in July 2013. The DMO recalled US$100 million from the US$200 million it had with NSIA between 2014 and 2017. We are still actively managing the balance of the capital. Our investment policy with regards to the DMO Fund mirrors that of the NIF.

Second Niger Bridge.

Taking Steps

- Strengthening governance by ongoing review of procedures and transparency
- World-class governance practices strengthen our operational effectiveness and drive efficiencies
- The best commercial principles and philosophies underpin our governance philosophy
- We actively monitor and evaluate our Investment portfolio performance and our staff
- We are a member of the International Forum of Sovereign Wealth Funds (IFSWF) and a signatory to the Santiago Principles

Touching Lives

- Strong governance is helping build a world-class Investment Authority to secure the nation's future wealth
- Upholding world-class governance standards ensures the delivery of consistently strong performances to benefit all stakeholders
- Increasing Nigeria's reputation in World Financial Markets
- Our goal is to achieve consistent and sustainable financial, economic, social and environmental returns on investment

Corporate Governance

Our People, Culture, Diversity and Technology

The main goal of the Authority's Human Resources Unit (HRU) is to ensure that each employee absorbs our strategic objectives and institutional mandate, thereby becoming a force for change. This entails having a workforce that is well-trained, innovative and committed to our economic, social and environmental responsibilities. We recognise that embedding sustainability practices in the way we manage our employees is critical to achieving our Strategic Plan 2019 – 2023.

In 2019, the HRU built on a number of initiatives to improve existing HR systems and processes.

Offering job opportunities to internal candidates is a central plank in our job placement strategy. For specific skill sets, and the necessary expertise to meet new areas of investment, job openings are filled mainly from outside the organisation. Over time, as job opportunities are created through business expansion, our strategy will be to drive career mobility internally. This approach, while reducing hire costs, also contributes to operational stability, the retention of expertise and developing leaders who acquire experience across multiple areas of the business.

The National Youth Service Corps (NYSC) programme, and short-term internship placements, continued to contribute to our talent pool in 2019 as they provided support to Investment, Operations and ERG divisions.

We remain committed to providing equal employment opportunities (EEO) to all employees and job applicants.

Training

Employees averaged 80 training hours each during 2019, with the key capacity building areas for most being technical competencies. There was an emphasis on project financing, corporate valuation, investment portfolio management, operations and risk management, with ethics, governance and management/leadership also featuring.

With the approval of the Competency Framework, our global training calendar incorporated the skill set required for each role and the identified competency knowledge gap that training was expected to bridge or fill. The output from the training needs analysis, and 2018 Performance Management review, drove the development of the training plan and formed the basis of the 2019 training calendar.

Our M Series aims to provide support to male staff through workshops and mentoring/counselling to bridge the gaps identified. Its guiding principle is to create a comfortable environment where men can shed their facades, receive support and encouragement, interact freely and equip themselves with tools to navigate the workplace and life in general.

We launched the initiative with a four-hour workshop and a subsequent one-on-one counselling session. Individual follow-ups have continued, albeit informally.

In a similar vein, the Female Network Forum continues to educate, collaborate and engage our female staff. It is a confidential resource designed to bring NSIA women together to discuss career issues, share problems and best practices, and inspire solutions. The 2019 programme featured a number of notable women who impacted female staff through their delivery.

Training has evolved from the traditional classroom approach to virtual learning, making training more accessible and cost-effective. As part of our wider commitment to digitalisation, we have taken steps to ensure that our employees have a more engaging learning experience. We have launched the e-Learning platform LearningHub, which delivers learning in line with modern accessibility standards. This platform is accessible to all employees, regardless of location, and the courses comprise two NSIA policies and eight off-the-shelf courses.

Earning and maintaining the trust of our stakeholders, including employees, is critical. This can only be achieved by the consistency of our actions and by holding ourselves to high standards. In light of this, we have continued to ensure that our employees have the information they need to navigate the complex business environment and that they can seek advice as appropriate. While our Code of Conduct and NSIA Way attempt to articulate as much as possible the regulations around specific situations and our overall culture, the underlining principle is for employees to do what is right and proper.

NSIA employees enjoying a Karaoke Night.

In addition to our Employee Satisfaction Survey, we offer a number of other channels to enable employees to speak up on concerns that may arise during the course of their work, to report misconduct or provide scope for improvement. These channels include:

- tip-offs anonymous platform hosted by Deloitte
- one-on-one sessions with the Managing Director
- HR Open Days
- employees and managers' feedback exchange in regular conversations.

We modified the process for generating new policies (non-compensation related) and reviewing existing polices to include employee reviews.

To achieve a sustainable performance culture, our employees need to understand what is expected of them and what the Authority deems as desirable standards of delivery, behaviour and conduct. Strong and honest feedback is essential to this, which is why regular conversations between managers and employees are encouraged. Although there has been some improvement in the performance management procedure, there is still room for improvement.

Enjoying a game of pool at NSIA social event.

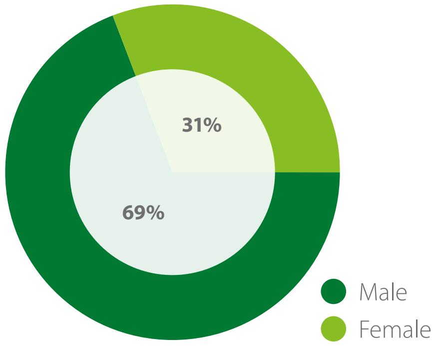
We reviewed the Performance Management Manual during the year. With its implementation during 2020, the expectation is for an evolution towards total performance, which will integrate consequence management and all other relevant policies such as 360 Degrees Feedback, into the evaluation process. This will provide transparency on how employees' performance, behaviour and conduct can either result in positive outcomes, or fall below expected standards. More work needs to be done, particularly with regard to embedding the importance of expectation setting and regular feedback in the conversations between managers and employees.

A fair, transparent and sustainable approach to employee remuneration is crucial. Our compensation framework aims to promote and reward sustainable performance and contributions at all levels of the organisation.

All eligible employees were promoted. Simultaneously, performance bonuses were paid to employees based on performance ratings obtained in the 2018 review.

Employee Paint Program, developing skills and promoting wellbeing.

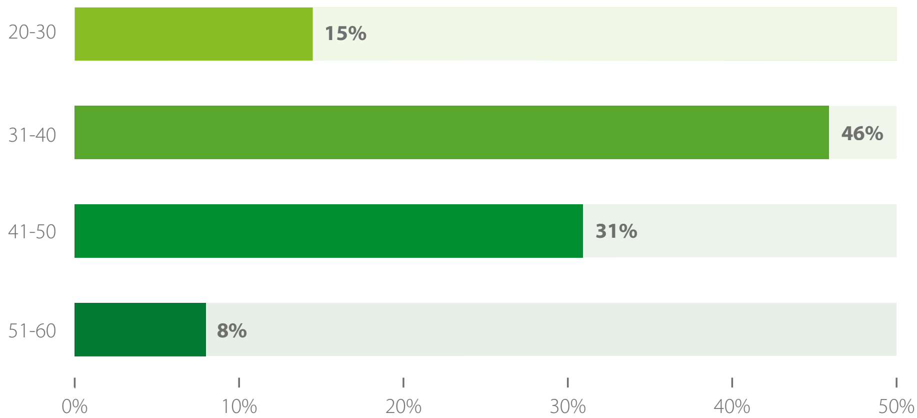
Ratio Of Male To Female Employees



An improved gender balance at the close of 2019.

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

Age Profile Of Employees



Wellbeing

Our employees are the Authority's most important resource. We rely on them to help us shape our future. For our people to stay healthy and engaged, perform well and thrive in their professional and personal lives, we attempt to provide a comprehensive offering. This focuses on improving employees' financial, social, mental and physical wellbeing.

Financial Wellbeing

In addition to competitive compensation, we support employees in the area of wealth creation in the following ways:

- paying housing allowance upfront
- structuring a few other payroll lines as lump sums, based on grade
- employer pension contributions
- financial literacy
- facilitating access to loans from financial institutions

Social Wellbeing

We provide benefits to help our employees manage professional and personal commitments and achieve a work-life balance. In 2019, three male employees went on paternity leave of seven working days each to support their nursing wives.

Physical and Mental Wellness

We believe that we can make a positive contribution to the good health of our people and, with rising demands in the workplace, we place great emphasis on their wellbeing. We have increased the medical insurance premium so that our staff can access the best available medical care in Abuja and Lagos. We engage and encourage staff to go for annual and regular medical checks.

Although the Authority has signed on to the best health management organisations (HMOs) available in Abuja, there are still gaps in the services, given employees' varied life cycles. We also offer gym and club membership. The plan in 2020 is not only to encourage healthy living, but also to monitor the usage of these memberships.

We joined the rest of the world to mark World Mental Health Day. The Authority helped raise awareness of mental health in the workplace by inviting a specialist to speak on preventive health measures, with emphasis on workplace triggers and mitigation.

Men's Hang Out Program, giving a voice to employees.

Safety at Work

We are committed to promoting accident prevention and providing safe places to work and conduct business for our employees, clients and other visitors. We believe that, by integrating sound environmental, health and safety practices into our day-to-day business, we will not only contribute to improving productivity in the workplace, but also help comply with applicable health and safety regulations. In addition to routine fire drills conducted by the Federal Fire Service Commission and incident reporting, we invited an accredited IRCA ISO 45001 lead auditor and experienced health and safety consultant to give our staff a training session on managing health and safety in the workplace.

We also provided certification training for two out of our four fire wardens.

Diversity and Inclusion

An Inclusive Work Environment

The Authority is committed to an inclusive culture that respects and embraces the diversity of our employees. We aim to attract, develop and retain the best people from all cultures, ethnicities, genders, abilities, beliefs, backgrounds and experiences. This philosophy not only help us prepare for opportunities and challenges arising from changing demographics and digitalisation, it also facilitates compliance with the Federal Character Commission. A lot of effort has gone into improving the equal representation of employees from the six geopolitical zones in Nigeria.

Gender Diversity

We maintained our drive to increase the number of women in the workplace. While women's representation still falls short of the desired levels, we will strive to create a reasonable gender balance in the workforce, since this has been proven to drive better business results.

We actively monitor the careers of our female staff. Mentoring support is provided through Female Network workshops, one-on-one mentoring and other channels to help them navigate career obstacles. The female cluster has remained relatively stable, with only three exits during the year out of a total of eight resignations from the Authority.

Female Network workshops encouraging Gender Diversity.

Workplace across Generations

Our employees span three generations. We work to recognise their different needs and to create opportunities that harness the benefits of different generational perspectives.

To cater for our diverse generational mix, we have devised a number of programmes:

- multi-pronged approach to learning
- providing a platform for creative expression, such as painting nights
- bonding activities including karaoke and bowling
- fitness activities – bringing fitness instructors to encourage all round physical wellness.

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

NSIA continually invests in information technology to ensure operational excellence.

Technology

Technology adoption is critical to our corporate and investment strategies. We look for ways to evolve and use technology to fuel the growth of investment opportunities, create operational efficiencies and accelerate innovation. We continue to leverage digital technology to meet our short and long-term objectives, applying IT solutions in the areas of process improvement, security (cybersecurity, Information security and asset security) and business continuity.

The Enterprise Resource Planning (ERP) system in which we invested in 2018 was largely completed by mid-year and has helped to automate and improve cross-function collaboration among different business units – notably Finance, Human Resources and Administration. We hope to harness the investment module to manage our ever-growing portfolio of investments in infrastructure projects.

We maintain a high level of security and a safe and conducive working environment. All aspects of security are treated as priority. KPMG conducted a Vulnerability Assessment and Penetration Test to provide an independent assessment of our IT security infrastructure. Humans are usually the weakest link in the security infrastructure chain, so we organised cybersecurity awareness training for all staff to ensure that they are kept abreast of cybersecurity threats. With the growing incidence of Business Email Compromise (BEC), we deployed advanced email protection solutions to detect, prevent and block email threats.

To prevent business disruption in an event of an unforeseen disruption or disaster, the disaster recovery site was tested in line with our Business Continuity Plan.

Governance

Corporate Governance

Strict adherence to Corporate Governance best practice has been the bedrock of our operations from the inception of the Authority and has resulted in the delivery of consistently strong performances to benefit our stakeholders.

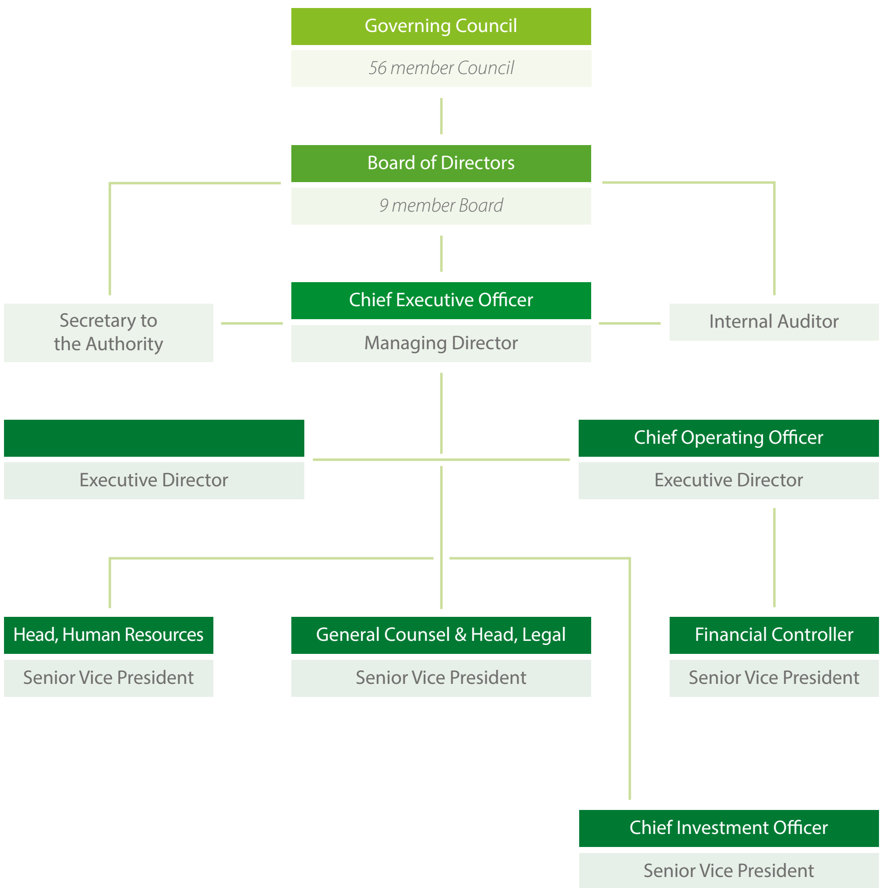
We uphold world-class standards in all aspects of corporate governance, including Board oversight, risk management and adherence to strict operational guidelines. We actively monitor and evaluate the performances of our investment portfolios and people, our overall objective being to achieve consistent and sustainable financial, economic, social and environmental returns on investment.

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

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

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

Figure 3.2 depicts the governance structure of NSIA



Code of Corporate Governance

We periodically review our Code of Corporate Governance to ensure it is aligned with global best practice. Complementary to the Code, we promote our core values among employees using the following channels:

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

The Communications Policy and Staff Handbook regulate employee relations with internal and external parties. This is a strong indicator of our determination to ensure that our employees remain professional in their business practices at all times. We also have an entrenched culture of openness, in which we actively encourage healthy discourse and mandate employees to report improper activities.

Governance Framework

We enforce a robust and stringent governance framework that enables the Board to effectively discharge its oversight functions, while providing strategic direction to Management. Additionally, the Board is responsible for ensuring and maintaining high standards of corporate governance throughout the Authority and its subsidiaries. The Board recognises that effective corporate governance is key to achieving the Authority's statutory mandate and to meeting the spirit of this mandate. In this regard, our Board of Directors' Charter sets out the roles and procedures of the Board and its Committees. The various Committees also have charters guiding their individual activities.

We uphold world-class standards in all aspects of corporate governance, including Board oversight, risk management and adherence to strict operational guidelines

Our corporate governance policies and practices continually evolve in line with the realities of the environment, but always in keeping with the dictates of the mandate. We periodically review the policies to ensure alignment with global best practice and accordance with Nigerian laws.

Governing Council

The Governing Council is our advisory body and counsels the Board of Directors. The Council consists of:

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

The Council is responsible for raising questions on our operations and performance, obtaining clarification and offering the Board guidance and counsel, while observing the Board's and management's independence, as necessary.

Board of Directors

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

The Board adheres strictly to corporate governance practices that ensure we delivers on our mandate. With the dynamism of the operating environment, it is only the adoption of carefully formulated policies that can lead to profitability and growth. This consideration has guided the Board since its tenure and the results have been gratifying and sustainable. There is every effort to ensure that a proper mix of resources, skills and institutional memory are deployed to deliver consistent and world-class results.

In addition to the Board's direct supervisory role, the Board exercises its oversight responsibilities through four committees: Externally Managed Investments Committee; Direct Investments Committee; Audit and Finance Committee; and Compensation and Governance Committee.

The Board committees play a pivotal role in our smooth operation and success, working with management to ensure that we are efficient, performance-driven and financially stable. The committees further ensure that interactive dialogue is employed in the process of setting broad policy guidelines that drive proper management and establish our overall direction.

The Board and its committees meet quarterly, while additional meetings are convened as and when required. Material decisions may be taken between meetings by way of written resolutions. The Board held 6 board meetings during the financial year ended 31 December 2019.

Board Retreat.

NSIA Board members visit Kano Diagnostic Centre.

Board Responsibilities

The Board is responsible for setting out our strategic objectives and policies. In discharging this, the Board aims to balance our short-term needs against the long-term objectives set out in our mandate. The objective is to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives, and controls.

To help the Board discharge these responsibilities, it delegates its key functions to various sub-committees, which comprise members with specialist skills and knowledge. The sub-committees assist the Board to take a granular look into relevant subjects and subsequently to advise the Board for better and faster decision-making procedures.

This is possible because of the multi-disciplinary nature of our Board members, who individually bring their vast knowledge, experience and contacts to bear on the decision-making process. By so doing, the Board not only complies with its mandate, but also runs an Authority that is profitable, robust and relevant to the national objectives.

NSIA visit to Aminu Kano Teaching Hospital.

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

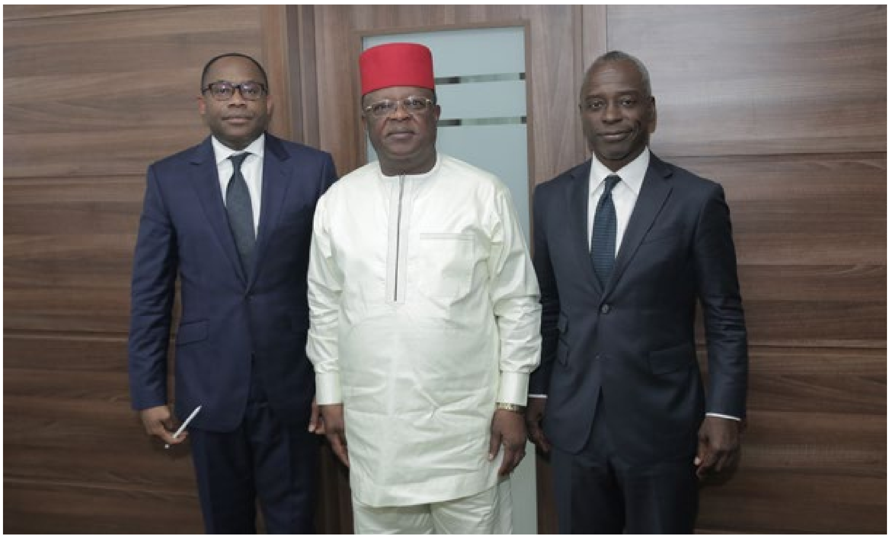
The Board is also responsible for setting out the structure of our Board and its subsidiaries. It decides on the succession plans for our senior management, the remuneration policy and incentive packages for staff and approving the Board Performance Evaluation process. Other responsibilities include establishing our corporate governance framework, reviewing the performance of our Managing and Executive Directors and approving policy documents on significant issues, covering enterprise-wide risk management;

investments; finance; human resources; communications; and corporate governance. It is also the Board's responsibility to review Group performance, matters of strategic concern and any other area of importance.

Roles of the Chairman and Chief Executive

In keeping with best practice, the roles of Chairman and Chief Executive are separate and held by different individuals. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Further responsibilities include ensuring that Directors receive accurate, timely and clear information to assist the Board in making informed decisions and providing accurate advice that will boost our success. The Chairman also helps build effective relationships and open communications between the Executive on the one hand and the Non-executive Directors on the other.

The Board has delegated the responsibility for our day-to-day management to the Managing Director and Chief Executive Officer, who is supported by two Executive Directors. The Managing Director exercises his statutory powers according to the guidelines approved by our Board. Executive Management reports to the Board for the purpose of developing and implementing the Authority's strategies and policies.



HE. Dave Umahi, Gov of Ebonyi State with Mr. Jide Zeitlin, Chair NSIA and Mr. Uche Orji, MD & CEO, NSIA during a courtesy visit to the Authority.

HE. Abdullahi Umar Ganduje, Gov. Kano State with the Board and Management of the NSIA during a courtesy visit to Kano State.

Board of Directors

Members of the Board of Directors

The NSIA (Establishment etc.) Act 2011 stipulates the appointment of nine Directors, three of whom are to be Executive Directors. Specifically, the Board consists of a Non-Executive Chairman, three Executive Directors (Managing Director and Chief Executive Officer and two other Executive Directors) and five Non-executive Directors.

Our Board members bring a diverse range of skills and competencies from a broad spectrum of relevant backgrounds. The members are:

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

This team of exceptional professionals, with proven credentials and globally-tested market experience, constitutes the highest decision-making body responsible for the Authority's governance and policy.

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

Mr Jide Zeitlin
Chairman, Board of Directors

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

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

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

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

Before his appointment as the Chairman of the Board, he was a member of the Authority's Board and chaired the Investment Committee.

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

Mr Uche Orji
Managing Director and Chief Executive Officer

Mr Uche Orji is the Managing Director and Chief Executive Officer and brings to the Board three decades of global experience in banking, asset management and financial services.

In addition to his role as MD and CEO, he serves on the Boards of the Infrastructure Credit Guarantee Company Ltd (InfraCredit) as Chairman and Non-executive Director at the Development Bank of Nigeria (DBN), Family Homes Funds Ltd (FHFL), NG Clearing Ltd and Nigeria Mortgage Refinance Company (NMRC).

Over the years, he has worked in various organisations including: UBS Securities, New York, where he was a Managing Director and Global Coordinator of Semiconductor Equities Research; JP Morgan Securities, London, where he was a Vice President and later Managing Director in the Equities Division and Analyst in charge of European Semiconductor Equities Research; Goldman Sachs Asset Management where he was an Executive Director serving as Analyst/Portfolio Manager covering the chemicals and telecommunication equipment sectors, as well as co-manager of Global Technology Fund and pan-European equities fund. Before his international work experience, he served as the Acting Financial Controller at Diamond Bank Plc (now part of Access Bank Plc), Nigeria, and started his career in the audit group of Arthur Andersen & Co. He completed his National Youth Service in Bauchi, where he worked at the Nigeria Industrial Development Bank, NIDB (now Bank of Industry).

As an analyst, he advised leading global asset managers, ranking #1 in Europe and top 3 in the United States, according to Institutional Investor magazine's All-Equities Analyst Ranking. As part of his sector coverage, he provided strategic advice to the management of leading companies such as Intel Electronics, Nvidia, ASML, Philips Electronics, AMD and Texas Instruments; and, as global coordinator, covered global companies such as Samsung Electronics, Toshiba, Nikon, Canon and Hynix.

He has authored or co-authored hundreds of research papers covering the semiconductor sector, as well as the broader technology investment sectors, and was a regular commentator on the technology sector in all major news media.

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

Mrs Stella Ojekwe-Onyejeli
Executive Director and Chief Operating Officer

Mrs Ojekwe-Onyejeli brings more than 25 years of financial advisory, controls, governance and risk management experience to the Board. Before the realignment of her portfolio for the Chief Operating Officer's role, and reappointment for a second term by the President of Nigeria, she served as NSIA's Executive Director and Chief Risk Officer from 2012 to 2017.

She joined the Authority in October 2012, following a distinguished tenure as Director and Head of Operational Risk and Control at Barclays, where she covered 15 countries spanning Africa, Middle East and Asia. She was previously a Vice President and Head of Quality Assurance, Africa, at Citibank, with direct oversight of the enterprise risk and control environment in 14 countries throughout Africa. She previously spent more than a decade at professional services firms Arthur Andersen and KPMG in Nigeria and South Africa, providing financial advisory and business assurance services.

Mrs Ojekwe-Onyejeli is a qualified Chartered Financial and Tax Accountant as well as a scholar of the Federal Government of Nigeria and Institute of Chartered Accountants of Nigeria prize winner. She holds a first degree in Chemistry from the University of Lagos, a Master's in Business Administration from Cranfield School of Management, United Kingdom and is also a Fellow of the Institute of Chartered Accountants of Nigeria.

In addition to serving on the Board, she also serves on the Boards of Infrastructure Credit Guarantee Company Limited, Bridge International Academies Ltd and Verod Capital Fund I (Advisory)

Mr Aminu Umar-Sadiq
Executive Director

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

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

He previously worked in mergers and acquisitions at Morgan Stanley, focused on the energy and utilities sectors. He also worked with Denham Capital Management, an oil and gas, mining and power-focused private equity fund.

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

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

Ms Halima Buba
Non-Executive Director

Ms Halima Buba is a financial services expert with experience spanning diverse functions in banking She is currently the Managing Director and Chief Executive Officer of Sun Trust Bank Limited.

Before her appointment at SunTrust Bank, she was an Executive Director in the Taj Consortium, an organisation of dynamic technocrats and financial advisory experts. In addition, she sits on the board of several reputable institutions, including Anchoria Asset Management Company Ltd – a leading provider of high-value investment products and services to individual and institutional investors – as a Non-executive Director. She served on the Board of Adamawa Homes and Savings between 2009 and 2014.

She started her banking career with All States Trust Bank before joining Zenith Bank Limited in 2002. She then joined Inland Bank PLC, public sector Group Abuja and continued on to Oceanic Bank in 2005. In 2011, she was a member of the senior integration team that masterminded the acquisition of Oceanic Bank by Ecobank in 2012. She later rose to the position of Deputy General Manager (DGM) for FCT and the North. She resigned from Ecobank in 2016 to take on the challenge of testing her entrepreneurial prowess in the world of business.

A champion of youth and women's empowerment, she consistently supports causes and extends philanthropy towards girls' education via various platforms and non-governmental organisations.

She graduated from the University of Maiduguri, Borno State, Nigeria, where she obtained both her Bachelor of Science (BSc) and subsequently Master of Business Administration (MBA) degrees. She is also an alumnus of Lagos Business School (LBS), a Fellow of the Institute of Management Consultants (IMC) and an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (CIBN).

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

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

He joined the Board of First Bank Plc, an FBN Holdings Company, in 2011 as Executive Director, Public Sector South. Before this, he was Executive Director, Regional Businesses, Lagos and West at Diamond Bank Plc. He previously worked at Deloitte Haskins & Sells International. He has more than 35 years' experience in financial services covering auditing, consulting, taxation, process re-engineering and capital market operations.

He is a Fellow of the Chartered Institute of Bankers of Nigeria (CIBN), the Institute of Management Consultants (IMC), Institute of Directors (IoD) and Institute of Chartered Accountants of Nigeria (ICAN).

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

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

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

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

His core areas of practice are corporate and project finance, securities and capital markets, energy and natural resources, mergers and acquisitions and banking and securitisation. He is the Chairman of Sterling Bank Plc and Dangote Flour Mills Plc. He also serves on the Boards of Ensure Assurance Company Plc, Okomu Oil Palm Company Plc, CardinalStone Partners Limited, Global Mix Limited, Mainstreet Technologies Limited, Christopher Kolade Foundation and Fate Foundation.

He obtained a degree in Economics from the University of Ibadan in 1981, a Law degree from the London School of Economics and Political Science in 1984 and was called to the Nigerian Bar in July 1985.

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

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

Mr Maccido is an accomplished corporate and investment banker with more than 31 years' post graduate experience, 26 of them in the financial services industry.

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

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

He has served on the Boards of FBN Holdings Plc, First Bank of Nigeria Plc and Legacy Pension Manager Limited. He is currently the Chairman of FBNQuest Merchant Bank Ltd, the investment banking arm of FBN Group.

He is a Fellow of both the Chartered Institute of Stockbrokers (CIS) and the Chartered Institute of Bankers of Nigeria (CIBN). He holds a law degree (LLB), and two MBAs from Ahmadu Bello University, Zaria and Wayne State University, USA respectively.

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

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

Ms Lois Machunga-Disu is a petroleum energy economist and analyst with more than 30 years' oil and gas industry experience. She is CEO of JALZ Energy, an oil and gas consulting and technical services provider.

She worked for 21 years at the Nigerian National Petroleum Corporation (NNPC), where she held senior management positions in exploration and production (E&P), joint-interest management with major international oil companies (IOCs) and was involved in the management of large-scale engineering development projects.

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

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

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

Board Committees

Externally Managed Investments Committee:

The Committee assists the Board in fulfilling its oversight responsibility for our externally-managed and overseas investment processes, and strategies and policies that apply to the assets under the Stabilisation Fund (SF) and Future Generations Fund (FGF). Its members are:

i) Urum K. Eke, MFR (Chair)
ii) Halima Buba
iii) Asue Ighodalo

Direct Investments Committee

The Committee assists the Board in overseeing policies, strategies and the implementation framework for domestic infrastructure investment in the Nigeria Infrastructure Fund (NIF). Its members are:

i) Bello Maccido (Chair)
ii) Lois Machunga-Disu
iii) Asue Ighodalo

Audit and Finance Committee

The Committee assists the Board in fulfilling its oversight responsibilities in respect of our internal controls environment, applicable laws and regulations and general compliance with internal policies and procedures. It also supports the Board in overseeing the programmes covering accounting and financial reporting policies and practices; operational risk and compliance; and operational and administrative functions. The Committee also acts as the Authority's Tenders Board. Its members are:

i) Lois Machunga-Disu (Chair)
ii) Urum K. Eke, MFR
iii) Halima Buba

Compensation & Governance Committee

The Committee assists the Board in fulfilling its oversight responsibility of setting policies covering employee issues and compensation that are consistent with our long-term objectives. The Committee's oversight also extends to Governance and Nominations responsibilities. Its members are:

i) Asue Ighodalo (Chair)
ii) Halima Buba
iii) Bello Maccido

Board Appraisal

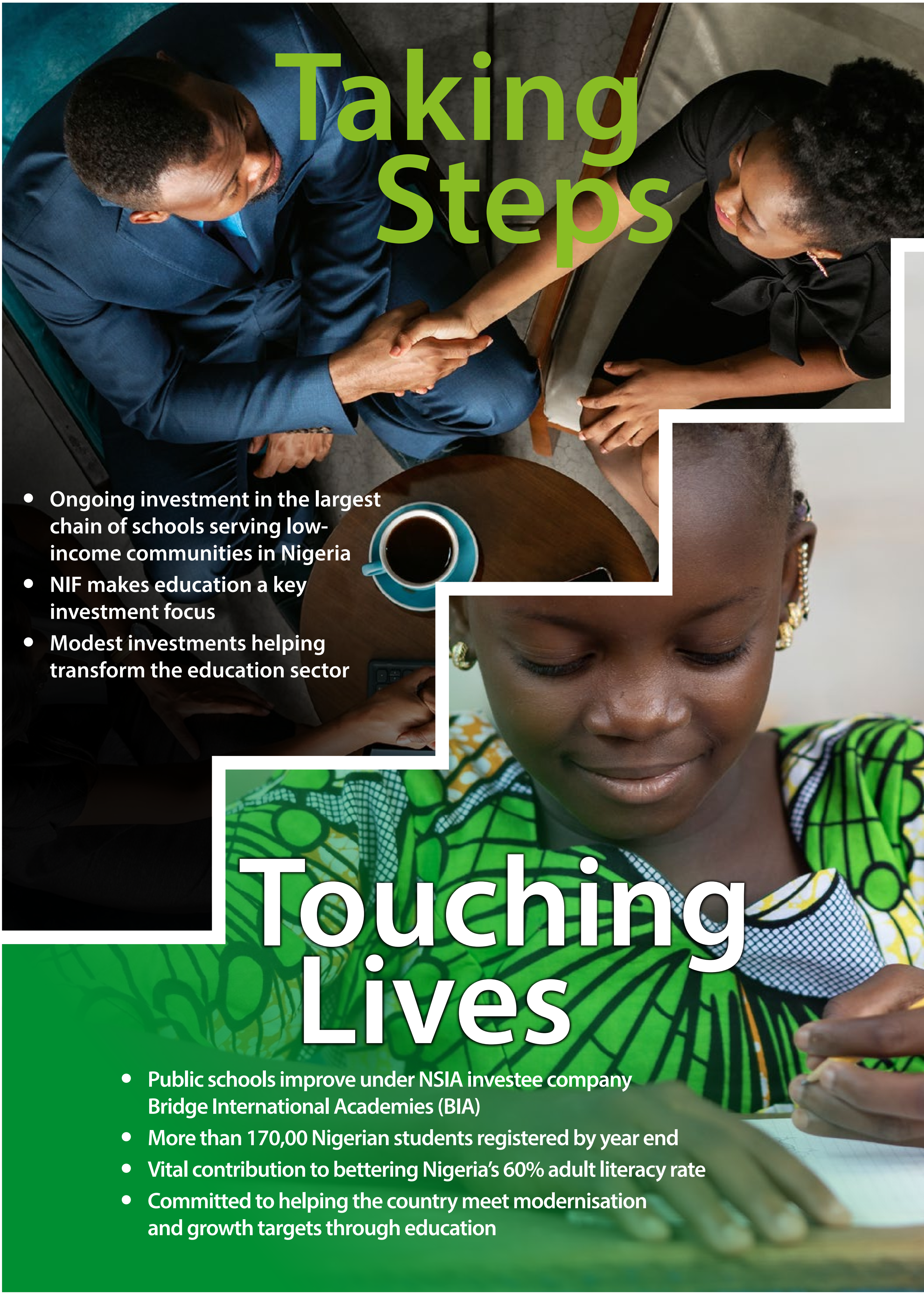
Consistent with its commitment to best corporate governance practice, the Board engaged an independent KPMG consultant to carry out a Board appraisal, which covered all aspects of the Board's structure, including Board Committee effectiveness, Board processes, succession planning and risk management, among others.

2019 Board Meeting Attendance Schedule

✓ Present x Absent

Name	23 November	12 September	11 June	21 April	29-30 March	27 February
Jide Zeitlin	✓	x	✓	✓	✓	✓
Uche Orji	✓	✓	✓	✓	✓	✓
Stella Ojekwe-Onyejeli	✓	✓	✓	✓	✓	✓
Aminu Umar-Sadiq	✓	✓	✓	✓	✓	✓
Halima Buba	✓	✓	✓	✓	✓	✓
UK Eke MFR	✓	✓	✓	✓	✓	✓
Asue Ighodalo	✓	✓	✓	✓	✓	✓
Bello Maccido	✓	✓	✓	✓	✓	✓
Lois Machunga-Disu	✓	x	✓	✓	✓	✓

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

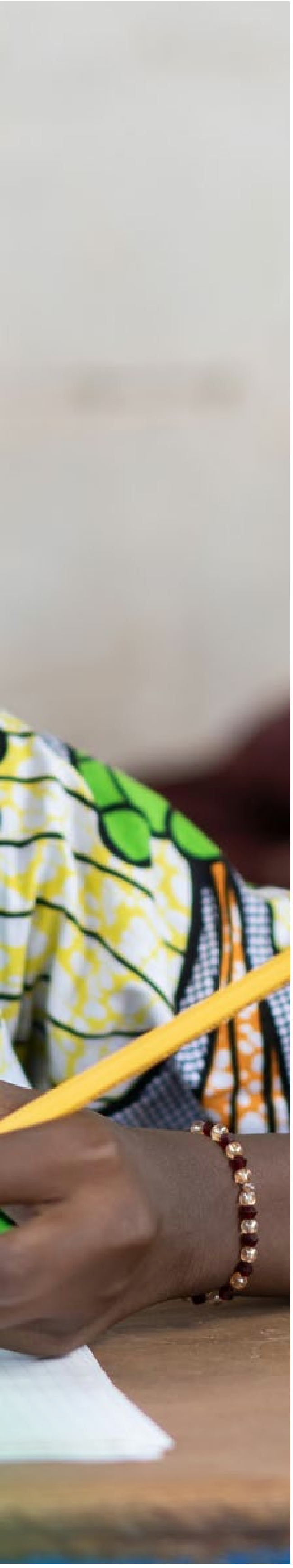


Taking Steps

- Ongoing investment in the largest chain of schools serving low-income communities in Nigeria
- NIF makes education a key investment focus
- Modest investments helping transform the education sector

Touching Lives

- Public schools improve under NSIA investee company Bridge International Academies (BIA)
- More than 170,00 Nigerian students registered by year end
- Vital contribution to bettering Nigeria's 60% adult literacy rate
- Committed to helping the country meet modernisation and growth targets through education



Risk Management
Risk Overview

Developments in Global Risks

The WEF 2019 survey of nearly 1,000 global experts and decision-makers from the public and private sectors, academia and civil society assessed the risks facing the world. In its report, nine out of 10 respondents expected a worsening of economic and political confrontations between major powers. The report further emphasised that geopolitical and geo-economic tensions among the world's major powers will continue to rise, with these tensions currently viewed as the most urgent global risk.

The IMF reported that the global economy grew by 2.9% in 2019, some way short of its January forecast of 3.5%, and followed a number of downward revisions during the year. The 2.9% growth rate represented the slowest growth since the global financial crisis of 2008. The IMF report suggested that the 2019 global slowdown reflected a trend that threatens fundamental change to the existing economic interconnectedness of countries, as well as country-specific factors.

Specifically, 2019 saw an escalation of the China-US trade tensions that prompted the US Administration to set tariffs and impose other trade barriers on China, to force it to change trade practices that include a steadily-growing trade deficit between the two superpowers; alleged intellectual property theft; and joint ventures that force foreign companies to transfer technology and give Chinese companies illicit access to American technology.

China responded by accusing the US of engaging in protectionism and retaliated with its own suite of tariffs. In September, previously declared American and Chinese tariffs took effect, with China imposing between 5% and 10% tariffs on one-third of all goods imported from America and scheduling tariffs on the remaining two-thirds by year end. The US responded by introducing new 15% tariffs, with effect from October, on more than two-thirds of consumer goods imported from China.

This trade war has not only negatively impacted the US economy through higher consumer prices and a volatile stock market, it has contributed to a slowdown in the rate of economic and industrial output growth in China. It also resulted in a managed devaluation of China's currency, the ultimate aim being to lower the price of Chinese exports, gain competitive advantage in international markets and make China's imports more expensive - to stimulate production of domestic substitutes.

In other countries, particularly the EU, retaliatory tariff wars with the US have resulted in economic damage and an unstable stock market that has slowed further investment. In October, the WTO ruled that the US could impose tariffs on billions of dollars' worth of EU goods, ranging from agricultural products to aircraft, imported into the United States. This marked the culmination of trade tensions between the US and the EU over illegal subsidies – worth billions of dollars to aircraft makers Airbus and Boeing – that have been simmering for years.

The US subsequently imposed tariffs on EU imports, including 10% tariffs on aircraft imported from France, Germany, Spain and the UK, 25% duties on single-malt Irish and Scotch whiskies and various textiles from the UK. The same rate was also imposed on food, consumer goods, tools and machinery from Germany, Spain, the UK and elsewhere.

Since the WTO dispute settlement system had found both the EU and US at fault for continuing to provide unlawful subsidies to their aircraft manufacturers, it is expected that the WTO will in 2020 grant equal rights to the EU to impose countermeasures against the US, as a result of that country's continued failure to comply with WTO rules.

After the WTO US verdict, the EU Trade Commissioner was quoted on the EU website as saying that: "The mutual imposition of countermeasures, however, would only inflict damage on businesses and citizens on both sides of the Atlantic, and harm global trade and the broader aviation industry at a sensitive time." It is predicted that the continuing trade tensions may push weaker economies, most notably in the European Union, Asia, Middle East and Africa, into recession. A recession, in turn, will likely renew economic and political tensions among EU member states.

In October, the UK and EU reached agreement on the conditions for the UK's departure from the EU (Brexit) and on a transition period until 31 December 2020. The agreement covered the rights of EU citizens and British nationals in the UK and EU respectively; the amount the UK will contribute to the EU budget (and for how long); and the border between Ireland and Northern Ireland.

Since the UK's June 2016 referendum decision to leave the European Union, the Brexit transition has been a major source of uncertainty for many UK businesses and has led to a significant reduction in new UK investments. It is expected that Brexit will further reduce future UK productivity, reduce sales and increase costs.

The WEF 2019 survey of nearly 1,000 global experts and decision-makers emphasised that geopolitical and geo-economic tensions among the world's major powers will continue to rise, with these tensions currently viewed as the most urgent global risk.

MD & CEO Uche Orji at SWF High Level Meeting organised by the Wilson Centre..

According to a survey published by the Depository Trust & Clearing Corporation (DTCC) in December, geopolitical risks and trade tensions were ranked as the greatest threat to global financial stability as we enter 2020. This is the first time in the survey's seven-year history that cyber risk had been surpassed as the top risk.

The story for Sub-Saharan Africa was, however, not as dire. With a population of more than 1.2 billion and African regional trade that is less stringent than those of more developed economies, the World Bank reported that the continent had created an entirely new development path for itself by harnessing the potential of its resources and people to record economic growth of 2.4% in 2019.

The slowdown in global growth was also driven by lower growth in several key emerging markets, including Brazil, India, Mexico, and Russia. A currency crisis; political turbulence; inflation that has continually hovered above 50% (Argentina); geopolitical risks stemming from ongoing clashes as a result of global shipping exercising its right to navigate the Strait of Hormuz (Iran); civil strife in Libya, Yemen and Venezuela; and numerous other examples, provide a stark summary of the year.

Nigeria Risk Environment in 2019

At year end, the World Bank estimated Nigeria's population at more than 200 million, with the IMF also predicting 2% in the country's growth rate for 2019. The actual growth rate, however, was marginally better at 2.2%. Improved security and calm in the otherwise restive oil-producing communities in Nigeria's South-South geopolitical zone; the country's ability to maintain budgeted production targets of up to 2.3 million barrels of crude oil per day (2018: daily average was 2.1 million barrels); and sales that averaged more than the US$60 per barrel budget benchmark price all contributed.

The economy, however, continues to be highly vulnerable to fluctuations in crude oil prices. Nigeria depends on crude oil for more than 65% of its fiscal revenue and more than 90% of its foreign exchange earnings.

The most significant risks facing the Nigerian domestic environment throughout the year were geopolitical and economic risk. The perception of geopolitical risk was fuelled by several factors, including continuing terrorist attacks by Boko Haram and related terrorist groups across north-east Nigeria and our northern neighbours: Niger, Cameroon, and Chad; banning and classifying the Shiite Muslim group as a terrorist organisation after multiple clashes with security agencies during the year; and inter-tribal/ethnic conflicts and religiously-tainted communal clashes with regional implications.

In August, the government closed its land borders in response to the smuggling of prohibited food items, petroleum products, arms and ammunition and other contraband goods.

On economic risk, the National Bureau of Statistics reported that inflation, as measured by the Consumer Price Index, was in double digits throughout the year. After hitting 11.02% in August, the inflation rate continued to deteriorate, ending the year at 11.98%. As the CBN continued efforts to defend the value of the naira by regular interventions in the foreign exchange markets, the nation's foreign reserves had dropped from US$43.07 billion in January to US$38.61 billion by the end of December.

The drop in FDI flows into the country exacerbated a corresponding drop in foreign reserves. According to the UNCTAD 2020 World Investment Report, FDI flows to Nigeria totalled US$3.3 billion in 2019, a 48.5% decrease on the US$6.4 billion achieved in 2018. The report attributed the decline to a slowdown in investment in the oil and gas industry.

The Nigerian Stock Exchange All-Share Index ended 2019 14.6% down, representing the second straight year of losses (2018: -17.81%). Indeed, the All-Share index was negative at each month end, except February, as both local and foreign investors waited on the side lines pending the outcome of the 2019 general elections and attendant legal challenges, as well as general global geopolitical uncertainty.

The Economy and NSIA in 2019

The 2019 general elections saw the re-election of the incumbent President Muhammadu Buhari, who defeated his closest rival with about 56% and more than three million of the votes cast. The president was issued a Certificate of Return and sworn-in in May. The Presidential Elections Tribunal and the Supreme Court later dismissed the challenge filed by the opposition candidate, who had disputed the election result.

During this period, we continued to make progress on critical healthcare infrastructure projects, including the Cancer Centre (now operational) at Lagos University Teaching Hospital, completing the Advanced Diagnostic Centre in the Aminu Kano University Teaching Hospital and concluding civil and construction works at the Advanced Diagnostic Centre at the Federal Medical Centre in Umuahia.

In agriculture, 6.5 million 50kg bags of NPK 20:10:10 fertiliser were delivered and the number of accredited participating blending plants increased from 18 at end 2018 to 31 plants by the end 2019, creating jobs across the agriculture value chain: in logistics, ports, bagging, rail, industrial warehousing and haulage touchpoints.

Turning to roads, some N181.9 billion was deployed across all three road and bridge construction projects under the Presidential Infrastructure Development Project (PIDF): Second Niger Bridge, Lagos-Ibadan Expressway and Abuja-Zaria-Kaduna-Kano Road.

In July, OPEC granted Nigeria a higher oil output target, rising from 1.685m barrels per day (bpd) to 1.774m barrels bpd. Although Nigeria's total production capacity reached 2.3m pbd, it did not exceed the OPEC production quota during the year.

NNPC noted that OPEC quotas only applied to crude oil production and not condensate. As a result, the country continues to shift its upstream work towards natural gas liquids to better comply with its crude production quota under the OPEC agreement, and to increase its total production to up to 2.3m bpd, while complying with the quota set by OPEC.

In November, the NEC approved an additional investment of US$250 million into the Authority, further reaffirming the nation's confidence in our prudent investment of the funds under our management during these austere times.

As Nigeria remains exposed to the vagaries of the international crude oil market, it is important to note that the nation could still experience volatility in oil revenues and slower accretion to its foreign reserves. An OPEC or non-OPEC country could go on a crude oil production spree that ignores agreed production quotas intended to keep oil prices at reasonable levels. Domestically, the scenario could also change for the worse if attacks on crude oil infrastructure in the Niger Delta resume in 2020, or if the oil majors that produce the crude oil, or import the refined crude, were to declare an industrial dispute.

We continued to make progress on critical healthcare infrastructure projects, including the Cancer Centre (now operational) at Lagos University Teaching Hospital, completing the Advanced Diagnostic Centre in the Aminu Kano University Teaching Hospital and concluding civil and construction works at the Advanced Diagnostic Centre at the Federal Medical Centre in Umuahia.

Risk Management
We believe that a sound risk management system is the foundation for building a vibrant and viable institution.

Risk Management Approach

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

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

Risk Management Objectives

Our risk management objectives are to:

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

Risk Management Governance Structure

Our approach to risk governance balances the demands for growth, control and transparency while supporting our objectives with an efficient decision-making process. Risk management governance starts with our Board, which plays an important role in reviewing and approving risk management policies and practices.

Risk management processes are embedded within the business. Executive management regularly advises Board Committees about relevant risk metrics and material exposures within their scope of oversight which, in turn, is shared with the Board of Directors as appropriate. Details regarding the composition and main responsibilities of our Board of Directors and the Board Committees regarding risk management oversight are contained in the respective charters.

Three Lines of Defence

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

First Line of Defence: Fund Managers

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

Second Line of Defence: Risk Management and Compliance Functions

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

Third Line of Defence: Internal Audit

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

Risk Appetite

Our risk appetite, articulated by the Board, expresses the level of risk we are willing to accept or tolerate in the achievement of our strategic objectives. It is set at a level that minimises the erosion of earnings, or fund value, as a result of avoidable losses in our 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 required.

Risk Universe

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

Figure 4.1: Risk Management Universe

Figure 4.1: Risk Management Universe

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

Investment Risk

Investment Risk Management encompasses assessing, monitoring and managing investment risk at the Authority. The investment risk management portfolio covers: market risk, credit risk, portfolio risk, liquidity risk and infrastructure risk.

Market Risk

Market risk includes interest rates, exchange rates, capital market and commodity price volatility. The market value of our financial instruments is exposed to potential losses as a result of changes in market conditions.

We manage our market risk by diversifying exposures and managing our 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 Board. We use a variety of risk measures to estimate the size of potential losses for both moderate and more extreme market moves, over short- and long-term horizons. Risk measures used for shorter-term periods include value at risk and sensitivity metrics.

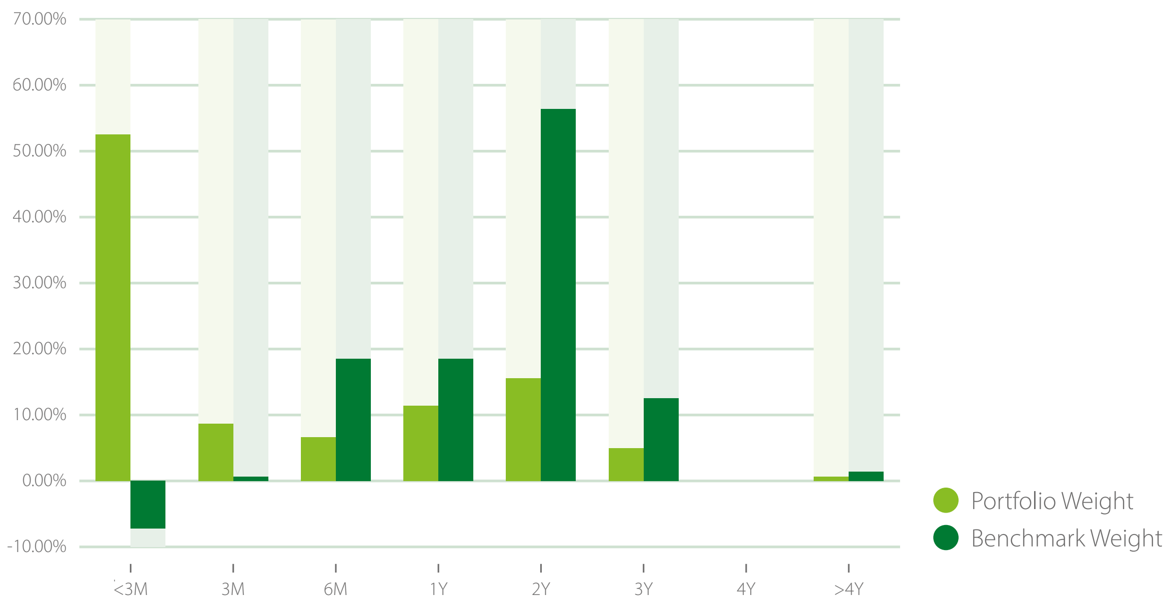
For longer-term horizons, our primary risk measures are stress tests. Our assessment of these risks and their impact on our portfolio are outlined below:

- Commodity Price Risk: this results from exposure to changes in spot prices, forward prices and the volatility of commodities such as grains, metals, crude oil, natural gas etc. At year end, the FGF had no direct exposure to commodities. As a result, Jamison Koppenberg, the macro-style commodities manager, closed the fund and returned money to investors. We decided not to replace this commodity manager in 2019.
- Interest Rate Risk: interest rate movements directly affect the price of fixed-income instruments. The SF is exposed to interest rate risk. The average duration (a measure of the sensitivity of instrument prices to changes in the rates) of the portfolio at the end of 2019 stood at 0.79 years. We have maintained a cautious approach, given the uncertain interest rate environment in the US, and have constructed a portfolio that is tilted towards the short end of the yield curve. This has an average duration significantly less than the three-year upper limit set in the SF's Investment Policy Statement.

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

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

Investment Duration Distribution



Currency	Portfolio Weight
USD	83.57%
NGN	6.64%
EUR	2.80%
JPY	1.12%
CNY	1.03%
KRW	0.57%
TWD	0.45%
INR	0.44%
HKD	0.39%
BRL	0.34%
CHF	0.31%
GBP	0.26%
DKK	0.24%
SGD	0.17%
SEK	0.17%
ZAR	0.15%
THB	0.13%
MYR	0.13%
RUB	0.12%
KWD	0.11%
MXN	0.09%
SAR	0.08%
IDR	0.08%
VND	0.07%
TRY	0.06%
AUD	0.05%
PEN	0.04%
Others	0.40%

- **Equity Price Risk:** this results from exposure to changes in prices and the volatility of individual equities, baskets of equities and equity indices. At the end of December 2019, we had approximately 35% of the FGF directly invested in global equity markets via Long Only Equity Managers and Hedge Funds.
- **Currency Rate Risk:** the value of the funds under our management is significantly affected by exchange rate movements, resulting from exposure to changes in spot prices, forward prices and the volatility of currency exchange rates. The effective currency of NSIA is US dollars. However, due to statutory reporting requirements, the reporting currency is Naira. We are, therefore, significantly affected by the Nigeria Naira/US dollar exchange rate.

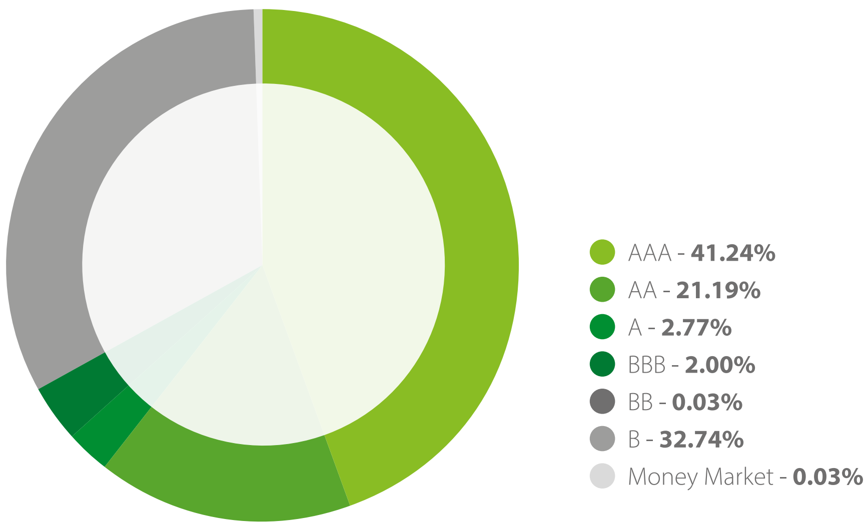
  The SF, FGF and NIF are mostly held in US dollars, a strategy that is unlikely to change for SF and FGF going forward. We expect, however, that this will change as far as NIF is concerned as implementation of the Fund mandate progresses. Investments in NIF are made in US dollars, while returns are primarily expected in Naira, which would increase the currency risk in NIF over time.

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

Credit Risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty, an issuer of securities or other instruments we hold. Our credit risk exposures are limited to deposits with banks and our holdings of fixed income securities. We have defined our counterparty risk limits with Nigerian banks and discount houses and use these as a guide to manage our credit risk exposures to these counterparties. A snapshot of SF's credit risk profile is shown below:

Credit Profile



Portfolio Risk

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

Liquidity Risk

Liquidity risk represents the potential for loss arising from our inability to meet our 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.

As regards the SF, 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 FGF is designed for the long term and, as such, holds a high percentage of illiquid long-term assets, such as private equity investments. However, the fund seeks to maintain up to 50% of its assets in instruments which are redeemable within one year.

There are allocations, mostly in liquid instruments, in the FGF and the NIF that are yet to be deployed, so limiting our liquidity risk. As we continue to invest in more sophisticated and illiquid products, and infrastructure projects, liquidity risk will play a more prominent role. This is especially true of the NIF.

Infrastructure Risk

Infrastructure risk is the risk of loss to earnings and capital resulting from the occurrence of events that negatively affect the cost efficiencies, schedule management, quality control, safety, or technical performance of infrastructure projects.

The Group's infrastructure risk universe includes:

i. Construction risks: issues relating to land acquisition; equipment; nature and delivery of materials; supply chain; safety; sub-contractors and suppliers; labour; weather; natural causes; and rights of way.
ii. Design risks: from improper and incomplete project design; analysis; surveys; scope; specifications; site investigations; and resource availability.
iii. Procurement risks: which arise from the failure of a procurement process designed to purchase services, products or resources.
iv. Legal, regulatory and political risks: changes in laws and regulations; issues relating to project approvals and permits; government policies; contract variations; supervision and bureaucracy; and non-compliance with laws and regulations.
v. Financial risks: counterparty credit; adverse movements in foreign currency rates; interest rates; equity prices; and commodity prices.
vi. Environmental and social risks: water and air pollution; noise impacts; ecological damage; loss of biodiversity; community protests; and hazardous waste.
vii. Project management risks: cost overruns; site risks; community concerns; issues relating to performance, operation and maintenance; project scoping; scheduling; communication; and the activities of project consultants and contractors.
viii. Force majeure risks: prolonged business interruption due to factors beyond human control, such as fires, storms, floods, pandemic, terrorism and civil unrest/war.

Effective management of infrastructure risk helps to minimise risk issues and losses, increases the capacity to seize more business opportunities, ensures a more effective use and allocation of financial resources and achieves optimal decision making.

Management of Infrastructure Risk

We adopt a cautious approach to infrastructure risk and avoid investments that are not thoroughly understood, or whose associated risks cannot be reasonably and objectively measured and managed. We proactively manage infrastructure risk by planning, identifying, assessing, mitigating and controlling the risks to our projects. Key risk indicators have been defined for all infrastructure projects/investments and are tracked and monitored against their associated risk thresholds. Where there are deviations from the set thresholds, there is an immediate response to address them.

Operational Risk

We define 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 our control.

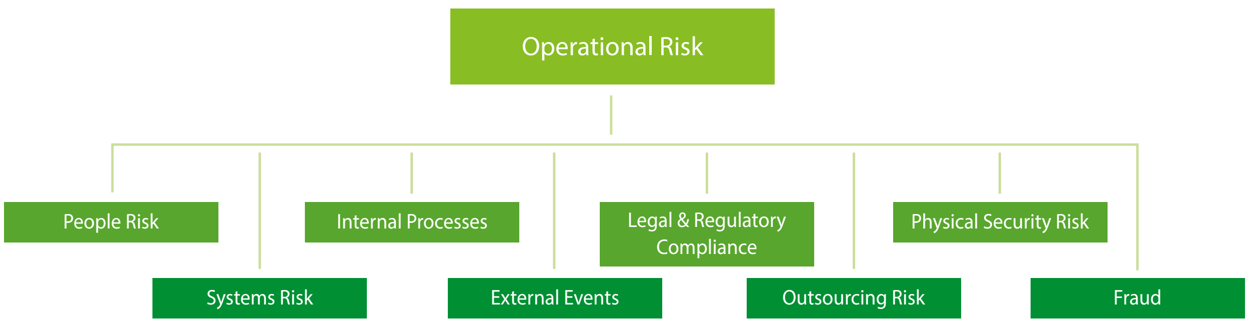
We have defined eight key operational risk categories, as depicted below, for more detailed and effective management.

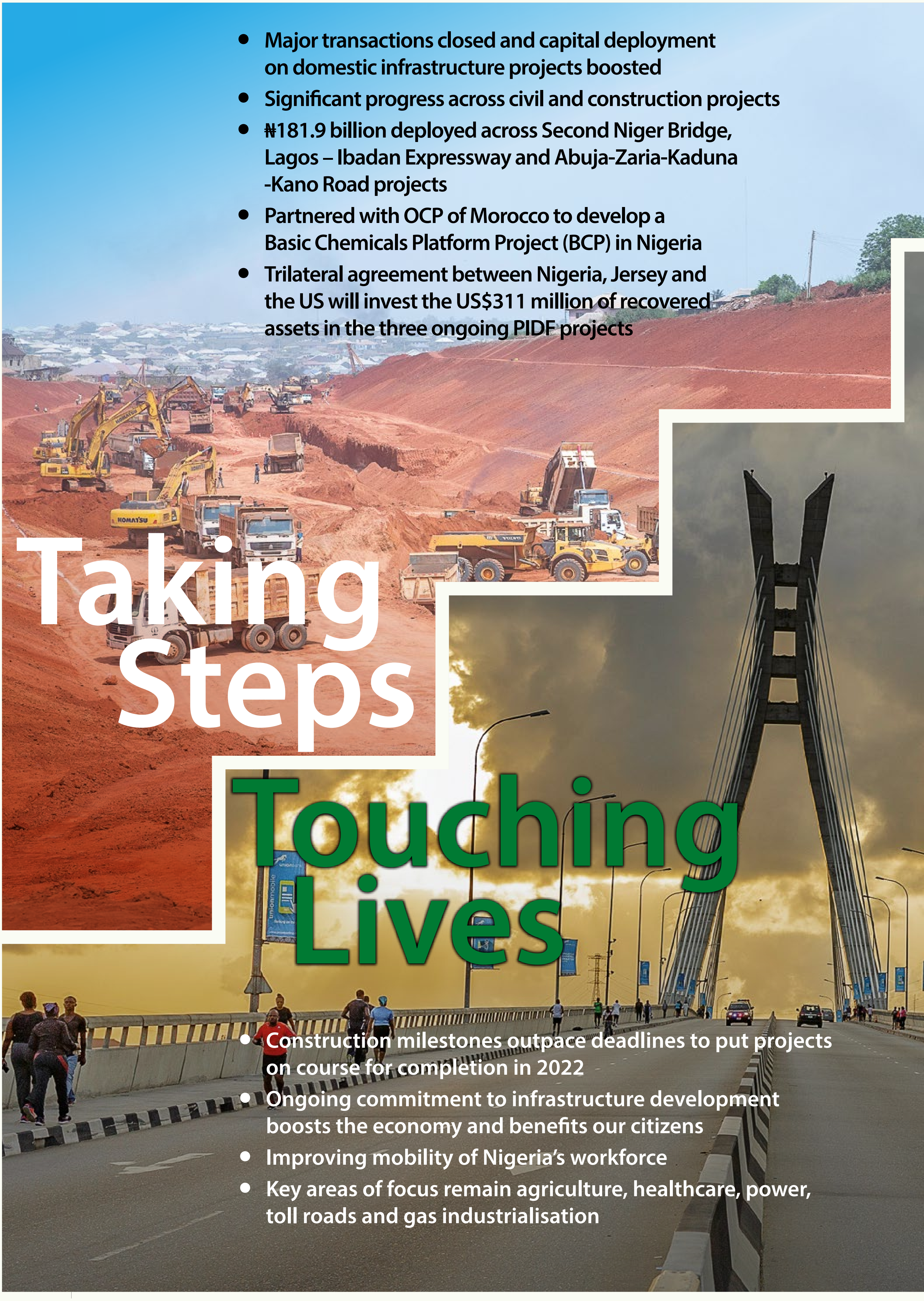
We seek to manage our operational risk through:
- active participation of all employees in proactively identifying and mitigating key operational risks;
- instituting appropriate policies and procedures in compliance with applicable local and international standards, and implementing controls designed 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 our system of internal controls and, ultimately, to minimise and eliminate, where possible, any negative financial or non-financial impact on our business.

We have adopted the use of three key framework methodologies and tools, namely: Risk and Control Self-Assessment Process, Risk Events and Incident Management, and Key Risk Indicator Monitoring. These frameworks help us monitor and report on operational risks.

Figure 4.3: Operational Risk Management Structure





- Major transactions closed and capital deployment on domestic infrastructure projects boosted
- Significant progress across civil and construction projects
- ₦181.9 billion deployed across Second Niger Bridge, Lagos – Ibadan Expressway and Abuja-Zaria-Kaduna -Kano Road projects
- Partnered with OCP of Morocco to develop a Basic Chemicals Platform Project (BCP) in Nigeria
- Trilateral agreement between Nigeria, Jersey and the US will invest the US$311 million of recovered assets in the three ongoing PIDF projects

Taking Steps

Touching Lives

- Construction milestones outpace deadlines to put projects on course for completion in 2022
- Ongoing commitment to infrastructure development boosts the economy and benefits our citizens
- Improving mobility of Nigeria's workforce
- Key areas of focus remain agriculture, healthcare, power, toll roads and gas industrialisation

Financial Highlights
General Information

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

** Was announced Executive Director 13 March 2019, effective 21 February 2019
*** Was announced Executive Director 13 March 2019, effective 17 October 2017

Directors' Report

1. Financial statements

The directors of the Authority present their yearly report on the affairs of Nigeria Sovereign Investment Authority ('the Authority' or 'NSIA'), together with the financial statements of the Authority and the subsidiaries (known as "the Group") and independent auditor's report for the year ended 31 December 2019.

2. Principal activities

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

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

3. Operating results

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

	Group 31 December 2019 ₦'000	Authority 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2018 ₦'000
Interest and investment income	34,788,892	33,912,837	27,822,953	25,696,317
Net gain on financial assets	2,831,932	3,595,984	245,960	884,039
Net foreign exchange gain	1,289,159	1,288,894	18,052,191	18,901,727
Investment management and custodian fees	(1,429,528)	(942,293)	(1,022,393)	(866,720)
Write back/(Impairment charge) on financial assets	1,208,237	(965,076)	(943,923)	(321,761)
Loss from infrastructure subsidiaries investments	(3,696,556)	–	(3,204,887)	–
Other income	7,123,910	946,600	11,405,258	1,025,390
Operating and administrative expenses	(4,263,302)	(3,769,396)	(3,762,225)	(3,282,523)
Interest expense	(4,546,556)	(7,526)	(2,617,160)	–
Share of profit of investments accounted for using the equity method	1,363,940	–	209,300	–
Profit before taxation	**34,670,128**	**34,060,024**	**46,185,074**	**42,036,469**
Total comprehensive income for the year	**36,148,040**	**35,245,451**	**44,337,108**	**41,827,853**

4. Objective

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

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

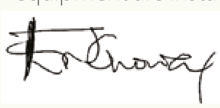
5. Governance and management

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

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

6. Employee health, safety and environment

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



Mrs Ezinwa Okoroafor
General Counsel
FRCN/2016/NBA/00000015045

Statement of Directors' Responsibilities

In relation to the consolidated and separate financial statements for the year ended 31 December 2019:

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and the Group and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the board of directors by:

Mr Olajide Zeitlin
Chairman
FRC/2018/IODN/00000018084

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

Independent Auditor's Report

To the Members of Nigeria Sovereign Investment Authority

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Nigeria Sovereign Investment Authority ("the Authority") and its subsidiaries (together "the Group") as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Nigeria Sovereign Investment Authority Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Nigeria Sovereign Investment Authority's consolidated and separate financial statements comprise:

— the consolidated and separate statements of comprehensive income for the year ended 31 December 2019;
— the consolidated and separate statements of financial position as at 31 December 2019;
— the consolidated and separate statements of changes in equity for the year then ended;
— the consolidated and separate statements of cash flows for the year then ended; and
— the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Report, Statement of Directors' Responsibilities, Value Added Statement and Five-Year Financial Summary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

When we read the Group's complete annual report, if we conclude that there is a material misstatement therein, we are required to report the fact. We have nothing to report in this regard.

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

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

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

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

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

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

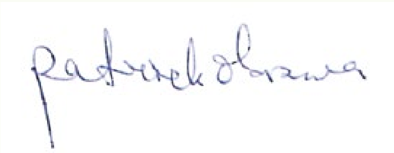
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.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

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

Independent Auditor’s Report *continued*

To the Members of Nigeria Sovereign Investment Authority

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



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

25 June 2020

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

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

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note(s)	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Interest income	9	27,024,376	23,818,216	26,163,702	23,512,933
Investment income	10	479,886	3,208,212	464,505	1,386,859
Interest income on financial assets at FVTPL	11	7,284,630	796,525	7,284,630	796,525
Net gain on financial assets	12	2,831,932	245,960	3,595,984	884,039
Net foreign exchange gain	13	1,289,159	18,052,191	1,288,894	18,901,727
Total operating income		**38,909,983**	**46,121,104**	**38,797,715**	**45,482,083**
Investment management fees		(1,228,662)	(887,151)	(745,501)	(731,478)
Local custodian fees		(19,711)	(45,613)	(19,181)	(45,613)
Global custodian fees		(181,155)	(89,629)	(177,611)	(89,629)
Total investment management and custodian fees		(1,429,528)	(1,022,393)	(942,293)	(866,720)
Write back/(Impairment charge) on financial assets	14	1,208,237	(943,923)	(965,076)	(321,761)
Total operating profit		**38,688,692**	**44,154,788**	**36,890,346**	**44,293,602**
Revenue from infrastructure subsidiaries investments	15	31,965,979	27,403,230	–	–
Expense from infrastructure subsidiaries investments	16	(35,662,535)	(30,608,117)	–	–
Loss from infrastructure subsidiaries investments		(3,696,556)	(3,204,887)	–	–
Other income	17	7,123,910	11,405,258	946,600	1,025,390
Operating and administrative expenses	18	(4,263,302)	(3,762,225)	(3,769,396)	(3,282,523)
Interest expense	19	(4,546,556)	(2,617,160)	(7,526)	–
Share of profit of investments accounted for using the equity method	25	1,363,940	209,300	–	–
Profit before taxation		**34,670,128**	**46,185,074**	**34,060,024**	**42,036,469**
Taxation	17	(202,364)	(219,461)	–	–
Profit for the year from continuing operations		**34,467,764**	**45,965,613**	**34,060,024**	**42,036,469**
Profit from discontinued operations	31.1	–	538,816	–	–
Profit for the year		**34,467,764**	**46,504,429**	**34,060,024**	**42,036,469**
Other comprehensive income:					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Net change in fair value of financial assets at FVOCI		**1,185,427**	490,298	1,185,427	(208,616)
Share of other comprehensive loss/income of associates and joint venture		**215,092**	59,960	–	–
Exchange differences on translating foreign operations		**(474,243)**	**(2,418,579)**	–	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		**754,000**	(299,000)		
Net other comprehensive loss		**1,680,276**	**(2,167,321)**	**1,185,427**	**(208,616)**
Total comprehensive income for the year		**36,148,040**	**44,337,108**	**35,245,451**	**41,827,853**
Profit attributable to:					
Owners of NSIA		34,476,485	46,503,536	34,060,024	42,036,469
Non-controlling interest		(8,721)	893	–	–
		34,467,764	**46,504,429**	**34,060,024**	**42,036,469**
Total comprehensive income attributable to:					
Owners of NSIA		36,148,040	44,336,015	35,245,451	41,827,853
Non-controlling interest		–	1,093	–	–
		36,148,040	**44,337,108**	**35,245,451**	**41,827,853**

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Statement of Financial Position

As at 31 December 2019

	Note(s)	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Assets					
Cash and cash equivalents	20	216,047,631	73,844,290	185,736,007	61,777,335
Investment securities	21	360,087,275	461,391,586	324,361,629	441,635,909
Restricted balances and other assets	22	51,019,551	46,499,369	75,878,818	36,082,678
Inventories	23	4,615,646	20,685,075	–	–
Investments in subsidiaries	24	–	–	1,753,398	5,116,826
Investments accounted for using the equity method	25	15,226,911	13,647,879	10,614,990	10,614,990
Right of use asset	26	249,905	–	43,488	–
Property and equipment	27	2,498,894	1,617,016	370,522	272,950
Intangible assets	28	100,235	12,893	100,235	12,893
Total assets		**649,846,048**	**617,698,108**	**598,859,087**	**555,513,581**
Liabilities					
Other liabilities	29	47,177,240	48,258,049	27,015,570	18,915,515
Borrowings	30	23,133,382	26,052,673	–	–
Total liabilities		**70,310,622**	**74,310,722**	**27,015,570**	**18,915,515**
Equity					
Equity attributable to equity holders of parent					
Contribution by Government		280,662,500	280,662,500	280,662,500	280,662,500
Retained earnings	31.1	291,026,827	256,550,342	287,750,520	253,690,496
Fair value reserve	31.2	3,941,139	1,786,620	3,430,497	2,245,070
Foreign currency translation reserve	31.3	3,907,858	4,382,101	–	–
		579,538,324	543,381,563	571,843,517	536,598,066
Non-controlling interest	31.4	(2,898)	5,823	–	–
		579,535,426	**543,387,386**	**571,843,517**	**536,598,066**
Total equity and liabilities		**649,846,048**	**617,698,108**	**598,859,087**	**555,513,581**

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Signed on behalf of the board of directors on 6 June 2020 by:

Mr Olajide Zeitlin
Chairman
FRC/2018/IODN/00000018084

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

Additionally certified by:

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

Statement of Changes in Equity

For the year ended 31 December 2019

	Group **Contribution by government** **₦'000**	Group **Foreign currency translation reserve** **₦'000**	Group **Fair value reserves** **₦'000**	Group **Retained earnings** **₦'000**	Group **Non-Controlling interest** **₦'000**	Group **Total equity** **₦'000**
Balance at 1 January 2018	280,662,500	6,801,726	43,190,981	170,402,086	4,730	501,062,023
Changes on initial application of IFRS 9	–	–	–	(2,011,745)	–	(2,011,745)
Restated balance as at 1 January 2018	**280,662,500**	**6,801,726**	**43,190,981**	**168,390,341**	**4,730**	**499,050,278**
Profit for the year	–	–	–	46,503,536	893	46,504,429
Currency translation differences	–	(2,419,625)	–	–	1,046	(2,418,579)
Net change in fair value of financial assets FVTOCI	–	–	192,144	–	(846)	191,298
Reclassification from fair value reserves as a result of adoption of IFRS 9	–	–	(41,656,465)	41,656,465	–	–
Share of other comprehensive income of associates and joint venture	–	–	59,960	–	–	59,960
Total other comprehensive income for the year	–	(2,419,625)	(41,404,361)	41,656,465	200	(2,167,321)
Total comprehensive income for the year	**–**	**(2,419,625)**	**(41,404,361)**	**88,160,001**	**1,093**	**44,337,108**
Balance at 31 December 2018	**280,662,500**	**4,382,101**	**1,786,620**	**256,550,342**	**5,823**	**543,387,386**
Balance at 1 January 2019	280,662,500	4,382,101	1,786,620	256,550,342	5,823	543,387,386
Profit for the year	–	–	–	34,476,485	(8,721)	34,467,764
Currency translation differences	–	(474,243)	–	–	–	(474,243)
Net change in fair value of financial assets FVTOCI	–	–	1,939,427	–	–	1,939,427
Share of other comprehensive income of associates	–	–	215,092	–	–	215,092
Total other comprehensive income for the year	–	(474,243)	2,154,519	–	–	1,680,276
Total comprehensive income for the year	**–**	**(474,243)**	**2,154,519**	**34,476,485**	**(8,721)**	**36,148,040**
Balance at 31 December 2019	**280,662,500**	**3,907,858**	**3,941,139**	**291,026,827**	**(2,898)**	**579,535,426**
Note(s)						

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Statement of Changes in Equity *continued*

For the year ended 31 December 2019

	Authority **Contribution by government ₦'000**	Authority **Fair value reserve ₦'000**	Authority **Retained earnings ₦'000**	Authority **Total equity ₦'000**
Balance at 1 January 2018	280,662,500	43,497,310	170,859,498	495,019,308
Changes on initial application of IFRS 9	–	–	(249,094)	(249,094)
	280,662,500	43,497,310	170,610,404	494,770,214
Profit for the year	–	–	42,036,469	42,036,469
Net change in fair value of financial assets at FVOCI	–	(208,617)	–	(208,617)
Reclassification from fair value reserves as a result of adoption of IFRS 9	–	(41,043,623)	41,043,623	–
Total other comprehensive income for the year	–	(41,252,240)	41,043,623	(208,617)
Total comprehensive income for the year	**–**	**(41,252,240)**	**83,080,092**	**41,827,852**
Balance at 31 December 2018	**280,662,500**	**2,245,070**	**253,690,496**	**536,598,066**
Balance at 1 January 2019	**280,662,500**	**2,245,070**	**253,690,496**	**536,598,066**
Profit for the year	**–**	**–**	**34,060,024**	**34,060,024**
Net change in fair value of financial assets at FVOCI	–	1,185,427	–	1,185,427
Total other comprehensive income for the year	**–**	**1,185,427**	**–**	**1,185,427**
Total comprehensive income for the year	**–**	**1,185,427**	**34,060,024**	**35,245,451**
Balance at 31 December 2019	**280,662,500**	**3,430,497**	**287,750,520**	**571,843,517**

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Statement of Cash Flows

For the year ended 31 December 2019

	Note(s)	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Cash flows from operating activities					
Profit before income tax from continuing operations		34,670,128	46,185,074	34,060,024	42,036,469
Adjustments to reconcile profit before tax to net cash flow from operating activities					
Depreciation charge for the year	18	170,905	57,818	159,865	57,818
Amortisation of intangible assets	18	1,636	63	1,636	63
Interest income		(14,955,525)	(8,063,119)	(14,094,851)	(7,757,836)
Investment income		(772,941)	(3,564,275)	(757,560)	(1,742,922)
Interest income on bills		(19,060,426)	(16,195,559)	(19,060,426)	(16,195,559)
Unrealised gain on financial instruments at FVTPL		(2,947,559)	1,876,611	(3,711,611)	732,113
Subsidy from Federal Government of Nigeria on cost diffential on fertilizer sales		(3,553,735)	(8,600,000)	–	–
Impairment losses	14	(1,208,237)	943,923	965,076	321,761
Interest expense		4,546,556	2,617,160	7,526	–
Share of profit from associate and joint venture	25	(1,363,940)	(209,300)	–	–
Movements in operating assets/liabilities					
Inventories	23	16,069,429	(6,887,479)	–	–
Restricted balances and other assets	22	(4,520,182)	2,634,989	(39,796,140)	36,227,414
Other liabilities	29	(1,080,809)	(18,972,124)	8,100,055	(11,031,051)
Cash (used in)/generated from operations		**5,995,300**	**(8,176,218)**	**(34,126,406)**	**42,648,270**
Tax paid	29.4	(439,972)	(113,630)	–	–
Net cash generated from/(used) in operating activities		**5,555,328**	**(8,289,848)**	**(34,126,406)**	**42,648,270**
Cash flows from investing activities					
Purchase of property, plant and equipment	27	(998,348)	(1,626,239)	(213,949)	(282,265)
Purchase of other intangible assets	28	(88,978)	(12,893)	(88,978)	(12,893)
Disposal of intangible assets	28	–	(1,138)	–	–
Proceeds from sale of equity instruments at fair value		5,653,915	191,611,360	5,440,081	171,422,900
Investment in financial assets carried at FVTPL		(72,430,295)	(195,608,028)	(68,168,062)	(195,608,028)
Purchases of open market operation and treasury bills		(195,141,916)	(162,374,236)	(176,107,129)	(162,374,236)
Maturity of open market operation bills		289,717,703	163,937,019	289,717,703	163,937,019
Investment and interest income received		117,450,114	30,461,975	107,561,537	29,227,380
Disposal of subsidiaries	24.2	–	10,968,829	–	10,968,829
Investments in joint ventures/associates	25	–	(10,925,239)	–	(9,014,500)
Net cash generated from investing activities		144,162,195	26,431,410	158,141,203	8,264,206

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Statement of Cash Flows

For the year ended 31 December 2019 (continued)

	Note(s)	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Net cash used in investing activities		**144,162,195**	**26,431,410**	**158,141,203**	**8,264,206**
Cash flows from financing activities					
Payment of principal portion of lease liabilities	26	(48,000)	–	(48,000)	–
Acquisition of non-controlling interest in KG Brussels		(8,125)	–	(8,125)	–
Proceeds from borrowings	30	–	30,000,000	–	–
Repayment of borrowings		(5,500,000)	–	–	–
Interest expense		(1,958,057)	(153,493)	–	–
Net cash generated from/(used) in financing activities		**(7,514,182)**	**29,846,507**	**(56,125)**	**–**
Net cash movement for the year		**142,203,341**	**47,988,069**	**123,958,672**	**50,912,476**
Cash and cash equivalent at beginning of year	20	73,844,290	22,336,959	61,777,335	8,545,297
Net exchange gains/(losses) on cash and cash equivalents		–	3,519,262	–	2,319,562
Cash and cash equivalents at year end		**216,047,631**	**73,844,290**	**185,736,007**	**61,777,335**
Cash and cash equivalents comprise:					
Cash in hand	20	2,944	133	2,944	133
Bank balances	20	138,865,158	43,908,683	108,553,534	29,531,728
Money market placements	20	77,179,529	29,935,474	77,179,529	32,245,474
Total cash and cash equivalents		**216,047,631**	**73,844,290**	**185,736,007**	**61,777,335**

The accompanying notes on pages 71 to 153 form an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

1. General Information

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') was established to receive, manage and invest the excess funds from the country's sale of crude oil in a diversified portfolio of medium and long-term investments. The Authority was setup by the Nigeria Sovereign Investment Authority Act, which was signed in May 2011 and was allocated an initial USD 1 billion in seed capital. The Authority has received three additional capital contribution tranches totalling $750 million after the initial contribution. The Authority commenced operations in October 2012.

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

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

The investment activities of the funds are managed as follows:

Fund	Investment Managers
Stabilisation Fund (SF)	UBS Global Asset Management Limited, Smith Graham & Co, Income Research + Management
Nigeria Infrastructure Fund (NIF)	In-house Management Team, Fund for Agricultural Finance in Nigeria (FAFIN)
Future Generations Fund (FGF)	Cevian, Edgbaston Investment Partners, Somerset, Marathon, Prince Street Institutional Fund, AQR Style Premia Offshore Fund Ltd, RWC Emerging Markets Equity Fund, Goldman Sachs Emerging Market Equity Fund, The Canyon Value Realisation Fund (Cayman) Ltd, CNPG, Palestra Capital, Brasidas Asia, Alpstone Global Macro Fund, Holocene Advisors Offshore Fund Ltd, NAYA FUND, Vanguard S&P 500 ETFs, Fundsmith Equity Fund, John Street Systematic Limited, Bayview Liquid Credit Strategies Offshore, Z Capital Partners, Healthcare Royalty Partners, Xenon, Helios Investors, FAFIN, Actis Africa, Africa Capital Alliance CAPE IV, Abraaj Growth Healthcare Fund, Akina Euro Choice, Z Capital Fund, Reverence Capital FUND II, Healthcare Royalty Partners IV L.P., G Squared IV SCSp, Xenon Private Equity

2. Structure and content

The financial statements comprise:

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

3. Basis of preparation

3.1 Statement of compliance

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

3.2 Basis of measurement

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

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

3.3 (a) Functional and presentation currency

These financial statements are presented in Naira. All financial information presented in Naira has been rounded to the nearest thousands, except otherwise indicated. The currency of the primary economic environment of the Authority (that is, functional currency) is the Nigerian Naira.

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

3.3 (b) Foreign currency transactions and balances

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

3. Basis of preparation *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 financial assets at FVTOCI, are included in other comprehensive income.

3.3 (c) Group companies

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

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

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

3.4 Changes in accounting policy

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

The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2019.

3.5 New Standards, amendments and Interpretations

3.5.1 Standards and interpretations effective and adopted in the current year

IFRS 16 Leases

New and amended standards and interpretations

The Authority applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Authority. The Authority has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Authority is the lessor.

The Authority adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Authority elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Authority applied the standard only to the contract that was previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	Group ₦'000	Authority ₦'000
Right-of-use assets	304,338	86,976
Prepayments	–	–
Total assets	304,338	86,976
Liabilities		
Lease liabilities	86,976	86,976
Deferred tax liabilities	–	–
	86,976	86,976
Total adjustment on equity		
Retained earnings	217,362	–
	304,338	86,976

The Group has lease contracts for land and office building, while the Authority lease contract is only for the office building. Before the adoption of IFRS 16, the Authority classified its lease (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Authority applied a single recognition and measurement approach for its lease.

Lease previously accounted for as operating lease

The Authority recognised right-of-use assets and lease liabilities for its lease previously classified as operating lease. The right-of-use assets for its lease was recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Authority also applied the available practical expedients wherein it:

— Used a single discount rate to a portfolio of leases with reasonably similar characteristics
— Relied on its assessment of whether leases are onerous immediately before the date of initial application
— Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
— Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease. The Authority has an option of extension by one year, hence the enforceable lease period was considered to be one year.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	Group ₦'000	Authority ₦'000
Operating lease commitments as at 31 December 2018	96,000	96,000
Weighted average incremental borrowing rate as at 1 January 2019	12.75%	12.75%
Discounted operating lease commitments as at 1 January 2019	86,976	86,976
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	–	–
Lease liabilities as at 1 January 2019	86,976	86,976

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

— Whether an entity considers uncertain tax treatments separately
— The assumptions an entity makes about the examination of tax treatments by taxation authorities
— How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
— How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the interpretation had an impact on its consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

3. Basis of preparation *continued*

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

These amendments have no impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

3.5.2 Standards and interpretations not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance contracts

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

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

— A specific adaptation for contracts with direct participation features (the variable fee approach)

— A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

4. Significant accounting policies

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

4.1 Consolidation

4.1 (a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

4.1 (c) Disposal of subsidiaries

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

4.1 (d) Associates

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

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

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

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

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

4.1 (e) Joint arrangements

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

i) Joint operations

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

ii) Joint ventures

Interests in joint ventures are accounted for using the equity method at the Group financial statements level (see (f) below), after initially being recognised at cost in the separate financial statements.

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

4.1 (f) Equity method

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

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

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

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

Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

4.2 Interest income and interest expense

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

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

4. Significant accounting policies *continued*

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

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

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

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

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

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

4.7. Financial assets and financial liabilities

4.7.1 Recognition and initial measurement
The Group initially recognizes cash and bank balances, money market placements, investment securities, other financial assets, other liabilities and borrowings on the date on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

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

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

(ii) Assessment whether contractual cash flows are solely payments of principal and interest

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

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

Financial liabilities

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

4.7.3 Subsequent measurement

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in net foreign exchange gains and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income in the period in which it arises.

Equity instruments

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

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

4. Significant accounting policies *continued*

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

Financial liabilities

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

4.7.4 Derecognition

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

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

4.7.5 Amortised cost measurement

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

4.7.6 Fair value measurement

The Group measures financial instruments such as private equity investment at fair value at each balance sheet date.

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

When available, the Group 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 Group 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 Group, 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 Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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

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

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

4.7.7 Determination of fair values

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

4.7.8 Investment in equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date. The fair value of financial assets measured at amortised cost is determined for disclosure purposes only and are determined by reference to the quoted closing bid price at the reporting date.

4.7.9 Investment in private equity funds

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

4.7.10 Investment in fixed income products

The Group has classified some investments as fixed-income security during the financial year. Fixed income securities are debt securities which pays a fixed amount of interest in the form of coupon payments to investors. The interest payments are typically made periodically while the principal invested is repaid to the investor at maturity. Income is recognised on this investment when the interest payments are earned and not till when they are made or received.

4.7.11 Receivables

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

4.7.12 Impairment of financial assets

See credit risk disclosures (Note 6.2) for details on impairment of financial assets.

4.7.13 Impairment of non-financial assets

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

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

4. Significant accounting policies *continued*

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.

Trade payables

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

4.8 Cash and cash equivalents

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

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

4.9 Property and equipment

4.9.1 Initial recognition

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

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

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

4.9.2 Subsequent costs

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of an item of property or equipment in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

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

4.9.3 Depreciation

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

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

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

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

4.9.4 Derecognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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 period the asset is derecognised.

4.10 Intangible assets – software

Software acquired by the Authority is stated at cost less accumulated amortization 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 capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of 3 years, from the date that it is available for use. The amortization method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

4.11 Inventories

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

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

4.12 Contingencies

4.12.1 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 realization of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

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

4.12.2 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 recognized 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 recognized, except in the extremely rare circumstances where no reliable estimate can be made. Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

4.13 Employee benefits

4.13.1 Post employment benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized 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 of each of the qualifying employee's salary.

Obligations for contributions to defined contribution plans are recognized 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 for more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

4. Significant accounting policies *continued*

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

4.14 Revenue

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

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

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

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

The Group recognizes revenue from the following sources:

- Sales of NPK fertilizers
- Interest/ investment income

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

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

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

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

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

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

4.15 Below market borrowings (Government grants)

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

4.16 Capital and other commitments

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

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

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

4.17 Comparatives

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

4.18 Intercompany receivables

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

4.19 Intercompany payables

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

4.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Building	2 years
Land	10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (4.7.13) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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5. 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 recognized in the period in which the estimates are revised, and in any future periods affected. Management discusses with the Board of Directors the development, selection and disclosure of the Authority's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management.

5.1 Critical judgements in applying the Authority's accounting policies

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

5.1.1 Valuation of financial instruments

The Authority's accounting policy on fair value measurements is discussed under Note 4.7.6. The fair values of quoted financial assets at fair value through OCI and financial assets at fair value through profit or loss are determined by reference to prices quoted in an active market. For financial assets at fair value through OCI equity investments which are unquoted, the Authority performs a fair valuation exercise on these investments using available and applicable inputs to determine their fair values.

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

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

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

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

5.1.2 Financial assets and liabilities classification

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

5.1.3 Impairment of financial assets

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

5.1.4 Fair value of private equity investments

The fair values of the private equity investments held by one of the Group's subsidiaries has been determined at the reporting date using the net asset valuation method. This takes into account the net asset values as obtained from the different private equity investee funds' most recent available financial information, considering contributions and distributions between the last net asset valuation date and the reporting period. These private equity investments are unquoted and comparable market information was not available as at the end of the reporting period. Determining the fair values based on this valuation approach assumes that the investment will be realized at the reporting date at these values. The sensitivity of the fair values to changes in the assumptions made is disclosed in Note 7.

5.1.5 Leases - Estimating the incremental borrowing rate

The Authority cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Authority 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Authority estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Authority estimates the IBR using the following steps: Step 1: Reference rate: This is generally a government bond reflecting risk free rate. Repayment profile was considered when aligning the term of the lease with the term for the source of the reference rate. The reference rate used is 12.75%.

Step 2: Financing spread adjustment: Use of credit spreads from debt with the appropriate term by considering Company's stand-alone credit rating or similar Company credit rating. The credit spread calculation amounted to 0.0051%.

Step 3: Lease specific adjustment: Use of market yield for the leased assets, as an additional data point and to sense-check the overall IBRs calculated. The leased asset specific rate is 0.0000%.

6. Financial risk management

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

6.1 Approach to risk management

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

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

6.2 Credit risk

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

6.2.1 Management of credit risk

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

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

6.2.2 Exposure to credit risk

Credit quality of financial assets.

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

As at 31 December 2019, all financial assets were neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below:

	Group **31 December 2019** **₦'000**	Group **31 December 2018** **₦'000**	Authority **31 December 2019** **₦'000**	Authority **31 December 2018** **₦'000**
(i) Bank balances				
Counter parties with external credit ratings				
A- (S&P)	647,778	16,113,902	648,121	1,736,947
B (S&P)	–	575		575
B2 (Moody)	134,639,321	27,794,206	107,905,411	27,794,206
BBB+ (S&P)	3,578,059	–		–
Total cash at bank balances	**138,865,158**	**43,908,683**	**108,553,532**	**29,531,728**
(ii) Money market placements				
Counter parties with external credit ratings				
B+ (Fitch)	77,179,529	29,935,474	77,179,529	32,245,474
Total money market placements	**77,179,529**	**29,935,474**	**77,179,529**	**32,245,474**
(iii) Restricted balances and other assets				
Counter parties with external credit ratings				
A-2 (S&P)	1,008,796	5,922,236	1,008,796	1,045,784
B (Fitch)	16,115,245	18,423,745	–	–
B2 (Moody)	–	20,377	–	20,377
	17,124,041	**24,366,358**	**1,008,796**	**1,066,161**
Counter parties without external credit ratings				
Other receivables	22,528,033	8,976,731	21,637,631	227,499
Trade receivables	9,795,174	4,548,081	4,461,410	4,334,246
Intercompany receivables	–	–	49,517,554	30,346,432
Total other assets (Financial assets)	**49,447,248**	**37,891,170**	**76,625,391**	**35,974,338**

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
(iv) Investment securities				
Counter parties with external credit ratings				
Financial assets at amortised cost				
A+ (S&P)	8,394,931	16,603,012	8,394,931	16,603,012
B (S&P)		30,239,146		30,239,146
B2 (Moody)	10,231,235	182,472,004	925,744	182,472,004
A1+ (Fitch)	13,365,358	3,270,312	10,802,464	3,270,312
A- (GCR)	3,279,250	3,394,422	3,279,250	3,394,422
AA (Fitch)	8,176,639		8,176,639	
A (Moody)		6,719,465		6,719,465
B (Fitch)	23,169,670	28,732,784	23,169,671	28,732,784
B+ (Fitch)	11,948,675	6,217,503	11,948,675	6,217,504
CCC (Fitch)	–	4,043,466		4,043,465
B2 (Moody)	16,028,282	4,109,896	16,028,282	4,109,896
B (S&P)	11,608,966	–	11,611,795	–
	106,203,006	**285,802,010**	**94,337,451**	**285,802,010**
Counter parties with external credit ratings				
Financial assets at amortised Cost	1,656,073	1,641,036	–	–
	1,656,073	1,641,036	–	–
Total financial assets at amortised cost (exclusive of impairment)	**107,859,079**	**287,443,046**	**94,337,451**	**285,802,010**

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Counter parties without external credit ratings				
Financial assets at FVOCI	5,759,993	9,474,482	3,679,993	7,934,647
Total financial assets at FVTOCI	**5,759,993**	**9,474,482**	**3,679,993**	**7,934,647**
Counter parties with external credit ratings				
AAA (Moody)	34,664,953	33,327,803	34,664,952	33,327,803
Baa3 (Moody)	1,626,000	1,626,000	1,626,000	**1,626,000**
Counter parties without external credit ratings				
Financial Assets at FV through profit and loss	210,833,067	130,141,210	190,709,052	113,515,375
Total financial assets at FVTPL	**247,124,020**	**165,095,013**	**227,000,004**	**148,469,178**

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

6.2.3 Concentration of risk of financial assets

Geographical sectors.

The following table breaks down the Group's risk exposure at their carrying amounts, as categorized by geographical region as 31 December 2019 and 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2019	Group **Nigeria** **₦'000**	Group **Rest of Africa** **₦'000**	Group **Europe** **₦'000**	Group **Middle East** **₦'000**	Group **Asia** **₦'000**	Group **America** **₦'000**	Group **Total** **₦'000**
Cash and cash equivalents							
Money market placements	77,179,529	–	–	–	–	–	77,179,529
Bank balances	135,287,099	–	–	–	–	3,578,059	138,865,158
Restricted balances and other assets							
Other receivables	23,536,829	–	–	–	–	–	23,536,829
Account receivables	9,795,174	–	–	–	–	–	9,795,174
Cost incurred on behalf of related party	16,113,745	–	–	–	–	–	16,113,745
Restricted balances	1,500	–	–	–	–	–	1,500
Investment securities							
At amortised cost							
Nigerian treasury bills	925,744	–	–	–	–	–	925,744
Open market operations bills (OMO bills)	9,302,663	–	–	–	–	–	9,302,663
Fixed deposits	95,974,599	–	–	–	–	–	95,974,599
Loans and receivables	1,656,073	–	–	–	–	–	1,656,073
At FVTPL							
US treasury notes	–	–	–	–	–	27,713,425	27,713,425
Fixed income products	–	–	–	–	–	30,465,259	30,465,259
	369,772,955	**–**	**–**	**–**	**–**	**61,756,743**	**431,529,698**

31 December 2018	Group **Nigeria** **₦'000**	Group **Rest of Africa** **₦'000**	Group **Europe** **₦'000**	Group **Middle East** **₦'000**	Group **Asia** **₦'000**	Group **America** **₦'000**	Group **Total** **₦'000**
Cash and cash equivalent							
Money market placements	29,935,474	–	–	–	–	–	29,935,474
Bank balances	29,531,728	–	–	–	–	14,376,955	43,908,683
Restricted balances and other assets							
Other receivables	11,134,143	–	–	–	–	–	11,134,143
Account receivables	8,333,282	–	–	–	–	–	8,333,282
Cost incurred on behalf of related party	16,113,745	–	–	–	–	–	16,113,745
Restricted balances	2,310,000	–	–	–	–	–	2,310,000
Investment securities							
At amortised cost							
Eurobonds	10,260,970	–	–	–	–	–	10,260,970
Nigerian treasury bills	3,984,976	–	–	–	–	–	3,984,976
Open market operations bills (OMO bills)	178,487,028	–	–	–	–	–	178,487,028
Fixed deposit	93,069,036	–	–	–	–	–	93,069,036
Loans and receivables	1,641,036	–	–	–	–	–	1,641,036
At FVTPL							
US treasury notes	–	–	–	–	–	26,841,410	26,841,410
Fixed income products	–	–	–	–	–	22,963,236	22,963,236
	384,801,418	**–**	**–**	**–**	**–**	**64,181,601**	**448,983,019**

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

31 December 2019	Authority **Nigeria** **₦'000**	Authority **Rest of Africa** **₦'000**	Authority **Europe** **₦'000**	Authority **Middle East** **₦'000**	Authority **Asia** **₦'000**	Authority **America** **₦'000**	Authority **Total** **₦'000**
Cash and cash equivalent							
Money market placements	77,179,529	–	–	–	–	–	77,179,529
Bank balances	108,553,534	–	–	–	–	–	108,553,534
Restricted balances and other assets							
Other receivables	22,646,427	–	–	–	–	–	22,646,427
Account receivables	4,461,410	–	–	–	–	–	4,461,410
Intercompany receivables	49,517,554	–	–	–	–	–	49,517,554
Investment securities							
At amortised cost	925,744	–	–	–	–	–	925,744
Eurobonds	–	–	–	–	–	–	–
Nigerian treasury bills	925,744	–	–	–	–	–	925,744
Open market operations bills (OMO bills)	–	–	–	–	–	–	–
Fixed deposits	93,411,705	–	–	–	–	–	93,411,705
At FVTPL							
US treasury notes	–	–	–	–	–	27,713,425	27,713,425
Fixed income products	–	–	–	–	–	30,465,259	30,465,259
	356,695,903	**–**	**–**	**–**	**–**	**58,178,684**	**414,874,587**

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

6.2.4 Impairment of financial assets

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

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

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

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

No impairment loss is recognized on equity investments.

The Authority measures loss allowances at an amount equal to lifetime ECL, except for the following which they are measured as 12 month ECL:

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

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

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

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

6.2.5 Credit risk measurement

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

6. Financial risk management *continued*

6.2.5.1 Credit risk grading

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

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

6.2.5.2 Measurement of ECL

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

— Financial assets that are not credit-impaired at the reporting date:
  They are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive);

— Financial assets that are credit-impaired at the reporting date:
  They are measured as the difference between the gross carrying amount and the present value of estimated future cash flows; and

— Financial guarantee contracts: They are measured as the expected payments to reimburse the holder less any amounts that the Authority expects to recover from the holder, the debtor or any other party.

Default definition

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

— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

— the borrower is more than 90 days past due on any material credit obligation to the Group.

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

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

— qualitative: e.g. breach of covenants that are deemed as default events;

— quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the Authority; and

— based on internally and external objective evidence of impairment.

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

6.2.6 Significant increase in credit risk

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

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

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Authority's historical experience, expert credit assessment and forward-looking information.

The Authority will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:

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

— the risk of default on the exposure as at the date of initial recognition

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

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

6.2.6.1 Quantitative Criteria

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

i. External Rating Parameter:

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

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

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

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

ii. Backstop:

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

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

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

6. Financial risk management *continued*

6.2.6.2 Qualitative Criteria

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

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

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

Stage 1

- The financial instrument meets CBN low risk exception criteria i.e. "risk free and gilt edged
- All financial instruments at inception will be in stage 1 except if purchased or originated as credit impaired.
- The financial instrument has not had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:
  - An actual or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date does not result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
  - No expectation of forbearance or restructuring due to financial difficulties.
  - No evidence that full repayment of interest and principal will require the realization of collaterals or other form of support.
- The borrower did not suffer a regulatory fine that is significant in relation to its size/ profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- No Litigation against the obligor that is likely to have material impact on profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- Government policies have little or no negative impact on the viability or profitability of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.

Stage 2

- The financial instrument has had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:
- An actual or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date results in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- Expectation of forbearance or restructuring due to financial difficulties."
- Evidence that full repayment of interest and principal will require the realization of collaterals or other form of support.
- The borrower has suffered a regulatory fine that is significant in relation to its size/profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- Litigation against the obligor is likely to have material impact on revenue or profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- Government policies have significant negative impact on the viability or profitability of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
- Significant downturn in the obligor's industry at the reporting date relative to the origination date or the downturn is expected to significantly impact the obligor's ability to meet contractual obligations relative to the origination date.
- There is significant drop in the obligor's revenue or profitability at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.

Stage 3

- Financial instruments that are purchased or originated as credit impaired.
- The financial instrument has objective evidence of impairment at the reporting date as evidenced by (but not limited to) the following:
  - Withdrawal of operating license from the obligor.
  - Voluntary liquidation/insolvency of the obligor.
  - If it becomes probable that the obligor may enter bankruptcy or other financial reorganization.
  - Disappearance of an active market for the financial instrument because of financial difficulties.
  - The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses
  - Breach of covenants that are deemed as default events.
  - Other qualitative factors representing default such as in the CBN's prudential guideline definition of default.

Stage 1	Stage 2	Stage 3
— No significant downturn in the obligor's industry at the reporting date relative to the origination date or the downturn is not expected to significantly impact the obligor's ability to meet contractual obligations relative to the origination date. — There is no significant drop in the obligor's revenue or profitability at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — Little or reduction in financial support from a parent entity or other affiliate at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — No significant deterioration in liquidity/ solvency levels of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — For financial institutions, no significant deterioration in obligor's CAMELS (i.e. Capital, Asset Quality, Management Capability, Earnings, Liquidity, and Sensitivity to market risks) at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — No significant deterioration in internal price indicators of credit risk at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has not change materially from the origination date.	— Significant reduction in financial support from a parent entity or other affiliate at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — Significant deterioration in liquidity/ solvency levels of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date. — Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has change materially from the origination date.	

6. Financial risk management *continued*

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

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

— The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

— Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial asset.

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

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

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

— For amortizing products, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/ refinance assumptions are also incorporated into the calculation.

— For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

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

— For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

— For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

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

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

6.2.8 Forward-looking information incorporated in the ECL models

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

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

6.2.8.1 Incorporating forward-looking information into Multi-year PD Estimation

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

Step 1:

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

Step 2:

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

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

6.2.8.2 Incorporating FLI into Multi-year EAD and LGD Estimation

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

6.2.8.3 Macro economic variable affecting the ECL allowance

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

6. Financial risk management *continued*

6.2.9 Economic variable assumptions

One of the most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below. The scenarios "best", "optimistic" and "downturn" were used for all portfolios.

		2020	2021	2022	2023	2024
a GDP growth rate(%)	Best	2%	2%	2%	2%	2%
	Optimistic	2%	2%	2%	2%	2%
	Downturn	2%	2%	2%	2%	2%
b Inflation rate (%)	Best	1%	2%	2%	2%	2%
	Optimistic	1%	2%	3%	3%	3%
	Downturn	2%	2%	3%	3%	3%
c Oil price (USD)	Best	43	45	64	64	64
	Optimistic	34	48	60	60	60
	Downturn	29	28	30	50	50

Sensitivity analysis on ECL Model

The most significant forward looking information with impact on the ECL allowance of the Group include:
- Growth rate
- Inflation rate
- Oil prices

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

2019	Group ECL allowance ₦'000	Group Net effect ₦'000	Authority ECL Allowance ₦'000	Authority Net effect ₦'000
Growth rate				
10% increase	1,582,014	(175,779)	1,382,337	(153,593)
No change	1,757,793	–	1,535,930	–
10% decrease	1,933,572	175,779	1,689,523	153,593
Inflation rate				
10% increase	1,775,371	17,578	1,551,289	15,359
No change	1,757,793	–	1,535,930	–
10% decrease	1,740,215	(17,578)	1,520,571	(15,359)
Oil prices				
10% increase	1,669,903	(87,890)	1,459,134	(76,797)
No change	1,757,793	–	1,535,930	–
10% decrease	1,845,683	87,890	1,612,727	76,797

2018	Group **ECL allowance** **₦'000**	Group **Net effect** **₦'000**	Authority **ECL Allowance** **₦'000**	Authority **Net effect** **₦'000**
Growth rate				
10% increase	573,504	(60,571)	516,382	(54,473)
No change	634,075	–	570,855	–
10% decrease	701,873	67,798	631,920	61,065
Inflation rate				
10% increase	636,666	2,591	573,233	2,378
No change	634,075	–	570,855	–
10% decrease	632,416	(1,659)	569,407	(1,448)
Oil prices				
10% increase	607,574	(26,501)	547,048	(23,807)
No change	634,075	–	570,855	–
10% decrease	662,669	28,594	596,636	25,781

6.2.10 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

— Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
— Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
— Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
— Impacts on the measurement of ECL due to changes made to models and assumptions;
— Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
— Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
— Financial assets derecognized and write-offs of allowances related to assets that are written off.

There were no assets written off during the period.

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

6.2.11 Write-off policy

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

The Group may write-off financial assets that are still subject to enforcement activity. Currently, there were no outstanding contractual amounts on such financial assets during the year ended 31 December 2019.

6. Financial risk management *continued*

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

2019	Group **Stage 1 12 months exposure ₦'000**	Group **Stage 2 Lifetime exposure ₦'000**	Group **Stage 3 Lifetime exposure ₦'000**	Group **Total ₦'000**
Financial assets measured at amortised cost				
Nigerian treasury bills	925,744	–	–	925,744
Open Market Operations bills (OMO bills)	9,302,663	–	–	9,302,663
Fixed deposits	95,974,599	–	–	95,974,599
Loans and receivables	1,656,073	–	–	1,656,073
Restricted balances and other assets	49,447,248	–	–	49,447,248
	157,306,327	**–**	**–**	**157,306,327**
Loss allowance (investment securities and other assets)	(1,757,793)	–	–	(1,757,793)
Carrying amount	**155,548,534**	**–**	**–**	**155,548,534**
Individually impaired	1,757,793	–	–	1,757,793
Collectively impaired	–	–	–	–
	1,757,793	**–**	**–**	**1,757,793**

2018	Group **Stage 1 12 months exposure ₦'000**	Group **Stage 2 Lifetime exposure ₦'000**	Group **Stage 3 Lifetime exposure ₦'000**	Group **Total ₦'000**
Financial assets measured at amortised cost				
Eurobonds	10,260,970	–	–	10,260,970
Nigerian treasury bills	3,984,976	–	–	3,984,976
Open Market Operations bills (OMO bills)	178,487,028	–	–	178,487,028
Fixed deposits	93,069,036	–	–	93,069,036
Loans and receivables	1,641,036	–	–	1,641,036
Restricted balances and other assets	37,891,170	–	–	37,891,170
	325,334,216	**–**	**–**	**325,334,216**
Loss allowance (investment securities and other assets)	(2,955,668)	–	–	(2,955,668)
Carrying amount	**322,378,548**	**–**	**–**	**322,378,548**
Individually impaired	2,955,668	–	–	2,955,668
Collectively impaired	–	–	–	–
	2,955,668	**–**	**–**	**2,955,668**

2019	Authority Stage 1 12 months exposure ₦'000	Authority Stage 2 Lifetime exposure ₦'000	Authority Stage 3 Lifetime exposure ₦'000	Authority Total ₦'000
Financial assets measured at amortised cost				
Nigerian treasury bills	925,744	–	–	925,744
Fixed deposits	93,411,705	–	–	93,411,705
Other assets	76,625,391	–	–	76,625,391
	170,962,840	**–**	**–**	**170,962,840**
Loss allowance (investment securities and other assets)	(1,535,930)	–	–	(1,535,930)
Carrying amount	**169,426,910**	**–**	**–**	**169,426,910**
Individually impaired	1,535,930	–	–	1,535,930
Collectively impaired	–	–	–	–
	1,535,930	**–**	**–**	**1,535,930**

2018	Authority Stage 1 12 months exposure ₦'000	Authority Stage 2 Lifetime exposure ₦'000	Authority Stage 3 Lifetime exposure ₦'000	Authority Total ₦'000
Financial assets measured at amortised cost				
Eurobonds	10,260,970	–	–	10,260,970
Nigerian treasury bills	3,984,976	–	–	3,984,976
Open Market Operations bills (OMO bills)	178,487,028	–	–	178,487,028
Fixed deposits	93,069,036	–	–	93,069,036
	285,802,010	**–**	**–**	**285,802,010**
Loss allowance (investment securities and other assets)	(570,855)	–	–	(570,855)
Carrying amount	**285,231,155**	**–**	**–**	**285,231,155**
Individually impaired	570,855	–	–	570,855
Collectively impaired	–	–	–	–
	570,855	**–**	**–**	**570,855**

6.3 Liquidity risk

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

6.3.1 Management of liquidity risk

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

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Cash in hand	2,944	133	2,944	133
Bank balances	138,865,158	43,908,683	108,553,534	29,531,728
Placements with financial institutions	77,179,529	29,935,474	77,179,529	32,245,474
Total cash and cash equivalents	**216,047,631**	**73,844,290**	**185,736,007**	**61,777,335**

6. Financial risk management *continued*

6.3.2 Exposure to liquidity risk

The table below analyses the Group's non-derivative financial liabilities and unfunded commitments with private equity fund managers into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2019	Group Up to 6 months ₦'000	Group Between 6 months and 1 year ₦'000	Group Between 1 and 2 years ₦'000	Group Greater than 2 years ₦'000	Group Total ₦'000
Trade payables	2,377,517	–	–	–	2,377,517
Other payables	19,076,465	–		–	19,076,465
Lease liability	48,000	–	–	–	48,000
Accruals	856,888	–	–	–	856,888
Borrowings	3,993,733	5,228,623	9,802,001	12,736,909	31,761,266
Total liabilities	**26,352,603**	**5,228,623**	**9,802,001**	**12,736,909**	**54,120,136**
Unfunded commitments with private equity fund managers	39,630,241	–	–	–	39,630,241
Total commitments	**39,630,241**	**–**	**–**	**–**	**39,630,241**

31 December 2018	Group Up to 6 months ₦'000	Group Between 6 months and 1 year ₦'000	Group Between 1 and 2 years ₦'000	Group Greater than 2 years ₦'000	Group Total ₦'000
Trade payables	1,733,962	–	–	–	1,733,962
Other payables	18,756,444		–	–	18,756,444
Accruals	284,034		–	–	284,034
Borrowings	3,125,829	4,034,513	7,872,118	21,449,259	36,481,719
Total liabilities	**23,900,269**	**4,034,513**	**7,872,118**	**21,449,259**	**57,256,159**
Unfunded commitments with private equity fund managers	19,069,581	–	–	–	19,069,581
Total commitments	**19,069,581**	**–**	**–**	**–**	**19,069,581**

31 December 2019	Authority Up to 6 months ₦'000	Authority Between 6 months and 1 year ₦'000	Authority Between 1 and 2 years ₦'000	Authority Greater than 2 years ₦'000	Authority Total ₦'000
Trade payables	1,721,250	–	–	–	1,721,250
Intercompany payables	8,968,987	–	–	–	8,968,987
Other payables	15,528,802	–	–	–	15,528,802
Lease liability	48,000	–	–	–	48,000
Accruals	750,029	–	–	–	750,029
Total liabilities	**27,017,068**	**–**	**–**	**–**	**27,017,068**
NAIC NPK loan guaranteed by NSIA	3,993,733	5,228,623	9,802,001	12,736,909	31,761,266
Unfunded commitments with private equity fund managers	18,589,763	–	–	–	18,589,763
Total commitments	**22,583,496**	**5,228,623**	**9,802,001**	**12,736,909**	**50,351,029**

31 December 2018	Authority **Up to 6 months** **₦'000**	Authority **Between 6 months and 1 year** **₦'000**	Authority **Between 1 and 2 years** **₦'000**	Authority **Greater than 2 years** **₦'000**	Authority **Total** **₦'000**
Trade payables	1,520,494	–	–	–	1,520,494
Intercompany payables	1,591,131	–	–	–	1,591,131
Other payables	15,456,623	–	–	–	15,456,623
Accruals	347,267	–	–	–	347,267
Total liabilities	**18,915,515**	**–**	**–**	**–**	**18,915,515**
NAIC NPK loan guaranteed by NSIA	3,125,829	4,034,513	7,872,118	21,449,259	36,481,719
Unfunded commitments with private equity fund managers	14,002,831	–	–	–	14,002,831
Total commitments	**17,128,660**	**4,034,513**	**7,872,118**	**21,449,259**	**50,484,550**

6.4 Market risk

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

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

The Group's Market risk Framework includes:

- Market risk – comprising equity, interest rate, interest basis and currency risks;
- Valuation risk – which derives from the valuation methodology chosen for unlisted assets. A critical associated risk is that which relates to the valuation model.

The Group has exposure to valuation risk through its investments in real estate assets, private equity investments as well as other alternative instruments and project development.

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

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

6.4.1 Trading assets/Financial assets

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

6.4.2 Non-trading assets/Non-financial assets

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

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

6.4.2 Foreign exchange risk

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

The Group has an investment in a foreign operation, whose net assets are exposed to foreign currency translation risk as a result of the translation of its financial statements from the operation's functional currency to the Group's presentation currency. Non-monetary financial assets are not exposed to foreign exchange risk in accordance with the standards. Currency exposure arising from the net assets of the Group's foreign subsidiary is managed primarily through cash and cash equivalents denominated in the relevant foreign currencies.

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

Concentration of foreign currency exposure

31 December 2019	Group **Naira** **₦'000**	Group **USD** **₦'000**	Group **Euro** **₦'000**	Group **Yen** **₦'000**	Group **Total** **₦'000**
Cash and cash equivalents	169,846,307	45,780,896	420,428	–	216,047,631
Investment securities (at amortised cost)	–	107,203,262	–	–	107,203,262
Investment securities (at FVTPL) – Monetary	–	240,911,958	–	6,212,062	247,124,020
Investment securities (at FVOCI)	523,000	5,236,993	–	–	5,759,993
Restricted balances and other assets	13,265,220	36,182,028	–	–	49,447,248
Total monetary financial asset	**183,634,527**	**435,315,137**	**420,428**	**6,212,062**	**625,582,154**
Trade payables	1,332,406	1,045,111	–	–	2,377,517
Other payables	18,783,193	293,272	–	–	19,076,465
Deferred income relating to government grant	6,366,618	–	–	–	6,366,618
Payable to Federal Government of Nigeria	18,453,250	–	–	–	18,453,250
Borrowings	23,133,382	–	–	–	23,133,382
Total monetary financial liabilities	**68,068,849**	**1,338,383**	**–**	**–**	**69,407,232**
Net financial asset FCY exposure	**–**	**433,976,754**	**420,428**	**6,212,062**	**440,609,244**
Sensitivity at 5% appreciation	–	(21,698,838)	(21,021)	(310,603)	(22,030,462)
Sensitivity at 5% depreciation	–	21,698,838	21,021	310,603	22,030,462

Concentration of foreign currency exposure

31 December 2018	Group **Naira** **₦'000**	Group **USD** **₦'000**	Group **Euro** **₦'000**	Group **Total** **₦'000**
Cash and cash equivalents	25,450,064	48,205,869	188,357	73,844,290
Investment securities (at amortized cost)	–	287,443,046	–	287,443,046
Investment securities (at FVTPL) – Monetary	–	49,804,646	–	49,804,646
Restricted balances and other assets	456,363	35,124,807	–	35,581,170
Total monetary financial asset	**25,906,427**	**420,578,368**	**188,357**	**446,673,152**
Trade payables	273,388	1,460,574	–	1,733,962
Other payables	3,708,804	15,047,640	–	18,756,444
Deferred income relating to government grant	8,951,162	–	–	8,951,162
Payable to Federal Government of Nigeria	18,294,839	–	–	18,294,839
Borrowings	26,052,673	–	–	26,052,673
Total monetary financial liabilities	**57,280,866**	**16,508,214**	**–**	**73,789,080**
Net financial asset FCY exposure	**–**	**404,070,154**	**188,357**	**404,258,511**
Sensitivity at 5% appreciation	–	(20,203,508)	(9,418)	(20,212,926)
Sensitivity at 5% depreciation	–	20,203,508	9,418	20,212,926

Concentration of foreign currency exposure

31 December 2019	Authority Naira ₦'000	Authority USD ₦'000	Authority Euro ₦'000	Authority Euro ₦'000	Authority Total ₦'000
Cash and cash equivalents	139,534,683	45,780,896	420,428	–	185,736,007
Investment securities (at amortised cost)	–	93,681,632	–	–	93,681,632
Investment securities (at FVTPL)	–	220,787,942	–	6,212,062	227,000,004
Investment securities (at FVOCI)	523,000	3,156,993	–	–	3,679,993
Restricted balances and other assets	40,443,363	36,182,028	–	–	76,625,391
Total monetary financial asset	**180,501,046**	**399,589,491**	**420,428**	**6,212,062**	**586,723,027**
Trade payables	1,721,250	–	–	–	1,721,250
Intercompany payables	8,968,987	–	–	–	8,968,987
Other payables	15,528,802	–	–	–	15,528,802
Total monetary financial liabilities	**26,219,039**	**–**	**–**	**–**	**26,219,039**
Net financial asset FCY exposure	**–**	**399,589,491**	**420,428**	**6,212,062**	**406,221,981**
Sensitivity at 5% appreciation	–	(19,979,475)	(21,021)	(310,603)	(20,311,099)
Sensitivity at 5% depreciation	–	19,979,475	21,021	310,603	20,311,099

Concentration of foreign currency exposure

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

Effective closing rate as at 31 December 2019 is N325/ US Dollar (2018: N325/ US Dollar).

6.4.4 Interest rate risk

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

Net interest income sensitivity

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

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

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Currency swap	62,687,710	762,044	62,687,710	762,044
Private equity investments	57,169,278	43,559,000	37,045,262	26,933,165
Hedge funds and long only equity investments	67,462,348	69,343,323	67,462,348	69,343,323
Nigeria Infrastructure Debt Fund	1,626,000	1,626,000	1,626,000	1,626,000
Fixed income products	30,465,259	22,963,236	30,465,259	22,963,236
US treasury notes	27,713,425	26,841,410	27,713,425	26,841,410
	247,124,020	**165,095,013**	**227,000,004**	**148,469,178**

In thousands of Nigerian Naira	Impact on	Impact to 5% strengthening	Imapct to 5% weakening
Group			
31 December 2019	Profit or loss	12,356,201	(12,356,201)

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% strengthening
Group			
31 December 2018	Profit or loss	8,254,751	(8,254,751)

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% strengthening
Authority			
31 December 2019	Profit or loss	11,350,000	(11,350,000)

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% strengthening
Authority			
31 December 2018	Profit or loss	7,423,459	(7,423,459)

6.4.5 Equities securities price risk

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

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Equity instruments measured at FVOCI	5,759,993	9,474,482	3,679,993	7,934,647
	(5,759,993)	**(9,474,482)**	**(3,679,993)**	**(7,934,647)**

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
LSE – Chieftain Hanesbrands Inc.	–	233,779	–	233,779
	–	**(233,779)**	**–**	**(233,779)**

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

7. Fair value hierarchy

Fair value hierarchy

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

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

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

The following tables analyze within the fair value hierarchy the Authority's financial assets (by class) measured at fair value at 31 December 2019. All fair value measurements disclosed are recurring fair value measurements.

Notes to the Consolidated and Separate Financial Statements
continued

7. Fair value hierarchy *continued*

Investment securities at FVOCI

31 December 2019	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
NG Clearing Ltd	–	–	523,000	523,000
MTN securities, Bridge Academies Limited	3,156,993	–	2,080,000	5,236,993
	3,156,993	**–**	**2,603,000**	**5,759,993**

Investment securities at FVOCI

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

Investment securities at FVOCI

31 December 2019	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
NG Clearing Ltd	–	–	523,000	523,000
MTN securities	3,156,993	–	–	3,156,993
	3,156,993	**–**	**523,000**	**3,679,993**

Investment securities available-for-sale

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

Financial assets at fair value through profit or loss

31 December 2019	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
Currency swap (Note 21.3.1)	–	62,687,710	–	62,687,710
Private equity investments	–	–	57,169,278	57,169,278
Hedge funds and long only equity investments	–	–	67,462,348	67,462,348
Nigeria infrastructure debt fund	–	1,626,000	–	1,626,000
US treasury notes	–	27,713,425	–	27,713,425
Fixed income products	–	30,465,259	–	30,465,259
	–	**122,492,394**	**124,631,626**	**247,124,020**

31 December 2018	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Currency swap (Note 21.3.1)	–	762,044	–	762,044
Private equity investments	–	–	43,559,000	43,559,000
Hedge funds and long only equity investments	–	–	69,343,323	69,343,323
Nigeria infrastructure debt fund	–	1,626,000	–	1,626,000
US treasury notes	–	26,841,410	–	26,841,410
Fixed income products	–	22,963,236	–	22,963,236
	–	**52,192,690**	**112,902,323**	**165,095,013**

Financial assets at fair value through profit or loss

31 December 2019	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
Currency swap (Note 21.3.1)	–	62,687,710	–	62,687,710
Private equity investments	–	–	37,045,262	37,045,262
Hedge funds and long only equity investments	–	–	67,462,348	67,462,348
Nigeria infrastructure debt fund	–	1,626,000	–	1,626,000
US treasury notes	–	27,713,425	–	27,713,425
Fixed income products	–	30,465,259	–	30,465,259
	–	**122,492,394**	**104,507,610**	**227,000,004**

31 December 2018	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Currency swap (Note 21.3.1)	–	762,044	–	762,044
Private equity investments	–	–	26,933,165	26,933,165
Hedge funds and long only equity investments	–	–	69,343,323	69,343,323
Nigeria infrastructure debt fund	–	1,626,000	–	1,626,000
US treasury notes	–	26,841,410	–	26,841,410
Fixed income products	–	22,963,236	–	22,963,236
	–	**52,192,690**	**96,276,488**	**148,469,178**

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices as at 31 December 2019. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

(b) Financial instruments in level 2

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

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

(c) Financial instruments in level 3

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

7. Fair value hierarchy *continued*

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2019 for financial assets measured at FVOCI.

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets measured at FVOCI – Bridge Academies Limited and NG Clearing				
Opening balance	2,062,835	1,143,600	523,000	–
Additions	–	1,139,835	–	523,000
Disposal	(213,835)	–	–	–
Fair value movement	754,000	(299,000)	–	–
Exchange gain	–	78,400	–	–
Closing balance	**2,603,000**	**2,062,835**	**523,000**	**523,000**

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets at fair value through profit or loss – Private equity				
Opening balance	43,559,000	–	26,933,165	–
Additions	22,822,452	9,003,662	9,562,337	6,068,415
Disposals, repayments and distributions received	(10,012,286)	(3,504,546)	(1,762,780)	(2,995,848)
Fair value movement	801,572	(4,282,440)	2,314,000	(1,600,642)
IFRS 9 reclassification	–	40,400,222	–	23,825,778
Exchange gain	(1,460)	1,942,102	(1,460)	1,635,462
Closing balance	**57,169,278**	**43,559,000**	**37,045,262**	**26,933,165**

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets measured at FVOCI/Available for sale – Bridge Academies Limited and NG Clearing				
Opening balance	69,343,323	–	69,343,323	–
Additions	16,799,224	25,953,500	16,799,224	25,953,500
Disposals, repayments and distributions received	(24,771,957)	(16,592,617)	(24,771,957)	(16,592,617)
Fair value movement	6,091,758	(9,221,262)	6,091,758	(9,221,262)
IFRS 9 reclassification	–	64,770,690	–	64,770,690
Exchange gain/(loss)	–	4,433,012	–	4,433,012
Closing balance	**67,462,348**	**69,343,323**	**67,462,348**	**69,343,323**

Sensitivity analysis of fair value movements for level 3 financial assets measured at FVOCI

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

			Group 31 December 2019 ₦'000	Authority 31 December 2019 ₦'000
Financial assets measured at FVOCI	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	37,700	–
Fair value movement	Decrease	NAV/Fair value	(37,700)	–

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

			Group 31 December 2019 ₦'000	Authority 31 December 2019 ₦'000
Financial assets at fair value through profit or loss	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	40,079	115,700
Fair value movement	Decrease	NAV/Fair value	(40,079)	(115,700)

			Group 31 December 2018 ₦'000	Authority 31 December 2018 ₦'000
Financial assets at fair value through profit or loss	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	(554,476)	(546,976)
Fair value movement	Decrease	NAV/Fair value	554,476	546,976

There were no level 3 instruments classified at fair value through profit or loss in 2018.

7. Fair value hierarchy *continued*

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

31 December 2019	Group Carrying value ₦'000	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Fair value ₦'000
Financial assets					
Other receivables	23,536,829	–	–	23,536,829	23,536,829
Trade receivables	9,795,174	–	–	9,795,174	9,795,174
Cost incurred on behalf of related party in respect of Second Niger Bridge	16,113,745	–	–	16,113,745	16,113,745
Restricted balances and other assets	1,500	–	1,500	–	1,500
Financial assets measured at amortised cost	107,859,079	–	107,859,079	–	107,859,079
	157,306,327	**–**	**107,860,579**	**49,445,748**	**157,306,327**
Financial liabilities					
Borrowings	23,133,382	–	–	23,133,382	23,133,382
Trade payables	2,377,517	–	–	2,377,517	2,377,517
Other payables	19,076,465	–	–	19,076,465	19,076,465
Payables to Federal Government in respect of the Second Niger Bridge	18,453,250	–	–	18,453,250	18,453,250
	63,040,614	**–**	**–**	**63,040,614**	**63,040,614**

31 December 2018	Group Carrying value ₦'000	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Fair value ₦'000
Financial assets					
Other receivables	11,134,143	–	–	11,134,143	11,134,143
Trade receivables	8,333,282	–	–	8,333,282	8,333,282
Cost incurred on behalf of related party in respect of Second Niger Bridge	16,113,745	–	–	16,113,745	16,113,745
Restricted balances and other assets	2,310,000	–	2,310,000	–	2,310,000
Financial assets measured at amortised cost	286,822,091	–	18,578,065	268,251,836	286,829,901
	324,713,261	**–**	**20,888,065**	**303,833,006**	**324,721,071**
Financial liabilities					
Borrowings	26,052,673	–	–	26,052,673	26,052,673
Trade payables	1,733,962	–	–	1,733,962	1,733,962
Other payables	18,756,444	–	–	18,756,444	18,756,444
Payables to Federal Government in respect of the Second Niger Bridge	18,294,839	–	–	18,294,839	18,294,839
	64,837,918	**–**	**–**	**64,837,918**	**64,837,918**

31 December 2019	Authority **Carrying value** **₦'000**	Authority **Level 1** **₦'000**	Authority **Level 2** **₦'000**	Authority **Level 3** **₦'000**	Authority **Fair value** **₦'000**
Financial assets					
Other receivables	22,646,427	–	–	22,646,427	22,646,427
Account receivables	4,461,410	–	–	4,461,410	4,461,410
Intercompany receivables	49,517,554	–	–	49,517,554	49,517,554
Financial instruments at amortised cost	94,337,449	–	94,337,449	–	94,337,449
	170,962,840	**–**	**94,337,449**	**76,625,391**	**170,962,840**
Financial liabilities					
Trade payables	1,721,250	–	–	1,721,250	1,721,250
Intercompany payables	8,968,987	–	–	8,968,987	8,968,987
Other payables	15,528,802	-	–	15,528,802	15,528,802
	26,219,039	**–**	**–**	**26,219,039**	**26,219,039**

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

8. Fund information

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

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

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

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

8. Fund information *continued*

Fund revenue and results

31 December 2019	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Interest income	4,728,307	9,939,140	12,289,983	66,946	27,024,376
Investment income	3,158,421	1,879,024	(4,567,613)	10,053	479,886
Interest income on instrument measured at FVPL	820,232	–	6,464,398	–	7,284,630
Net gain on financial assets	863,949	4,272,511	(3,487,182)	1,182,654	2,831,932
Net foreign exchange gains	653,782	686,089	(51,658)	946	1,289,159
Total operating segment income	**10,224,691**	**16,776,764**	**10,647,928**	**1,260,600**	**38,909,983**
Investment management fees	(65,139)	(1,161,598)	(1,924)	–	(1,228,662)
Local custodian fees	(7,076)	(7,139)	(5,496)	–	(19,711)
Foreign custodian fees	(30,748)	(125,556)	(10,045)	(14,806)	(181,155)
Impairment charge on financial assets	–	–	1,118,687	89,550	1,208,237
Total fund investment management and custodian fees	**(102,963)**	**(1,294,293)**	**1,101,222**	**74,744**	**(221,291)**
Total operating fund profit	**10,121,728**	**15,482,471**	**11,749,150**	**1,335,344**	**38,688,692**
Revenue from infrastructure subsidiaries investment	–	–	31,965,979	–	31,965,979
Expense from infrastructure subsidiaries investment	–	–	(35,662,535)	–	(35,662,535)
Loss from infrastructure subsidiaries investment	**–**	**–**	**(3,696,556)**	**–**	**(3,696,556)**
Other income			6,177,310	946,600	7,123,910
Operating and administrative expenses	(426)	(550,663)	(1,266,625)	(2,445,588)	(4,263,302)
Total operating and administrative expenses	**(426)**	**(550,663)**	**(1,266,625)**	**(2,445,588)**	**(4,263,302)**
Finance cost			(4,539,030)	(7,526)	(4,546,556)
Share of profit of investment in associate	–	–	1,363,940	–	1,363,940
Profit before tax	**10,121,302**	**14,931,808**	**9,788,188**	**(171,170)**	**34,670,128**
Taxation	–	(202,364)	–		(202,364)
Profit after tax	**10,121,302**	**14,729,444**	**9,788,188**	**(171,170)**	**34,467,764**
Profit attributable to:					
Owners of NSIA	10,121,302	14,729,444	9,796,909	(171,170)	34,476,485
Non-controlling interest	–	–	(8,721)	–	(8,721)
	10,121,302	**14,729,444**	**9,788,188**	**(171,170)**	**34,467,764**
Reportable fund assets					
Cash and cash equivalent	69,312,400	68,842,897	77,892,334	–	216,047,631
Investment securities	48,725,492	135,885,011	175,476,772	–	360,087,275
Restricted balances and other assets	–	2,491,175	35,304,814	13,223,562	51,019,551
Inventories			4,615,646		4,615,646
Investment in subsidiary			15,226,911		15,226,911
Property and equipment	–	–	2,128,372	370,522	2,498,894
Right of use assets			206,417	43,488	249,905
Intangible assets				100,235	100,235
	118,037,892	**207,219,083**	**310,851,266**	**13,737,807**	**649,846,048**
Reportable fund liabilities					
Other liabilities	1,443,453	–	45,733,787	–	47,177,240
Borrowings	–	–	23,133,382	–	23,133,382
	1,443,453	**–**	**68,867,169**	**–**	**70,310,622**

31 December 2018	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Interest income	3,823,619	11,490,431	8,494,318	9,848	23,818,216
Investment income	575,057	1,469,123	1,164,032	–	3,208,212
Interest income on instrument measured at FVPL	161,101	493,622	141,802	–	796,525
Net gain on financial assets	(669,772)	1,249,818	(334,086)	–	245,960
Net foreign exchange gain	4,938,373	5,378,109	7,679,155	56,554	18,052,191
Total operating segment income	**8,828,378**	**20,081,103**	**17,145,221**	**66,402**	**46,121,104**
Investment management fees	(36,212)	(850,939)	–	–	(887,151)
Local custodian fees	(15,696)	(23,907)	(6,010)		(45,613)
Global custodian fees	(5,032)	(54,080)	(10,739)	(19,778)	(89,629)
Impairment charge on financial assets	(64,166)	(129,262)	(750,495)	–	(943,923)
Total operating fund profit	**8,707,272**	**19,022,915**	**16,377,977**	**46,624**	**44,154,788**
Revenue from infrastructure subsidiaries investment	–	–	27,403,230	–	27,403,230
Expense from infrastructure subsidiaries investment	–	–	(30,608,117)	–	(30,608,117)
Loss from infrastructure subsidiaries investment	**–**	**–**	**(3,204,887)**	**–**	**(3,204,887)**
Other income	–	1,016,780	10,379,868	8,610	11,405,258
Operating and administrative expenses	(707,034)	(1,410,122)	(836,988)	(808,081)	(3,762,225)
Interest expense	–	–	(2,617,160)	–	(2,617,160)
Share of profit of investment in associate	–	–	209,300	–	209,300
Profit before tax	**8,000,238**	**18,629,573**	**20,308,110**	**(752,847)**	**46,185,074**
Taxation	**–**	**(219,461)**	**–**		**(219,461)**
Profit for the year from continuing operations	**8,000,238**	**18,410,112**	**20,308,110**	**(752,847)**	**45,965,613**
Profit from discontinued operations	**–**	**–**	**538,816**	**–**	**538,816**
Profit for the year	**8,000,238**	**18,410,112**	**20,846,926**	**(752,847)**	**46,504,429**
Profit attributable to:					
Owners of NSIA	8,000,238	18,409,220	20,846,925	(752,847)	46,503,536
Non-controlling interest	–	893	–	–	893
	8,000,238	**18,408,327**	**20,846,925**	**(752,847)**	**46,502,643**
Reportable fund assets					
Cash and cash equivalent	17,493,387	25,260,097	18,017,973	13,072,833	73,844,290
Investment securities	92,776,689	195,350,614	173,264,283	–	461,391,586
Other assets	1,013,794	2,418,184	42,892,636	174,755	46,499,369
Inventories	–	–	20,685,075	–	20,685,075
Investments accounted for using the equity method	–	–	13,647,879	–	13,647,879
Investment in subsidiary	–	–	–	–	–
Property and equipment	–	–	1,344,066	272,950	1,617,016
Intangible assets	–	–	–	12,893	12,893
	111,283,870	**223,028,895**	**269,851,912**	**13,533,431**	**617,698,108**
Reportable fund liabilities					
Other liabilities	1,411,906	658,791	30,236,130	15,951,222	48,258,049
Borrowings	–	–	26,052,673	–	26,052,673
	1,411,906	**658,791**	**56,288,803**	**15,951,222**	**74,310,722**

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9. Interest income

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Interest income on Nigerian treasury bills	1,254,466	305,283	526,876	–
Interest income on fixed deposits	5,804,399	5,905,172	5,671,315	5,905,172
Interest income on open market operation bills	19,060,426	16,195,559	19,060,426	16,195,559
Interest income on Eurobonds	338,456	1,250,077	338,456	1,250,077
Interest income on bank balances	566,629	162,125	566,629	162,125
	27,024,376	**23,818,216**	**26,163,702**	**23,512,933**

10. Investment income

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Investment income from securities	479,886	3,208,212	464,505	1,386,859
	479,886	**3,208,212**	**464,505**	**1,386,859**

11. Interest income on financial assets at FVTPL

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Interest income on US treasury note	527,177	440,462	527,177	440,462
Interest income from fixed income products	293,055	356,063	293,055	356,063
Interest income on Open Market operations bill	6,464,398	–	6,464,398	–
	7,284,630	**796,525**	**7,284,630**	**796,525**

12. Net gain on financial assets

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Net gain on financial assets at fair value through profit or loss (Note 12.1)	2,304,636	536,178	3,068,688	1,174,257
Net gain/loss on US treasury notes and fixed income products	527,296	(290,218)	527,296	(290,218)
	2,831,932	**245,960**	**3,595,984**	**884,039**

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Unrealized gain on financial swap	(2,188,744)	762,044	(2,188,744)	762,044
Realized (loss)/gain on financial swap	(4,462,409)	3,230,018	(4,462,409)	3,230,018
Fair value changes on private equity, hedge funds and other securities	9,598,712	(5,868,673)	10,362,764	(4,724,175)
Net (loss)/gain on sale of equity instruments	(642,923)	2,412,789	(642,923)	1,906,370
	2,304,636	**536,178**	**3,068,688**	**1,174,257**

The reduction in the Group's Net gain on financial assets at fair value through profit or loss in relation to the Authority's is due to the performance of private equity funds within the subsidiary entities which is based on the respective funds' life cycle.

13. Net foreign exchange gains

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Net foreign exchange gains	1,289,159	18,052,191	1,288,894	18,901,727
	1,289,159	**18,052,191**	**1,288,894**	**18,901,727**

14. Impairment (write back)/charge on financial assets

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets at amortised cost	(1,208,237)	943,923	965,076	321,761
	(1,208,237)	**943,923**	**965,076**	**321,761**

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

	Group Stage 1 12-month ECL ₦'000	Group Stage 2 Lifetime ECL ₦'000	Group Stage 3 Lifetime ECL ₦'000	Group Purchased credit-impaired ₦'000	Group Total ₦'000
Loss allowance as at 1 January 2019	2,955,668	–	–	–	**2,955,668**
Movements with P/L impact					
Changes on financial assets during the year	(1,208,237)	–	–	–	**(1,208,237)**
Total net P&L charge during the period	(1,208,237)	–	–	–	**(1,208,237)**
Loss allowance as at 31 December 2019	**1,747,431**	**–**	**–**	**–**	**1,747,431**

	Group Stage 1 12-month ECL ₦'000	Group Stage 2 Lifetime ECL ₦'000	Group Stage 3 Lifetime ECL ₦'000	Group Purchased credit-impaired ₦'000	Group Total ₦'000
Loss allowance as at 1 January 2018	2,011,745	–	–	–	**2,011,745**
Movements with P/L impact					
Changes on financial assets during the year	940,655	–	–	–	**940,655**
FX and other movements	3,268	–	–	–	**3,268**
Total net P/L charge during the period	943,923	–	–	–	**943,923**
Loss allowance as at 31 December 2018	**2,955,668**	**–**	**–**	**–**	**2,955,668**

	Authority Stage 1 12-month ECL ₦'000	Authority Stage 2 Lifetime ECL ₦'000	Authority Stage 3 Lifetime ECL ₦'000	Authority Purchased credit-impaired ₦'000	Authority Total ₦'000
Loss allowance as at 1 January 2019	570,855	–	–	–	570,855
Movements with P/L impact					
Changes on financial assets during the year	965,076	–	–	–	965,076
Total net P&L charge during the period	965,076	–	–	–	965,076
Loss allowance as at 31 December 2019	**1,535,931**	**–**	**–**	**–**	**1,535,931**

14. Impairment (write back)/charge on financial assets *continued*

	Authority **Stage 1 12-month ECL ₦'000**	Authority **Stage 2 Lifetime ECL ₦'000**	Authority **Stage 3 Lifetime ECL ₦'000**	Authority **Purchased credit-impaired ₦'000**	Authority **Total ₦'000**
Loss allowance as at 1 January 2018	249,094	–	–	–	**249,094**
Movements with P/L impact					
Changes on financial assets during the year	318,493	–	–	–	**318,493**
FX and other movements	3,268	–	–	–	**3,268**
Total net P/L charge during the period	321,761	–	–	–	**321,761**
Loss allowance as at 31 December 2018	**570,855**	**–**	**–**	**–**	**570,855**

Other movements with no P&L impact
There were no transfers across the stage 1 to stage 3 and there was no write off during the year.

15. Revenue from infrastructure subsidiaries investment

	Group **31 December 2019 ₦'000**	Group 31 December 2018 ₦'000	Authority **31 December 2019 ₦'000**	Authority 31 December 2018 ₦'000
Revenue from sale of fertilizer	31,965,979	27,403,230	–	–
	31,965,979	**27,403,230**	**–**	**–**

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

16. Expense from infrastructure subsidiaries investment

	Group **31 December 2019 ₦'000**	Group 31 December 2018 ₦'000	Authority **31 December 2019 ₦'000**	Authority 31 December 2018 ₦'000
Cost of sales of fertilizer (Note 16.1)	35,662,535	30,608,117	–	–
	35,662,535	**30,608,117**	**–**	**–**

16.1 Cost of sales of fertilizers

	Group **31 December 2019 ₦'000**	Group 31 December 2018 ₦'000	Authority **31 December 2019 ₦'000**	Authority 31 December 2018 ₦'000
Raw materials consumed	23,594,620	19,618,251	–	–
Blending plants fees	4,091,627	3,399,132	–	–
Direct trucking, storage and other logistics	6,126,350	5,272,195	–	–
Logistics and collateral management fees	215,427	–	–	–
Fertilizer clearing and testing expense	3,461	2,318,539	–	–
Inventory write off	1,631,050	–	–	–
	35,662,535	**30,608,117**	**–**	**–**

Unauthorized Lifting of Fertilizer Products at Blending Plants under the Presidential Fertilizer Initiative

The Presidential Fertilizer Initiative (PFI) being implemented by a subsidiary of the NSIA (NAIC-NPK Limited) continues to sustain the production and distribution of NPK 20:10:10 fertilizer. To secure the inventory of raw materials and finished goods, the Federal Government of Nigeria set-up a joint task force of security forces to monitor the movement of both the raw materials and finished goods. The Authority also ensures that the blending plants selected to implement the program are accredited based on stringent selection criteria.

Despite the best efforts by all parties concerned to forestall stock loss and ensure raw material inputs translate to output for domestic production of NPK 20:10:10, some incidence of unauthorized lifting of the product was discovered at Bauchi Fertilizer Company and Bejafta Group Nigeria Limited, two of the blending plants participating in the PFI. The development has been escalated to the security agencies for investigation. In the interim, the NSIA has de-listed the aforementioned blending plants where the fraud was identified from participating in the 2020 PFI until the amounts owed, in the sum of N600 million and N1.031 billion by Bauchi Fertilizer Company and Bejafta Group Nigeria Limited respectively, are fully settled.

In line with the relevant accounting standards, the full amount of N1.631 billion has been recorded as inventory loss in the financial statements and charged to the income statement.

17. Other income

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Fiduciary income	985,631	1,036,042	946,600	1,025,390
Subsidy from Federal Government of Nigeria on cost diffential on fertilizer sales	3,553,735	8,600,000	–	–
Benefit from below market rate loan	2,584,544	1,769,216	–	–
	7,123,910	**11,405,258**	**946,600**	**1,025,390**

In 2018, N1.01 billion of fiduciary income relates to fund management fees earned on management of Nigeria Bulk Electricity Trading Plc (NBET) funds. While N858 million of the 2019 fiduciary income relates to fund management fees earned from the Presidential Infrastructure Development Fund in 2018 and 2019.

Subsidy from the Federal Government of Nigeria on cost differentials on sales of fertilizer relates to approved disbursement by the Federal Government of Nigeria for cost differential on the sales of fertilizer by the Group subsidiary NAIC-NPK Ltd. The subsidy amount of N3.55 billion (2018: N8.6 billion) was granted to the group to settle the shortfalls of the 2019 Presidential Fertilizer Initiative (PFI).

Benefit from below market rate loan arose from the straight line amortization of the fair value of the benefit over the tenor of the borrowing. See Note 30.1 for additional information.

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18. Operating and administrative expenses

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Personnel expenses (Note 18.1)	1,869,840	1,927,726	1,816,928	1,927,727
Directors expenses (Non-executives)	101,600	100,000	101,600	100,000
Depreciation	170,905	57,818	159,865	57,818
Amortisation	1,636	63	1,636	63
Audit fees	82,500	71,900	48,000	41,900
Non audit fees	16,000	15,000	16,000	15,000
Other professional fees	859,165	488,039	705,536	361,218
General and administrative expenses	618,574	855,930	596,954	533,047
Office rent and other expenses	158,705	190,493	152,516	190,494
Travel expenses	384,377	55,256	170,361	55,256
	4,263,302	**3,762,225**	**3,769,396**	**3,282,523**

18.1 Personnel expenses

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Salaries and allowances	1,774,242	1,824,341	1,721,330	1,824,342
Defined contribution plan	95,598	103,385	95,598	103,385
	1,869,840	**1,927,726**	**1,816,928**	**1,927,727**

19. Interest expense

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Effective interest on borrowings	4,539,030	2,617,160	–	–
Interest on lease liabilities	7,526	–	7,526	–
	4,546,556	**2,617,160**	**7,526**	**–**

Effective interest on borrowings relates to the interest expense the Group incurred in connection with the borrowing of funds. The amount borrowed was provided by the Central Bank of Nigeria to NAIC-NPK (a subsidiary of the Group) to finance the Presidential Fertilizer Initiative for which the Authority initially provided stop-gap financing. See notes 30 for details of the borrowings.

20. Cash and cash equivalents

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Cash on hand	2,944	133	2,944	133
Bank balances	138,865,158	43,908,683	108,553,534	29,531,728
Money market placements	77,179,529	29,935,474	77,179,529	32,245,474
	216,047,631	**73,844,290**	**185,736,007**	**61,777,335**

Cash at banks earn interest at floating rates based on daily bank deposit rates. Money market placements are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents is as disclosed above.

21. Investment securities

		Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets measured at amortised cost	21.1	107,203,262	286,822,091	93,681,632	285,232,084
Financial assets measured at FVOCI	21.2	5,759,993	9,474,482	3,679,993	7,934,647
Financial assets at fair value through profit or loss	21.3	247,124,020	165,095,013	227,000,004	148,469,178
		360,087,275	**461,391,586**	**324,361,629**	**441,635,909**

21.1 Financial assets measured at amortised cost

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Eurobonds	-	10,260,970	–	10,260,970
Nigerian treasury bill	925,744	3,984,976	925,744	3,984,976
Open market operations bills (OMO bills)	9,302,663	178,487,028	-	178,487,028
Fixed deposits	95,974,599	93,069,036	93,411,705	93,069,036
Loans and receivables	1,656,073	1,641,036	–	–
	107,859,079	287,443,046	94,337,449	285,802,010
Impairment /Expected Credit loss	(655,817)	(620,955)	(655,817)	(569,926)
	107,203,262	**286,822,091**	**93,681,632**	**285,232,084**
Maturity analysis:				
Current	107,203,262	286,822,091	93,681,632	285,232,084
	107,203,262	**286,822,091**	**93,681,632**	**285,232,084**

The investment securities reported by the Group at the end of the year 2019 includes N2.56billion fixed deposits representing the unspent funds belonging to the Federal Government of Nigeria in relation to the Second Niger Bridge project. These balances are not available for use in the Group's liquidity management activities (2018: Nil)

21.1.1 Impairment/Expected Credit loss

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
As at 1 January	620,955	–	569,926	–
Charge for the year	34,862	–	85,891	–
Provision for expected credit losses	655,817	620,955	655,817	569,926
As at 31 December	**655,817**	**620,955**	**655,817**	**569,926**

21. Investment securities *continued*

21.2 Financial assets measured at FVOCI

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Equity instruments				
NG Clearing Ltd	523,000	523,000	523,000	523,000
MTN securities, Bridge Academies Limited and Chieftain Investments	5,236,993	8,951,482	3,156,993	7,411,647
	5,759,993	**9,474,482**	**3,679,993**	**7,934,647**
Maturity analysis:				
Non-current	5,759,993	9,474,482	3,679,993	7,934,647
	5,759,993	**9,474,482**	**3,679,993**	**7,934,647**

21.3 Financial assets at fair value through profit or loss

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Currency swap (Note 21.3.1)	62,687,710	762,044	62,687,710	762,044
Private equity investments	57,169,278	43,559,000	37,045,262	26,933,165
Hedge funds and long only equity investments	67,462,348	69,343,323	67,462,348	69,343,323
Nigeria Infrastructure Debt Fund	1,626,000	1,626,000	1,626,000	1,626,000
Fixed income products	30,465,259	22,963,236	30,465,259	22,963,236
US treasury notes	27,713,425	26,841,410	27,713,425	26,841,410
	247,124,020	**165,095,013**	**227,000,004**	**148,469,178**
Maturity analysis:				
Current	120,866,394	17,238,887	120,866,394	17,238,887
Non-Current	126,257,626	147,856,126	106,133,610	131,230,291
	247,124,020	**165,095,013**	**227,000,004**	**148,469,178**

21.3.1 For swap instruments, the balance in 2019 shows the fair value of the financial assets arising from the currency swap transactions with the Central Bank of Nigeria (CBN) and the underlying asset. The derivative liability and the underlying asset have been offset in line with the requirement of IFRS. The notional contract amount of $180million (2018: $515million) represents the basis on which the changes in fair value were measured. The notional amount indicates that the volume of transactions as at the year end and are indicative of neither the market risk nor the credit risk. As a result of the counterparty involved, we have assessed the impact of credit risk on the financial asset to be minimal, as the counterparty (CBN) is backed by the sovereign guarantee of the Federal Government of Nigeria. In lieu of the foregoing, a credit value adjustment was not effected on the fair valuation of the derivative.

22. Other assets

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial assets:				
Other receivables (22.1)	23,536,829	11,134,143	22,646,427	2,171,076
Account receivables	9,795,174	8,333,282	4,461,410	3,456,830
Intercompany receivables	–	–	49,517,554	30,346,432
Cost incurred on behalf of the Federal Government of Nigeria	16,113,745	16,113,745	–	–
Restricted balances	1,500	2,310,000	–	–
	49,447,248	**37,891,170**	**76,625,391**	**35,974,338**
Impairment/Expected Credit loss (22.2)	(1,101,976)	(2,334,713)	(880,113)	(929)
Total financial assets	48,345,272	35,556,457	75,745,278	35,973,409
Non-financial assets:				
Prepayment	2,674,279	10,942,912	133,540	109,269
Total other assets	**51,019,551**	**46,499,369**	**75,878,818**	**36,082,678**
Maturity analysis:				
Current	–	–	–	–
Non-current	51,019,551	46,499,369	75,878,818	36,082,678
	51,019,551	**46,499,369**	**75,878,818**	**36,082,678**

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

Restricted balances relates to cash held by NSIA Motorways Investment Company Limited on behalf of the Federal government which are not available for use in the Company's daily operations.

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

22.1 Other receivables

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Receivable from CBN (Matured Treasury Bill proceeds)	4,001,000	–	4,000,000	–
LUTH Advanced Medical Service-Deposit for Shares	3,409,780	1,775,665	3,409,780	1,775,665
Receivable from Presidential Infrastructure Development Fund	14,824,830	30,002	14,824,830	30,002
Receivable: Others	1,300,135	8,978,389	411,733	16,322
Receivables from Associates & Joint Ventures	1,084	350,087	84	349,087
	23,536,829	**11,134,143**	**22,646,427**	**2,171,076**

22. Other assets *continued*

22.2 Impairment/expected credit loss on other assets

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
As at 1 January	2,334,713	–	929	–
(Write back)/charge for the year	(1,232,737)	2,334,713	879,184	929
Provision for expected credit losses	1,101,976	2,334,713	880,113	929
As at 31 December	**1,101,976**	**2,334,713**	**880,113**	**929**

23. Inventories

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Raw materials	1,921,575	8,991,275	–	–
Finished goods	2,694,071	11,693,800	–	–
	4,615,646	**20,685,075**	**–**	**–**
Maturity analysis:				
Current	4,615,646	20,685,075	–	–
	4,615,646	**20,685,075**	**–**	**–**

There were no inventories pledged as security for liabilities. (2018: NIL).

24. Investments in subsidiaries

	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
At the beginning of the year	5,116,826	16,085,655
Additions during the year	1,000	–
Acquisition of non-controlling interest in KG Brussels	–	8,125
Reclassification to shares held in FGFs	(3,372,553)	–
Disposal of subsidiary/loss of control	–	(10,968,829)
At the end of the year	**1,753,398**	**5,116,826**
Investment types:		
Investment in equity shares	1,753,398	5,116,826
	1,753,398	**5,116,826**
Maturity analysis:		
Non-current	1,753,398	5,116,826
	1,753,398	**5,116,826**

During the year, the Authority divested its investment from KG Brussels to the FGF subsidiaries. The Authority's increased investment in the FGF subsidiaries were recognized as prepayments rather than investments in the book of NSIA as they are yet to be recognized as ordinary share capital in the book of the FGF subsidiaries.

24.1 Information on subsidiary entities controlled by the Authority

Name of entity	Place of business/ Country of incorporation	% of ownership interest 2019	% of ownership interest 2018	Carrying amount 2019 ₦'000	Carrying amount 2018 ₦'000
NSIA Motorways Investment Company (NMIC) (i)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
KG Brussels LP (ii)	USA	**100%**	99.7%	**1,744,398**	**5,108,826**
FGF Private Equity Co. Limited (iii)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
FGF Investments Limited (iv)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
NSIA Agriculture Investment Company (v)	Nigeria	**99.99%**	99.99%	**1,000**	–
FGF PE Beta Limited (vi)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
NSIA Property Investment Company Limited (vii)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
NSIA Power Investment Company Limited (viii)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
NSIA Healthcare Development and Investment Company Limited (ix)	Nigeria	**99.99%**	99.99%	**1,000**	**1,000**
NSIA Investment Management Company	Nigeria	**100.00%**	–	**1,000**	–
				1,753,398	**5,115,826**

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

ii) KG Brussels LP became a wholly-owned subsidiary after the Authority acquired 0.03% shares, representing non-controlling interest, from Carmona Motley. KG Brussels LP was incorporated in 2014 and it holds a portfolio of investments in other private equity investee funds. During the financial year, there was a reallocation of financial assets from KG Brussels to FGFs, which led to a reduction in the capital apportionment owned by NSIA.

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

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

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

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

vii) NSIA Property Investment Company Limited is a wholly-owned subsidiary set up to invest in and to purchase, acquire, hold, develop, work and turn to account any land (of any tenure), landed property or real estate of any kind. The Company was incorporated in 2014.

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

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

24. Investments in subsidiaries *continued*

The Authority also has indirect interest in the following subsidiaries:

	Place of business Country of incorporation	% of ownership interest 2019 ₦'000	% of ownership interest 2018 ₦'000
FMCU Advanced Medical Diagnostics Limited (x)	Nigeria	90 %	90 %
AKTH Advanced Medical Diagnostics Limited (xi)	Nigeria	90 %	90 %
NAIC-NPK Limited (xii)	Nigeria	100 %	100 %

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

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

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

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

In 2018, Infracredit received $21.98 million and N991.5 million from Africa Finance Corporation (AFC), as additional investment in the company. This amount represents AFC's investment in the Company. The Company recognized this investment in share capital as at the end of 2018 financial year. The additional investment led to dilution of ownership and also loss of control in the Company by the Nigeria Sovereign Investment Authority as at 2018 reporting date. The Authority now recognizes its investment in Infracredit as a joint venture which is accounted for using equity accounting in line with IAS 28 – investments in associates and joint venture.

As stated above, there was loss of control of the Group's investment in Infracredit through sale of 50% equity interest to a new shareholder during the year ended 31 December 2018. See "investments accounted for using the equity method" in note 25 for more information.

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

25. Investments accounted for using the equity method

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

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Associates and joint ventures	15,226,911	13,647,879	10,614,990	10,614,990

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

Associates	**1,579,032**	**269,260**	–	–

The below shows a detailed movement of this balance:

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
At the beginning of the year	13,647,879	2,453,380	10,614,990	1,600,490
Addition during the year	–	10,925,239	–	9,014,500
Share of profit of associate and joint venture	1,363,940	209,300		–
Share of fair value reserves of associate and joint venture	215,092	59,960		–
At the end of the year	**15,226,911**	**13,647,879**	**10,614,990**	**10,614,990**
Maturity analysis:				
Non-current	**15,226,911**	**13,647,879**	**10,614,990**	**10,614,990**

Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of company		Group Place of business/ Country of incorporation	Group % ownership interest 2019	Group % ownership interest 2018	Group Carrying amount 31 December 2019 ₦'000	Group Carrying amount 31 December 2018 ₦'000
Investment in associates						
Nigeria Mortgage Refinance Company (NMRC)	25.1	Nigeria	20.91%	20.91%	3,497,573	2,758,781
Family Homes Funds Limited (FHFL)	25.2	Nigeria	49%	49%	57,610	–
Panda Agriculture Operations and Management Ltd	25.3	Mauritius	30%	30%	–	–
Pandagric Novum Ltd	25.4	Nigeria	30%	30%	–	–
					3,555,183	**2,758,781**

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

Name of company		Group Place of business/ Country of incorporation	Group % ownership interest 31 December 2019	Group % ownership interest 31 December 2018	Group Carrying amount 31 December 2019 ₦'000	Group Carrying amount 31 December 2018 ₦'000
Investment in joint venture						
LUTH Advanced Medical Services Limited	25.5	Nigeria	50%	50%	–	–
UFF-NAIC Agriculture Management Company (Mauritius) Limited	25.6	Mauritius	50%	50%	–	1,009
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	25.7	Mauritius	50%	50%	2,137,161	1,870,802
Panda Agricultural Properties Management Ltd	25.8	Mauritius	50%	50%	–	–
Panda Agricultural Properties Management Ltd	25.9	Nigeria	50%	50%	–	–
Infrastructure Credit Guarantee Company Limited	25.10	Nigeria	50%	50%	9,534,567	9,017,288
Total investment in joint venture					**11,671,728**	**10,889,099**
Total investments in joint ventures and associates					**15,226,911**	**13,647,880**

Name of company		Authority Place of business/ Country of incorporation	Authority % ownership interest 2019	Authority % ownership interest 2018	Authority Carrying amount 31 December 2019 ₦'000	Authority Carrying amount 31 December 2018 ₦'000
Investment in associates						
Nigeria Mortgage Refinance Company (NMRC)	25.1	Nigeria	20.91%	20.91%	1,600,000	1,600,000
Family Homes Funds Limited (FHFL)	25.2	Nigeria	49%	49%	490	490
Panda Agriculture Operations and Management Ltd	25.3	Mauritius	30%	30%	–	–
Pandagric Novum Ltd	25.4	Nigeria	25%	25%	–	–
					1,600,490	**1,600,490**
Investment in joint venture						
Infrastructure Credit Guarantee Company Limited	25.10	Nigeria	50%	50%	9,014,500	9,014,500
					9,014,500	**9,014,500**
Total investment in joint ventures and associates					**10,614,990**	**10,614,990**
The Authority has indirect investments in joint ventures in the following entities:						
UFF-NAIC Agriculture Management Company (Mauritius) Limited	25.6	Mauritius	50%	50%	3,052	3,052
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	25.7	Mauritius	50%	50%	1,907,188	1,907,188
LUTH Advanced Medical Services Limited (LUTH)	25.5	Nigeria	50%	50%	500	500
					1,910,740	**1,910,740**

25.1 Nigeria Mortgage Refinance Company (NMRC)
Nigeria Mortgage Refinance Company (NMRC) is a government business entity and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate. Set out below are the summarized financial information for NMRC which is accounted for using the equity method.

25.2 Family Homes Fund Limited (FHFL)
Family Homes Fund Limited (FHFL) is an innovative private sector driven financing solution to Nigeria's housing challenges. An initiative of the Federal Ministry of Finance and established in September 2016. There are no contingent liabilities relating to the Group's interest in the associate. Set out below are the summarized financial information for FHFL which is accounted for using the equity method.

25.3 Panda Agriculture Operations and Management Ltd

A company limited by shares and incorporated in Mauritius on the 2nd of February 2018 with company number 153361.

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

25.4 Pandagric Novum Ltd

A company limited by shares and incorporated in Nigeria on the 16th of November 2017.

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

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

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

25.5 LUTH Advanced Medical Services Limited (LUTH)

Luth Advanced Medical Services Limited was established to carry on business as providers of modern medical pathology laboratory services, provide modern radiography services, provide healthcare services, establish other medical diagnostic centers as may be determined from time to time by the board of directors and to encourage the discovery of new medical and/ or surgical management of diseases and afflictions. The Company was incorporated in 2016.

25.6 UFF-NAIC Agriculture Management Company (Mauritius) Limited

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

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

25.7 UFF-NAIC Agriculture Investment Company (Mauritius) Limited

UFF-NAIC Agriculture Investment Company (Mauritius) Limited was incorporated in Mauritius on the 27th March 2017 with company number 146100. The company is a joint venture between NSIA and Old Mutual African Agricultural Fund. An initial commitment of USD25mn from NSIA and Old Mutual African Agricultural Fund has been made with a target of a total commitment size of USD200mn from other third parties. Although the funds to the joint venture are provided by Old Mutual African Agricultural Fund, UFF Management Limited act as representatives on behalf of Old Mutual.

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

25.8 Panda Agricultural Properties Management Ltd

A company limited by shares and incorporated in Mauritius on the 6th of February 2018 with company number 153425.

The company has been established to acquire farms, agricultural land and fixed assets and lease such farms and assets to Panda Operations and Management.

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

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

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

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

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

25.10.1 The Group lost control of Infracredit during the year 2018 as stated above. This was as a result of additional investment in Infracredit by Africa Finance Corporation (AFC) during the period. The Group assessed that it exercises joint control over the investee company through it's retained interest of 50%.

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

	31 December 2019 ₦'000	31 December 2018 ₦'000
Balance at start of the year	9,017,288	–
Fair value of retained interest in joint venture	–	9,014,500
Share of associate's profit	517,280	2,788
Carrying amount as at 31 December	**9,534,568**	**9,017,288**

25.10.3 Transfer of assets from KG Brussels to FGFs entities
During the year, the Authority transferred some of the investment securities in the books of KG Brussels to the FGFs entities as shown below:

	NMRC 31 December 2019 ₦'000
Balance at start of the year	5,735,038
Additional Investment	**45,801**
Returns of capital	**(41,506)**
Fair value changes	**(480,971)**
Transfer to FGFs' entities	(5,209,759)
Balance at the end of the year	**48,603**

The investment securities are recognized at their fair value.

Summarised financial information associates

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

Summarised statement of comprehensive income	NMRC 31 December 2019 ₦'000	NMRC 31 December 2018 ₦'000	FHFL 31 December 2019 ₦'000	FHFL 31 December 2018 ₦'000
Interest income	9,610,997	7,079,510	901,200	155,001
Interest expense	(4,198,011)	(3,177,341)	–	–
Other income	7,093	6,741	–	–
Impairment allowance (ECL)	(141,065)	6,981	–	–
Depreciation and amortisation	(172,413)	(177,083)	(13,834)	(633)
Personnel expenses	(901,201)	(819,333)	(464,159)	(102,777)
Operating expenses	(1,108,027)	(983,979)	(305,635)	(175,216)
Profit before tax	**3,097,373**	**1,935,496**	**117,572**	**(123,625)**
Income tax	(78,917)	(94,387)	–	–
Profit/(loss) for the year	**3,018,456**	**1,841,109**	**117,572**	**(123,625)**
Other comprehensive income	514,745	(92,105)	–	–
Total comprehensive income	**3,533,201**	**1,749,004**	**117,572**	**(123,625)**

Summarised Statement of financial position	NMRC 31 December 2019 ₦'000	NMRC 31 December 2018 ₦'000	FHFL 31 December 2019 ₦'000	FHFL 31 December 2018 ₦'000
Cash and cash equivalents	7,354,230	6,505,444	2,054,150	12,620,971
Loans and advances	18,339,488	17,024,218	–	–
Investment securities	46,509,890	45,033,440	5,519,028	–
Inventories	–	–	12,590,689	8,789,834
Other assets	121,220	142,433	548,947	95,494
Investment properties	–	–	1,259,966	1,259,966
Property and equipment	519,944	545,727	102,844	2,245
Intangible assets	22,535	40,620	2,109	368
Total assets	**72,867,307**	**69,291,882**	**22,077,733**	**22,768,878**
Other liabilities	1,198,908	662,702	234,891	21,201,697
Tax liabilities	78,603	93,917	400,171	365,737
Borrowings	37,598,419	37,598,419	1,500,000	1,500,000
Debt securities issued	17,264,522	17,743,249	–	–
Total liabilities	**56,140,452**	**56,098,287**	**2,135,062**	**23,067,434**

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

Capital and reserves	NMRC 31 December 2019 ₦'000	NMRC 31 December 2018 ₦'000	FHFL 31 December 2019 ₦'000	FHFL 31 December 2018 ₦'000
Share capital	2,125,444	2,125,444	1,000	1,000
Share premium	5,925,233	5,925,231	–	–
Retained earnings	5,610,014	3,497,055	(58,329)	(299,557)
Statutory reserves	2,509,635	1,604,080	–	–
FGN grant	–	–	20,000,000	–
Fair value reserves	556,530	41,785	–	–
Total equity	**16,726,856**	**13,193,595**	**19,942,671**	**(298,557)**
Total liabilities and equity	**72,867,308**	**69,291,882**	**22,077,733**	**22,768,877**

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

Capital and reserves	NMRC 31 December 2019 ₦'000	NMRC 31 December 2018 ₦'000	FHFL 31 December 2019 ₦'000	FHFL 31 December 2018 ₦'000
Net assets of associate/joint venture	16,726,856	13,193,595	19,942,671	(298,557)
Group share of net assets	3,497,573	2,758,781	57,610	(146,293)
Carrying value of associate	3,497,573	2,758,781	57,610	–
Difference	–	–		(146,293)
Share of losses not recognised	–	–	–	146,293

Summarised financial information of joint ventures

Set out below are the financial information of the joint ventures of the Group as at 31 December 2019, which, in the opinion of the directors, are material to the Group.

Summarised statement of comprehensive income	InfraCredit 31 December 2019 ₦'000	InfaCredit 31 December 2018 ₦'000	LUTH 31 December 2019 ₦'000	LUTH 31 December 2018 ₦'000
Revenue from contracts with customers	–	–	379,184	–
Cost of sales	–	–	(184,920)	–
Interest and investment income	2,329,300	524,155	–	–
Net foreign exchange gain/loss	9,792	79,130	–	–
Guarantee fee income	642,416	340,000	–	–
Other income	13,322	34,226	1,153	350
Gurantee fee expense	(123,409)	(78,079)	–	–
Impairment loss on financial assets	(44,097)	(47,436)	–	–
Operating expenses	(1,792,765)	(682,398)	(692,810)	–
Profit/(loss) for the year	**1,034,559**	**169,598**	**(497,393)**	**350**
Total comprehensive income	**1,034,559**	**169,598**	**(497,393)**	**350**

Summarised statement of financial position	InfraCredit 31 December 2019 ₦'000	InfaCredit 31 December 2018 ₦'000	LUTH 31 December 2019 ₦'000	LUTH 31 December 2018 ₦'000
Cash and cash equivalents	13,025,708	13,763,541	458,325	–
Investment securities	29,092,303	17,413,426	–	–
Other assets	2,924,961	933,958	22,244	1,000
Property and equipment	240,912	122,378	2,753,301	1,675,620
Right of use asset	217,141	–	–	–
Intangible assets	47,866	2,133	150,563	–
Total assets	**45,548,891**	**32,235,436**	**3,384,433**	**1,676,620**
Deposit for shares	–	–	2,982,279	–
Other liabilities	3,639,417	1,756,389	968,369	1,776,165
Debt capital	23,170,389	12,813,690	–	–
Total liabilities	**26,809,806**	**14,570,079**	**3,950,648**	**1,776,165**
Capital and reserves				
Ordinary share capital	1,983,190	1,983,190	1,000	1,000
Preference shares capital	16,045,810	16,045,810	–	–
Retained earnings	710,085	(363,643)	(567,215)	(100,545)
Total equity	**18,739,085**	**17,665,357**	**(566,215)**	**(99,545)**
Total liabilities and equity	**45,548,891**	**32,235,436**	**3,384,433**	**1,676,620**

Reconciliation of the summarized financial information presented to the carrying amount of its interest in Infracredit and LUTH.

	InfraCredit 31 December 2019 ₦'000	InfaCredit 31 December 2018 ₦'000	LUTH 31 December 2019 ₦'000	LUTH 31 December 2018 ₦'000
Net assets of associate/joint venture	18,739,085	17,665,357	(566,215)	(99,545)
Group share of net assets	9,534,567	8,832,679	(566,215)	(99,545)
Carrying value of associate	9,369,543	8,832,679	–	–
Difference	–	–	(566,215)	(99,545)
Share of losses not recognised	–	–	(566,215)	(99,545)

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

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

Summarised statement of comprehensive income	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000
Unrealized gain on financial assets	–	–	355,476	–
Interest income	–	–	–	12,687
Project related cost	–	(20,476)	–	(1,165,869)
Other income	14,469	27,782	–	1,337,749
Operating expenses	(18,017)	(7,923)	(37,677)	(617,863)
Profit before tax	**(3,548)**	**(617)**	**317,799**	**(433,296)**
Income tax	–	–	–	(306)
Loss for the period	**(3,548)**	**(617)**	**317,799**	**(433,602)**
Other comprehensive income	–	–	214,917	599,862
Total comprehensive loss	**(3,548)**	**(617)**	**532,716**	**166,260**
Loss attrributable to:				
Parent	–	–	–	(355,309)
Non controlling interest	–	–	–	(78,294)
	–	**–**	**–**	**(433,603)**
Total comprehensive income attributable to:				
Parent	–	–	–	228,682
Non controlling interest	–	–	–	(62,422)
	–	**–**	**–**	**166,260**

Summarised statement of financial position	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000
Cash and cash equivalents	224	83	10,745	3,685,793
Investment securities	–	–	3,880,556	146,250
Other assets	31,236	35,068	455,695	282,908
Property and equipment	–	–		619,120
Total assets	**31,460**	**35,151**	**4,346,996**	**4,734,071**
Other liabilities	30,976	31,118	72,677	991,346
Total liabilities	**30,976**	**31,118**	**72,677**	**991,346**
Capital and reserves				
Share capital	12,006	12,006	4,063,131	4,063,131
Retained earnings	(11,505)	(7,957)	(130,085)	(447,884)
Currency translation reserves	(17)	(16)	341,273	126,356
Non controlling interest	–	–-		1,122
Total equity	**484**	**4,033**	**4,274,319**	**3,742,725**
Total liabilities and equity	**31,460**	**35,151**	**4,346,996**	**4,734,071**

Summarised statement of financial position	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2019 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000
Net assets of associate/joint venture	484	4,033	4,274,319	3,741,603
Group share of net assets	–	2,017	2,137,160	1,870,802
Carrying value of associate	–	2,017	2,137,160	1,870,802

26. Leases

Group as a lessee

The Group has lease contracts for its office building. The lease have lease terms of 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Group 31 December ₦'000	Authority 31 December ₦'000
As at 1 January 2019	304,338	86,976
Depreciation expense	(54,433)	(43,488)
As at 31 December 2019	**249,905**	**43,488**

	Group 31 December 2019 ₦'000	Authority 31 December 2019 ₦'000
As at 1 January	86,976	86,976
Accretion of interest	7,526	7,526
Payments	(48,000)	(48,000)
	46,502	46,502
Current	46,502	46,502
Non-current	–	–
	46,502	**46,502**

The following are the amounts recognized in profit or loss:

	Group 31 December 2019 ₦'000	Authority 31 December 2019 ₦'000
Depreciation expense of right-of-use assets	54,433	43,488
Interest expense on lease liabilities	7,526	7,526
Total amount recognized in profit or loss	61,959	51,014

The Group had total cash outflows for leases of N48 million in 2019.

27. Property and equipment

	Group Furniture and fittings ₦'000	Group Motor vehicles ₦'000	Group Computer equipment ₦'000	Group Office equipment ₦'000	Group Assets under construction ₦'000	Group Total ₦'000
Cost						
As at 1 January 2018	116,382	182,523	193,249	21,889	16,113,745	16,627,788
Additions	37,600	207,322	37,048	295	1,343,974	1,626,239
Loss of control in subsidiary*	(38,951)	(55,000)	(54,972)	(20,113)	–	(169,036)
Transfer of asset **	–	–	–	–	(16,113,745)	(16,113,745)
As at 31 December 2018	115,031	334,845	175,325	2,071	1,343,974	1,971,246
As at 1 January 2019	115,031	334,845	175,325	2,071	1,343,974	1,971,246
Additions	22,394	190,961	595	-	784,398	998,348
As at 31 December 2019	137,425	525,806	175,920	2,071	2,128,372	2,969,594
Accumulated depreciation						
As at 1 January 2018	77,431	126,674	112,123	5,000	–	321,228
Loss of control in subsidiary*	(12,999)	(4,526)	(2,611)	(4,680)	–	(24,816)
Charge for the year	9,170	24,068	24,313	267	–	57,818
As at 31 December 2018	73,602	146,216	133,825	587	–	354,230
As at 1 January 2019	73,602	146,216	133,825	587	–	354,230
Charge for the year	16,991	82,058	16,172	1,249		116,470
As at 31 December 2019	90,593	228,274	149,997	1,836	–	470,700
Carrying amount						
As at 31 December 2019	**46,832**	**297,532**	**25,923**	**235**	**2,128,372**	**2,498,894**
As at 31 December 2018	**41,429**	**188,629**	**41,500**	**1,484**	**1,343,974**	**1,617,016**

	Authority **Furniture and fittings** **₦'000**	Authority **Motor vehicles** **₦'000**	Authority **Computer equipment** **₦'000**	Authority **Office equipment** **₦'000**	Authority **Total** **₦'000**
Cost					
As at 1 January 2018	77,431	113,739	138,278	1,776	331,224
Additions	37,600	207,322	37,048	295	282,265
As at 31 December 2018	115,031	321,061	175,326	2,071	613,489
As at 1 January 2019	115,031	321,061	175,326	2,071	613,489
Additions	22,394	190,961	594	–	213,949
As at 31 December 2019	137,425	512,022	175,920	2,071	827,438
Accumulated depreciation					
As at 1 January 2018	70,128	106,904	104,369	1,320	282,721
Charge for the year	9,170	24,068	24,313	267	57,818
As at 31 December 2018	79,298	130,972	128,682	1,587	340,539
As at 1 January 2019	79,298	130,972	128,682	1,587	340,539
Charge for the year	11,295	83,518	21,315	249	116,377
As at 31 December 2019	90,593	214,490	149,997	1,836	456,916
Carrying amount					
As at 31 December 2019	**46,832**	**297,532**	**25,923**	**235**	**370,522**
As at 31 December 2018	**35,733**	**190,089**	**46,644**	**484**	**272,950**

* In 2018, Infrastructure Credit Guarantee Company Limited changed from a subsidiary to an associate due to the loss of control by the Authority. Consequently, the assets and liabilities of Infracredit ceased being recognized as part of the Group's assets but now accounted for using equity method.

** In 2018, the assets under construction held by NSIA Motorways Investment Company (NMIC) were reclassified to other assets. Additional disclosures for the assets are shown under other assets as "Cost incurred on behalf of the Federal Government of Nigeria in respect of the Second Niger Bridge".

*There are no capitalized borrowing cost.

*There were no impairment during the year.

28. Intangilble assets

	Group Software 31 December 2019 ₦'000	Authority Software 31 December 2019 ₦'000
Cost		
Balance at 1 January 2019	37,558	37,396
Additions	88,978	88,978
Balance at 31 December 2019	**126,536**	**126,374**
Accumulated amortisation		
Balance at 1 January 2019	24,665	24,503
Charge for the year	1,636	1,636
Balance at 31 December 2019	**26,301**	**26,139**
Carrying amount		
Balance at 31 December 2019	**100,235**	**100,235**

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

There were no impairment losses during the year (2018: nil).

29. Other liabilities

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial liability:				
Trade payables	2,377,517	1,733,962	1,721,250	1,520,494
Intercompany payable	–	–	8,968,987	1,591,131
Other payables (29.1)	19,076,465	18,756,444	15,528,802	15,456,623
Payables to the Federal Government of Nigeria in respect of the Second Niger Bridge (29.2)	18,453,250	18,294,839	–	–
Deferred income on RSSF borrowing (29.3)	6,366,618	8,951,162	–	–
Lease liability	46,502	–	46,502	–
Accruals	856,888	284,034	750,029	347,267
Non financial liability:				
Tax liabilities (29.4)	–	237,608	–	–
	47,177,240	**48,258,049**	**27,015,570**	**18,915,515**
Maturity analysis:				
Current	24,650,375	22,723,115	18,000,081	18,915,515
Non-current	22,526,865	25,534,934	9,015,489	–
	47,177,240	**48,258,049**	**27,015,570**	**18,915,515**

29.1 Other payables

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Statutory obligations (29.1.1)	1,099,475	255,717	1,162,145	255,717
Payable to Associates	1,490	490	1,490	490
Payable to Presidential Infrastructure Development fund (PIDF) (37e)	6,145,519	13,071,754	6,145,519	13,071,754
Payable to Federal Government Stabilisation Fund (37c)	4,004,724	1,697,280	3,919,379	1,697,280
Payable to contractors	2,980,257	2,906,203	1,050,269	431,382
Payable to CBN	4,845,000	825,000	3,250,000	–
	19,076,465	**18,756,444**	**15,528,802**	**15,456,623**

29.1 Statutory obligations consist of payments for withholding tax liability, pension payable and other obligations that are required by the law.

29.2 This represents the total amount received from the Federal Government of Nigeria in respect of the construction of the Second Niger Bridge of Nigeria project. The total cost incurred to date on the project and the unspent cash are included in the other assets as "cost incurred on behalf of the Federal Government" and "restricted balances respectively". Remaining unspent balance is disclosed in Note 21.1.

29.3 Deferred income on Real Sector Support Facility (RSSF) borrowing relates to the deferred income on the below the market rate loan obtained from Union Bank of Nigeria Plc and United Bank for Africa Plc. The loans were secured for the Federal Government of Nigeria's Presidential Fertilizer Initiative scheme under the Central Bank of Nigeria's Real Sector Support Facility (RSSF) scheme. The fair value of the grant was recognized initially on the grant date and subsequently amortized on a straight line basis over the tenor of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The total grant to date is N35 billion. An interest expense of N4.539 billion relating to this facility has been disclosed in the statement of comprehensive income for the year 2019. See note 30.1 for additional details.

29. Other liabilities

29.4 Income tax payable

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Opening balance	237,608	397,772	–	–
Tax expense during the period	202,364	219,461	–	–
Paid during the year	(439,972)	(113,630)	–	–
Exchange difference	–	(265,995)	–	–
	–	**237,608**	**–**	**–**

30. Borrowings

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Financial liabilities at amortised cost				
Real Sector Support Facility (RSSF) (30.1)	23,133,382	26,052,673	–	–
	23,133,382	**26,052,673**	**–**	**–**

30.1 The amount borrowed was provided by the Central Bank of Nigeria to NAIC-NPK (a subsidiary of the Group) to finance the Presidential Fertilizer Initiative for which the Authority initially provided stop-gap financing. A total amount of N40 billion was approved by the Central Bank of Nigeria, however, the company has drawn down N35 billion at the end of the reporting period. The tenor of the loan is 6 years and interest rate is at a below market rate of 5%. This borrowing will be repaid from the proceeds of fertilizer sale. The deferred income element of N6.37 billion (2018: N8.95 billion) is shown in Note 29. The income recognized during the year was N2.584 billion (2018: N1.769 billion), this is shown is Note 17.

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Maturity analysis				
Current	3,219,661	3,219,661	–	–
Non-current	19,913,721	22,833,012	–	–
	23,133,382	**26,052,673**	**–**	**–**

31. Equity and reserves

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Contribution by Government	280,662,500	280,662,500	280,662,500	280,662,500
Retained earnings	291,026,827	256,550,342	287,750,520	253,690,496
Fair value reserve	3,941,139	1,786,620	3,430,497	2,245,070
Foreign currency translation reserve	3,907,858	4,382,101	–	–
Non-controlling interest	(2,898)	5,823	–	–
	579,535,426	**543,387,386**	**571,843,517**	**536,598,066**

31.1 Retained earnings

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Opening balance	256,550,342	170,402,086	253,690,496	170,859,498
Adjustment to opening balance as a result of IFRS 9 adoption	–	(2,011,745)	–	(249,094)
Profit for the year	34,476,485	46,503,536	34,060,024	42,036,469
Reclassification from fair value reserves as a result of adoption of IFRS 9	–	41,656,465	–	41,043,623
	291,026,827	**256,550,342**	**287,750,520**	**253,690,496**

31.2 Fair-value reserve

The fair value reserve includes the net cumulative change in the fair value of equity instruments. The amounts are never transferred to profit or loss under IFRS 9 even when the investments are derecognized.

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Opening balance	1,786,620	43,190,981	2,245,070	43,497,310
Change in value of financial assets measured at FVOCI	1,939,427	192,144	1,185,427	(208,617)
Net amount transferred retained earning				
Share of change in value of financial assets measured at FVOCI – (Associates)	215,092	59,960	–	
Reclassification to retained earnings as a result of adoption of IFRS 9		(41,656,465)	–	(41,043,623)
	3,941,139	**1,786,620**	**3,430,497**	**2,245,070**

31.3 Foreign currency translation reserve

The currency translation reserve includes the net cumulative change in the foreign gains or (losses) arising from translation of the financial statements of subsidiaries with US Dollars as functional currency into the Group's presentation currency. The amounts presented within other comprehensive income are the gross amounts as the companies is exempted from income taxes.

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000
Opening balance	4,382,101	6,801,726
Exchange differences arising during the year	(474,243)	(2,419,625)
	3,907,858	**4,382,101**

31.4 Non-controlling interest (NCI)

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000
Opening balance	5,823	4,730
(Loss)/profit attributable to NCI	(8,721)	893
Fair value changes	–	(846)
Currency translation differences	–	1,046
	(2,898)	**5,823**

32 Discontinued operations

In 2018, InfraCredit received $21.98 million and N991.5 million from Africa Finance Corporation (AFC), as additional investment in the company. This amount represents AFC's investment in the Company. The Company recognized this investment in share capital as at the end of the year 2018. The additional investment led to dilution of ownership and also loss of control in the Company by the Nigeria Sovereign Investment Authority as at 31 December 2018.

Analysis of the result of discontinued operations and the result recognized in the re-measurement of assets or disposal group is as shown below:

Summarised statement of comprehensive income	31 December 2019 ₦'000	31 December 2018 ₦'000
Interest and investment income		506,922
Net foreign exchange gain		76,528
Guarantee fee income		328,822
Other income		33,101
Gurantee fee expense		(75,512)
Impairment loss on financial assets		(45,877)
Operating expenses		(654,355)
Profit before tax		**169,629**
Profit/(loss) for the period		**169,629**
Total comprehensive income		**169,629**

The value of the net assets for the subsidiary disposed at the date of disposal is as follows:

Summarised statement of financial position	31 December 2019 ₦'000	31 December 2018 ₦'000
Total assets		23,215,360
Total liability		14,570,079
Equity		8,645,281
		23,215,360

32.1 Calculation of Group gain on deemed disposal

	₦'000
Fair value of 50% interest retained	9,014,500
Less:	
Net asset de-recognised	(8,645,281)
Gain on deemed disposal	369,219
Profit for the period	169,597
Profit from discontinued operations	538,816

32.2 Calculation of Authority/company gain on deemed disposal

	₦'000
Fair value of 50% interest retained	9,014,500
Cost of investment deemed disposed	(9,014,500)
Remeasurement gain/loss	–

33. Capital management

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

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

The Group's adjusted net debt to equity ratio at 31 December 2019 was as follows:

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Total liabilities	216,047,631	73,844,290	185,736,007	61,777,335
Less: cash and cash equivalents	(70,310,622)	(74,310,722)	(27,015,570)	(18,915,515)
Net surplus	145,737,009	(466,432)	158,720,437	42,861,820
Total equity	579,535,426	543,387,386	571,843,517	536,598,066
Adjusted equity	579,535,426	543,387,386	571,843,517	536,598,066
Net surplus to adjusted equity ratio	**25%**	**0%**	**28%**	**8%**

34. Related parties

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

As disclosed in the investment in subsidiaries, associates and joint venture notes, FMCU Advanced Medical Diagnostics Ltd, AKTH Advanced Medical Diagnostics Limited, Lagos-Ibadan Expressway Development Company Limited, Abuja-Kano Expressway Development Company Limited, East-West Expressway Development Company Limited, Mambilla Hydropower Development Company Limited are sub-subsidiaries of the Authority and are related parties in accordance with the applicable standards.

NMRC, FHFL, Panda Agricultural Properties Management (Mauritius) Limited and Pandagric Novum Limited are associates of the Authority.

UFF-NAIC Management Company (Mauritius) Limited, UFF-NAIC Agriculture Investment Company (Mauritius) Limited, Panda Agricultural Properties Management Ltd, Panda Agricultural Properties Management (Mauritius) Limited, LUTH Advanced Medical Services Ltd and Infrastructure Credit Guarantee Company Limited (INFRACREDIT) are Jointly controlled by other entities and are therefore also related parties.

The following are the balances with the Federal Government of Nigeria during the year:

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000
Payables to Federal Government in respect of the Second Niger Bridge	18,453,250	18,294,839
Cost incurred on behalf of the Federal Government of Nigeria in respect of Second Niger Bridge	**16,113,745**	**16,113,745**

34. Related parties *continued*

Compensation of key management personnel

The Authority's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The members of the board of the Authority did not hold any shares in the Authority during or as at the end of the year. The compensation paid or payable to key management for employee services is shown below:

Directors' remuneration and expenses:

	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000
Executive compensation	1,024,880	1,179,559
Non-executive directors fees and other benefits	101,600	100,000
Defined contribution plan	47,300	53,566
	1,173,780	**1,333,125**

Balances with subsidiaries

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

	Type of interests	31 December 2019 ₦'000	31 December 2018 ₦'000
NSIA Motorways Investments Company	Subsidiary	604,224	604,224
NSIA Property Investment Co. Limited	Subsidiary	1,743,385	1,743,385
NSIA Power Investment Co. Limited	Subsidiary	800	800
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	871,978	573,504
FGF Private Equity Co. Limited	Subsidiary	16,338,280	4,586,172
FGF P. E. Beta Limited	Subsidiary	1,700	221,542
FGF Investment Limited	Subsidiary	1,600	2,656,186
NSIA Agriculture Investment Company	Subsidiary	3,983,208	3,983,208
FMCU Advanced Medical Diagnostics Limited	Sub-subsidiary	943,933	561,455
AKTH Advanced Medical Diagnostics Limited	Sub-subsidiary	738,460	271,278
NAIC-NPK Limited	Sub-subsidiary	24,289,986	15,144,678
Presidential Infrastructure Development Fund	Trustee	14,824,830	30,002
		64,342,384	**30,376,434**

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

	Type of interests	31 December 2019 ₦'000	31 December 2018 ₦'000
NSIA Motorways Investments Company	Subsidiary	33,597	1,000
NSIA Property Investment Co. Limited Subsidiary	Subsidiary	1,000	1,000
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	1,000	1,000
FGF Private Equity Co. Limited	Subsidiary	1,000	1,000
FGF P. E. Beta Limited	Subsidiary	1,000	1,000
NAIC-NPK Limited	Sub-subsidiary	8,884,590	1,489,479
FGF Investment Limited	Subsidiary	1,000	74,452
NSIA Agriculture Investment Company	Subsidiary	19,200	19,200
NSIA Power Investment Co. Limited	Subsidiary	1,000	1,000
Presidential Infrastructure Development Fund	Trustee	6,145,519	13,071,754
		15,088,906	**14,660,885**

The Authority has the following payables to the underlisted associates and joint ventures as at the reporting date:

	Type of interests	31 December 2019 ₦'000	31 December 2018 ₦'000
LUTH Advanced Medical Services Limited	Joint venture	3,409,780	1,775,665
Infrastructure Credit Guarantee Company Limited	Joint venture	–	245,324
		3,409,780	**2,020,989**

	31 December 2017 Type of relationship	31 December 2017 Nature of payment	31 December 2018 Gross amount ₦'000
NAIC-NPK	Subsidiary	Audit fees	19,500,000
NMIC	Subsidiary	Audit fees	1,000,000
KG Brussels L.P.	Subsidiary	Audit fees	500,000
FGF Investments Ltd	Subsidiary	Audit fees	1,250,000
FGF Private Equity Co. Ltd	Subsidiary	Audit fees	2,000,000
FGF Beta	Subsidiary	Audit fees	2,000,000
NSIA Healthcare Dev. & Invest Co.	Subsidiary	Audit fees	1,500,000
NSIA Property Inv.	Subsidiary	Audit fees	1,300,000
NSIA Power Inv.	Subsidiary	Audit fees	1,250,000
NSIA Agric Inv. Co	Subsidiary	Audit fees	1,400,000
FMCU Advanced Med.	Sub-subsidiary	Audit fees	1,400,000
AKTH Advanced Med.	Joint Venture	Audit fees	1,400,000
Panda Agricultural Properties Mgt Ltd***	Associate	Audit fees	5,000,000
Pandagric Novum Limited***	Associate	Audit fees	10,000,000

The audit expenses were incurred by the Authority on behalf of the subsidiaries, sub-subsidiaries and a joint venture and they are to be back-charged to them.

During the year ended, there were no related party transaction relating to the following:
— Provisions for doubtful debts related to the amount of outstanding balances
— Expense recognized during the year in respect of bad or doubtful debts due from related parties.

35. Other contracts

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

35.1 Stabilisation fund

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

UBS Global Asset Management (UK) LTD

Engagement and Service

The Authority engaged UBS Global Asset Management Ltd as its agent and delegate to manage the investment and reinvestment of certain monies and assets, deposited from time to time by the Authority and held by JP Morgan. UBS Global Asset Management Company provides the Authority with reports containing the transactions, valuations and portfolio performance of the account on a monthly, quarterly and annual basis.

Smith Graham & Co

Engagement and Service

Smith Graham provides investment management services on behalf of NSIA within the parameters of the investment guidelines that include a discretionary authority to make investments in the portfolio; investing in U.S treasury, agencies, commercial papers, money market funds. effective duration of the portfolio should not exceed 120 days; Insight into fixed income financial market conditions. Periodic reports communicated to the Authority include information on holdings, transactions, executive summary and economic outlook.

Income Research + Management (IR+M)

IR+M is a privately-owned, independent, fixed income investment management firm that provides investment management services to the Authority. Their investment philosophy and process are based on our belief that careful security selection and active risk management provide superior results over the long-term. They provide investment management services for investments in US fixed income securities in investment opportunities across the corporate, securitized, government, and municipal sectors.

35.2 Future Generations Fund

Hedge fund

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

1. JHL Capital Group LLP
2. Blue Mountain Capital Management
3. Arbiter Offshore Ltd
4. AQR Capital Management
5. The Canyon Value Realization Fund (Cayman) Ltd, CNPG
6. Palestra Capital
7. Brasidas Asia
8. Alpstone Global Macro Fund
9. Holocene Advisors Offshore Fund Ltd

Long only equity managers

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

1. Cevian Capital UK LLP
2. Edgbaston Investment Partners
3. Somerset Capital Management LLP
4. Marathon Asset Management LLP
5. Goldman Sachs
6. Chieftain Capital
7. Prince Street Institutional Limited
8. Prince Street Opportunities Limited
9. Prince Street Offshore
10. RWC Emerging Markets Equity Fund

Private equity partners

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

1. Z Capital Partners
2. Healthcare Royalty Partners
3. FGF Xenon Private Equity
4. Helios Investment Partners
5. Africa Capital Alliance
6. Actis Capital
7. Abraaj Growth Markets Health Fund L.P
8. Akina Euro Choice
9. Reverence Capital Fund
10. Greenspring Secondaries Fund IV (Cayman) L.P
12. Xenon VII
13. G Squared IV SCSp
14. Petershill Private Equity Seeding Offshore SCsp

35.3 Nigeria Infrastructure Fund

Private equity Partners

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

- Fund for Agricultural Finance in Nigeria (FAFIN)
- Nigeria Infracstruture Debt Fund

35.4 Custodians

Engagement and service

The Authority engaged JP Morgan Chase & Co (global custodian) and Stanbic IBTC Bank Limited (local custodian) to provide custody services, as well as accounting, performance and compliance services to capital managed by the Authority. The custodians provide reports to the Authority on the performance of the capital custodied by it on a monthly basis.

Reports on Investments

The investment management fees paid to the investment fund managers, global and local custodians has been disclosed on the income statement.

Notes to the Consolidated and Separate Financial Statements
continued

36. Commitments

(a) Capital commitments

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

Capital commitments – US$:

	Authority 31 December 2019 $'000	Authority 31 December 2018 $'000	Naira equivalent Authority 31 December 2019 ₦'000	Naira equivalent Authority 31 December 2018 ₦'000
HealthCare Royalty Partners (HCRP)	24,890	8,018	8,089,250	2,605,850
Z Capital Partners	10,294	4,993	3,345,550	1,622,725
Capital Alliance Private Equity Fund "CAPE IV"	4,787	7,664	1,555,775	2,490,800
Fund for Agricultural Finance in Nigeria (FAFIN)	4,501	4,859	1,462,955	1,579,175
Helios Investors	485	2,306	157,625	749,450
Abraaj Growth Markets Health Fund L.P	3,926	3,567	1,276,009	1,159,275
Actis Africa Real Estate	5,074	8,511	1,649,173	2,766,075
Total	**53,957**	**39,918**	**17,536,337**	**12,973,350**

Capital commitments – Euro:

	Authority 31 December 2019 $'000	Authority 31 December 2018 $'000	Naira equivalent Authority 31 December 2019 ₦'000	Naira equivalent Authority 31 December 2018 ₦'000
Xenon Private Equity	2,834	2,935	1,053,426	1,029,481
Total	**2,834**	**2,935**	**1,053,426**	**1,029,481**
Total Authority's capital commitments			**18,589,763**	**14,002,831**

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

Capital commitments – US$:

	Group 31 December 2019 $'000	Group 31 December 2018 $'000	Naira equivalent Group 31 December 2019 ₦'000	Naira equivalent Group 31 December 2018 ₦'000
RMB WestPort Real Estate Development Fund II LP	285	4,848	92,625	1,575,600
Synergy Private Equity Fund LP	5,770	146	1,875,250	47,450
Verod Capital	894	1,964	290,550	638,300
Falko Regional Aircraft Opportunities Fund	11,878	5,557	3,860,350	1,806,025
Reverence Capital Partners Opportunities Fund II, L.P	13,787	–	4,480,775	–
Fortress Investment Fund IV, L.P.	133	133	43,225	43,225
Fortress Investment Fund V, L.P.	38	38	12,350	12,350
Fortress Investment Fund V Co-investment, L.P.	945	46	307,125	14,950
Whitehorse liquidity fund II	5,281	–	1,716,325	–
H.I.G. Bayside Opportunity Fund, L.P.	163	163	52,975	52,975
Marlin Equity, L.P.	281	287	91,325	93,275
Marlin Equity II, L.P.	600	635	195,000	206,375
OCM Opportunities Fund VIIb, L.P.	625	625	203,125	203,125
G Squared IV, SCSp	3,000	–	975,000	–
CardinalStone Capital Advisers Legacy Fund L.P	1,500	–	487,500	–
CardinalStone Capital Advisers Growth Fund L.P	4,916	–	1,597,700	–
Cerberus Institutional Partners, L.P. Series Four	1,148	1,148	373,100	373,100
Total	**51,244**	**15,590**	**16,654,300**	**5,066,750**

Capital commitments – Euro:

	Authority 31 December 2019 $'000	Authority 31 December 2018 $'000	Naira equivalent Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000
Euro Choice Secondary II, L.P.	11,800	–	4,386,178	–
Total	**11,800**	**–**	**4,386,178**	**–**
Total unfunded commitment to private equity fund			**39,630,241**	**19,069,581**

As disclosed above, the Group has committed to provide capital to various collective investment vehicles. The total of these commitments at the statement of financial position date is US$105.2 million/N32.4 billion and Euro 14.6 million/N1.05 billion (2018: US$55.5 million/N18 billion and Euro 2.9 million/N1.02 billion). The Group's commitment obligations, being capital calls, are set out in the various underlying subscription documents. Whilst the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the Group has recorded the commitments as being current in accordance with the underlying legal documents. The Group has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

(b) Operating Lease Commitments – Group Company as Lessee:

The Group leases its head office under non-cancellable operating lease agreements. The lease term is for 2 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. These lease payments are payments made in advance and thus no minimum lease payments are required to be shown.

37. Other fiduciary activities

The Authority performs the following fiduciary activities:

a) The Authority holds shares in Development Bank of Nigeria (DBN) in trust for the Federal Government of Nigeria (FGN). The shares are valued at N8 billion, which represents 20% of the shareholding of the DBN. The Ministry of Finance has mandated the Authority to guide DBN towards the achievement of its organizational goals. The Authority is expected to remit all dividends received from DBN within 30 days and obtain prior consent from the FGN before the disposal, transfer or otherwise change of ownership of the shares. There were no dividends paid by DBN in the current year (2018: nil).

b) The Authority provides investment management and custody services to the Debt Management Office (DMO) which involve the Authority making allocation, purchase and sale decisions in relation to a wide range of financial instruments and investments. Those assets and income that are held in a fiduciary capacity are not included in these financial statements as they are not assets of the Authority. The fees and commissions which relates mainly to these investment management transactions and other fiduciary activity fees are recognized under other income in profit or loss as the related services being provided are performed.

The sums of USD$200 million ("the Fund") were received from the Debt Management Office ("DMO") respectively under an Investment Management Agreement ("the Agreement"). NSIA acts as a manager of the Funds. The agreement provides for the Authority to invest the Funds in gas, power and other related projects. Consideration is payable to the Authority after certain milestones have been met and the customers' share of return has been paid. A total of USD$100 million was withdrawn from the DMO fund in order to fund the Second Niger Bridge Project and Lagos/Ibadan expressway project on the authority of the Federal Government.

The fair value of the Managed Funds as at 31 December 2019 stood at USD124.03 for DMO (2018: $122.60 million for DMO) while nil income has been accrued by the Authority from the fiduciary agreement activities as of 31 December 2019.

c) A total sum of N29.641 billion have been received from the Federal Government Stabilization Account via the Office of the Accountant General of the Federation ("OAGF"). NSIA is to act as a manager to the fund with a mandate to invest the funds in line with the investment policies of the Stabilization Fund of the Authority. The fair value of the Fund as at 31 December 2019 was N33.365 billion (2018: 20.814 billion). The assets and liabilities of the Funds have been excluded from these financial statements as they are not assets and liabilities of the Authority.

37. Other fiduciary activities *continued*

d) In 2018, the President of the Federal Republic of Nigeria, President Muhammadu Buhari approved the establishment of a Presidential Infrastructure Development Fund (PIDF), which is to be managed by the Nigeria Sovereign Investment Authority (NSIA), and invested specifically in critical road and power projects across the country. The National Economic Council (NEC) authorized the initial transfer of $650 million dollars to the NSIA from the Nigeria Liquefied Natural Gas (NLNG) Dividend Account, as seed funding for PIDF on May 17, 2018. A subsequent funding of N90 billion was received from the Office of the Accountant General of the Federation ("OAGF") on 30 September, 2019.

This initiative aims to eliminate the risks of project funding, cost variation and completion that have plagued the development of the nation's critical infrastructure assets – such as the 2nd Niger Bridge, Lagos to Ibadan Expressway, East—West Road, Abuja to Kano Road, Mambilla Hydroelectric Power – over the last few decades. This fund is currently being managed by the Authority.

e) The executed Investment Management Agreement (IMA) dated 27 May 2019 between the Authority and the Government of the Federal Republic of Nigeria gives the NSIA the right of option to call for the conversion of the Fund Management Account as additional capital contribution to the Authority by the Federal Government of Nigeria (FGN). However, this is optional and this is subject to the delivery of the written notice to the Federal Government of Nigeria by the Authority. This clause has nil financial implication for the Authority and does not affect its assets nor liabilities as at 31 December 2019.

38. Events after the reporting period

a) On the 8th of April 2020, the Federal Government of Nigeria announced plans to make its first withdrawal from the Stabilization fund. The funds drawn will be utilized for augmenting the Government's Federation Account and Allocation Committee (FAAC) disbursement by June 2020 for allocation to Federal, State and Local Government. The Nigeria Sovereign Investment Authority's Establishment etc. Act 2011 under Sections 47 & 48 supports withdrawal from the Stabilization Fund and stipulates the applicable process.

b) The Authority received the sum of $250 million as additional capital contribution on the 8 of April 2020. This amount forms part of the entity's core capital from the Federation and is to be allocated to the three ring fenced funds in line with the approved sharing formula.

c) The Honorable Minister of Finance announced on April 6, 2020 that His Excellency, President Buhari has revised the prices of fertilizer in order to provide relief to farmers on account of the COVID-19 pandemic. The price of fertilizer was reduced to N4,500 from N5,000 at the factory gate, while the market price to end users is now N5,000 from N5,500.

d) The Authority received the sum of N8 billion on the 24th of April 2020 as subsidy payment on the Presidential fertilizer initiative program being undertaken by the Group's subsidiary (NAIC-NPK Limited), the sum of N3,553,734,702 being the financial loss incurred for the 2019 financial year been applied as Other income in the 2019 accounts in line with the submissions made to the Federal Ministry of Finance.

e) On the 3rd of February 2020, the Federal Government of Nigeria (FGN) and the Bailiwick of Jersey and the Government of the United States of America entered into an agreement with respect to the sharing, transfer, repatriation, disposition and management of certain forfeited assets. On April 20 2020, The United States Department of Justice initiated a transfer of the balance of the recovered assets in the sum of $311,704,537.92 to the Federal Republic of Nigeria. The receipt of these funds was confirmed by the Central Bank of Nigeria on April 21 2020. The Nigeria Sovereign Investment Authority has been assigned as the Implementing Authority of the Agreement for the Government of Nigeria and is to receive the funds on behalf of the Federal Government of Nigeria. The funds are assigned for the implementation of 3 specific projects under the Presidential Infrastructure Development Fund in Nigeria.

COVID 19 additional disclosures

Subsequent to December 2019 the World Health Organization declared the COVID-19 outbreak as a pandemic which resulted in unprecedented effects on the global and international markets with resulting impact on portfolio performance in asset classes including; Equities (Developed and Emerging), Hedge funds and Private Equities.

The Authority in line with its mandate is invested in these categories of assets predominantly within the Future Generations Fund (FGF). The pandemic has caused significant decline in market performance starting from February 2020 which worsened over the first quarter of 2020. Nevertheless, there have been some recoveries in April 2020. Whilst this crisis is expected to lead to a decline in growth projections for 2020, we are however unable to reliably estimate the actual impact on the Group's financial performance by end of 2020.

We have undertaken a series of stress tests and obtained secondary reliable information from our Investment Advisers and can generally ascertain the following:

i) Early effect of market volatility in Covid 19 resulted in a materially negative impact on our portfolio performance with a decline in market performance across all asset classes ranging from an average of -15% in Hedge funds to -30% in equities.
ii) Whilst the markets are expected to remain volatile over the course of the year there is anticipation of marginal recovery and return improvement in Q3 and Q4 2020 translating to lower drawdown rates (ranging from -15% to -18%) and possibly flat performance across asset classes by year end.
iii) With the expected recovery trend, the Authority expects to preserve its invested capital in the year as it continues to take a calculated approach in asset management and capital deployment.

Furthermore, to assess the full range of potential negative impact of the pandemic on global markets and our portfolio, we further stressed the above marginal recovery scenario with two additional scenarios and note that:

a) If current levels in relation to Q1 2020 are maintained through to year end, we expect the portfolio underperformance to range between -12% for Hedge funds and -28% in equities.

b) If further losses are sustained (we project a possibility of average 30% draw down across asset categories in a worst case covid-19 impact scenario).

We have taken proactive steps by implementing a strategic cost reduction initiative in the year to further help mitigate the impact of expected reduction in income and earnings. Additionally, cash management strategies which are already in place will cushion the effect of the downturn in the market.

The Authority continues to have certainty regarding its going concern as it relates to its capital and cashflows having received an additional contribution of $250 million from 2019 National Executive Council (NEC) approved funding on the 8th of April 2020.

Other disclosures

Value Added Statement

	Group 31 December 2019 ₦'000	%	Group 31 December 2018 ₦'000	%	Authority 31 December 2019 ₦'000	%	Authority 31 December 2018 ₦'000	%
Revenue	70,875,962		73,524,334		38,797,715		45,482,083	
Administrative expenses (Local and foreign)	(44,896,048)		(39,173,279)		(5,684,291)		(4,471,004)	
Other non-operating income (Local and foreign)	8,487,850		11,614,558		946,600		1,025,390	
Value added	34,467,764	100	45,965,613	100	34,060,024	100	42,036,469	100
Applied as follows:								
To pay employees								
Salaries and other personnel cost	1,869,840	5	1,927,726	4	1,816,928	5	1,927,727	5
Maintenance of assets								
Depreciation and ammortization	172,541	1	57,881	0	161,501	1	55,185	0
To pay government								
Taxation	202,364	1	219,461	1	–	0	–	0
Retained for growth and expansion								
Profit for the year	32,223,019	93	43,760,545	95	32,081,595	94	40,053,557	95
	34,467,764	100	45,965,613	100	34,060,024	100	42,036,469	100

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

Five Year Financial Summary

Statement of financial position	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Assets					
Cash and cash equivalents	185,736,007	61,777,335	8,545,297	141,076,852	32,913,468
Investment securities	324,361,629	441,635,909	404,313,672	234,132,773	154,152,447
Restricted balances and other assets	75,878,818	36,082,678	72,310,092	7,355,693	3,844,603
Investment in subsidiary	1,753,398	5,116,826	16,085,655	7,096,155	7,066,155
Investment in associate and joint ventures	10,614,990	10,614,990	1,600,490	1,600,000	1,600,000
Right of use asset	43,488	–	–	–	–
Property and equipment	370,522	272,950	48,503	66,304	104,603
Intangible assets	100,235	12,893	63	621	5,739
Total assets	**598,859,087**	**555,513,581**	**502,903,772**	**391,328,398**	**199,687,015**
Liabilities					
Other liabilities	27,015,570	18,915,515	7,884,464	3,718,488	4,102,341
Total liabilities	**27,015,570**	**18,915,515**	**7,884,464**	**3,718,488**	**4,102,341**
Equity and reserves					
Contribution by Government	280,662,500	280,662,500	280,662,500	204,375,000	155,250,000
Retained earning	287,750,520	253,690,496	170,859,498	147,172,616	17,738,425
Fair value reserves	3,430,497	2,245,070	43,497,310	36,062,294	22,596,249
Total equity and amount attributable to equity contributors (Government)	**571,843,517**	**536,598,066**	**495,019,308**	**387,609,910**	**195,584,674**
Total equity	**571,843,517**	**536,598,066**	**495,019,308**	**387,609,910**	**195,584,674**
Total equity and liabilities	**598,859,087**	**555,513,581**	**502,903,772**	**391,328,398**	**199,687,015**

Five Year Financial Summary *continued*

Statement of comprehensive income	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Investment and Interest income	26,628,207	24,899,792	21,701,131	11,151,243	5,811,617
Interest income on instrumnet measured at FVTPL	7,284,630	796,525	–	–	–
Net gain on financial assets	3,595,984	884,039	4,153,564	27,747,126	–
Net foreign exchange gains	1,288,894	18,901,727	1,703,128	92,796,051	8,732,124
Total operating income	**38,797,715**	**45,482,083**	**27,557,823**	**131,694,420**	**14,543,741**
Investment management fees	(745,501)	(731,478)	(654,562)	(564,855)	(492,781)
Local custodian fees	(19,181)	(45,613)	(6,494)	(20,535)	(12,251)
Foreign custodian fees	(177,611)	(89,629)	(47,755)	(96,811)	(91,627)
Total investment management and custodian fee	**(942,293)**	**(866,720)**	**(708,811)**	**(682,201)**	**(596,659)**
Impairment Charges on Financial assets	(965,076)	(321,761)	–	–	–
Total operating profit	**36,890,346**	**44,293,602**	**26,849,012**	**131,012,219**	**13,947,082**
Other income	946,600	1,025,390	7,960	663,877	38,400
Total other income	**946,600**	**1,025,390**	**7,960**	**663,877**	**38,400**
Operating and administrative expenses	(3,769,396)	(3,282,523)	(3,170,090)	(2,241,905)	(1,779,601)
Total operating and administrative expenses	**(3,769,396)**	**(3,282,523)**	**(3,170,090)**	**(2,241,905)**	**(1,779,601)**
Interest expense	(7,526)	–	–	–	–
Profit before taxation	**34,060,024**	**42,036,469**	**23,686,882**	**129,434,191**	**12,205,881**
Profit for the year	**34,060,024**	**42,036,469**	**23,686,882**	**129,434,191**	**12,205,881**

Statement of comprehensive income	Authority 31 December 2019 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit and loss					
Movement in fair value reserves					
Net change in fair value	1,185,427	(208,616)	7,435,016	25,825,522	13,738,357
Net amount transferred to profit or loss/retained earnings	–	–	–	(12,359,477)	–
Other comprehensive income for the year	**35,245,451**	**(208,616)**	**7,435,016**	**13,466,045**	**13,738,357**
Total comprehensive income for the year	**35,245,451**	**41,827,853**	**31,121,898**	**142,900,236**	**25,944,238**

Statement of financial position	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Assets					
Cash and cash equivalents	216,047,631	73,844,290	22,336,959	148,267,906	37,983,532
Investment securities	360,087,275	461,391,586	429,852,525	249,822,688	164,382,547
Restricted balances and other assets	51,019,551	46,499,369	49,134,358	4,698,044	1,472,508
Inventories	4,615,646	20,685,075	13,797,596	–	–
Investment in associate and joint ventures	15,226,911	13,647,879	2,453,380	1,957,853	2,129,600
Right of use asset	249,905	–	–	–	–
Property and equipment	2,498,894	1,617,016	16,306,560	16,187,064	7,700,860
Intangible assets	100,235	12,893	1,201	621	5,739
Total assets	**649,846,048**	**617,698,108**	**533,882,579**	**420,934,176**	**213,674,786**
Liabilities					
Other liabilities	47,177,240	48,258,049	29,285,925	24,089,561	15,788,509
Borrowings	23,133,382	26,052,673	3,534,631	–	–
Total liabilities	**70,310,622**	**74,310,722**	**32,820,556**	**24,089,561**	**15,788,509**
Equity and reserves					
Contribution by Government	280,662,500	280,662,500	280,662,500	204,375,000	155,250,000
Retained earning	291,026,827	256,550,342	170,402,086	147,845,348	17,466,251
Fair value reserves	3,941,139	1,786,620	43,190,981	36,661,142	23,513,074
Currency translation reserves	3,907,858	4,382,101	6,801,726	7,958,502	1,653,739
Total equity and amount attributable to equity contributors (Government)	**579,538,324**	**543,381,563**	**501,057,293**	**396,839,992**	**197,883,064**
Non-controlling interests	(2,898)	5,823	4,730	4,623	3,213
Total equity	**579,535,426**	**543,387,386**	**501,062,023**	**396,844,615**	**197,886,277**
Total equity and liabilities	**649,846,048**	**617,698,108**	**533,882,579**	**420,934,176**	**213,674,786**

Five Year Financial Summary *continued*

Statement of comprehensive income	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Investment and Interest income	27,504,262	27,026,428	24,370,719	11,895,128	5,821,745
Interest income on instrumnet measured at FVTPL	7,284,630	796,525	–	–	–
Net gain on financial assets	2,831,932	245,960	4,153,564	27,747,126	–
Net foreign exchange gains	1,289,159	18,052,191	1,652,172	92,796,051	8,736,293
Total operating income	**38,909,983**	**46,121,104**	**30,176,455**	**132,438,305**	**14,558,038**
Investment management fees	(1,228,662)	(887,151)	(654,562)	(564,855)	(492,781)
Local custodian fees	(19,711)	(45,613)	(6,765)	(20,535)	(12,251)
Foreign custodian fees	(181,155)	(89,629)	(47,755)	(96,811)	(91,627)
Total investment management and custodian fee	**(1,429,528)**	**(1,022,393)**	**(709,082)**	**(682,201)**	**(596,659)**
Impairment charges on financial assets	1,208,237	(943,923)	–		
Total operating profit	**38,688,692**	**44,154,788**	**29,467,373**	**131,756,104**	**13,961,379**
Revenue from infrastructure subsidiaries investments	31,965,979	27,403,230	31,367,992	–	–
Expense from infrastructure subsidiaries investments	(35,662,535)	(30,608,117)	(33,514,157)	–	–
Loss from infrastructure subsidiaries investments	(3,696,556)	(3,204,887)	(2,146,165)	–	–
Other income	7,123,910	11,405,258	7,960	666,107	38,400
Total other income	**7,123,910**	**11,405,258**	**7,960**	**666,107**	**38,400**
Operating and administrative expenses	(4,263,302)	(3,762,225)	(4,719,621)	(2,332,541)	(2,333,619)
Total operating and administrative expenses	**(4,263,302)**	**(3,762,225)**	**(4,719,621)**	**(2,332,541)**	**(2,333,619)**
Interest expense	(4,546,556)	(2,617,160)	(85,223)	–	–
Share of profit of investment in associates	1,363,940	209,300	434,988	289,755	124,914
Profit before taxation	**34,670,128**	**46,185,074**	**22,959,312**	**130,379,425**	**11,791,074**
Taxation	(202,364)	(219,461)	(402,038)	(132)	(15,496)
Profit for the year from continuing operations	**34,467,764**	**45,965,613**	**22,557,274**	**130,379,293**	**11,775,578**
Profit from discontinued operations	–	538,816	–	–	–
Profit for the year	**34,467,764**	**46,504,429**	**22,557,274**	**130,379,293**	**11,775,578**

Statement of comprehensive income	Group 31 December 2019 ₦'000	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit and loss					
Movement in fair value reserves					
Net change in fair value	1,185,427	191,299	6,469,348	25,968,800	12,654,237
Share of other comprehensive income of investments in associate	215,092	59,960	(1,156,763)	(461,502)	388,322
Net amount transferred to profit or loss/retained earnings	–	–	–	(12,359,477)	–
Currency translation differences	(474,243)	(2,418,579)	60,049	6,306,224	1,537,219
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	754,000	(299,000)	–	–	–
Other comprehensive income for the year	**1,680,276**	**(2,466,320)**	**5,372,634**	**19,454,045**	**14,579,778**
Total comprehensive income for the year	**36,148,040**	**44,337,108**	**27,929,908**	**149,833,338**	**26,355,356**

List of Abbreviations

AED	United Arab Emirates Dirham
AFC	Africa Finance Corporation
AfDB	African Development Bank
AI	Artificial Intelligence
AKTH	Aminu Kano Teaching Hospital
APP	Agriculture Promotion Policy
ARS	Argentine Peso
ASI	All-Share Index
AUM	Assets Under Management
BIA	Bridge International Academies
BOD	Board of Directors
BPE	Bureau of Public Enterprises
BPS	Basis Points
BREXIT	Britain's Exit from the European Union
BRL	Brazilian Real
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CHF	Swiss Franc
CIBN	Chartered Institute of Bankers of Nigeria
CIO	Chief Investment Officer
CNY	Chinese Yuan
COO	Chief Operating Officer
CPI	Consumer Price Index
DBN	Development Bank of Nigeria
DfID	Department for International Development
DIC	Direct Investment Committee
DKK	Danish Krone
DMO	Debt Management Office
ECB	European Central Bank
ED	Executive Director
EM	Emerging Market
EMI	Externally Managed Investments
EMIC	Externally Managed Investments Committee
ERGP	Economic Recovery and Growth Plan
ERP	Enterprise Resource Planning
EU	European Union
EUR	Euro
EXIMBANK	Export Import Bank
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FG	Federal Government
FGF	Future Generations Fund
FMCU	Federal Medical Centre, Umuahia
FX	Foreign Exchange
GBP	Great Britain Pound
GCI	Global Climate Institute
GCRI	Global Conflict Risk Index
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GPs	General Partners
GSCI	Goldman Sachs Commodity Index
HKD	Hong Kong Dollar
IDB	Islamic Development Bank
IDR	Indonesian Rupiah
IFRS	International Financial Reporting Standard
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
INEC	Independent National Electoral Commission
InfraCredit	Infrastructure Credit Guarantee Company Limited
INR	Indian Rupee
IPS	Investment Policy Statement
IT	Information Technology
JCPOA	Joint Comprehensive Plan of Action
JPY	Japanese Yen
KfW	German Development Bank/Kfw Bankengruppe
KPIs	Key Performance Indicators
KRW	South Korean Won
KWD	Kuwaiti Dinar
LUTH	Lagos University Teaching Hospital
MD	Managing Director
MSCI	Morgan Stanley Capital International
MXN	Mexican Peso
MYR	Malaysian Ringgit
NAIC	NAIC Agriculture Investment Company (Mauritius) Limited
NBET	Nigerian Bulk Electricity Trading Plc
NBS	National Bureau of Statistics
NCX	Nigerian Commodities Exchange
NEC	National Economic Council
NED	Non-Executive Director
NFN	NSIA Female Network
NGN	Nigerian Naira
NHDIC	NSIA Healthcare Development and Investment Company
NIF	Nigeria Infrastructure Fund
NLNG	Nigeria Liquified Natural Gas Limited
NMRC	Nigeria Mortgage Refinance Company
NNPC	Nigerian National Petroleum Corporation
NSE	Nigeria Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
OCP	OCP Group of Morocco
OPEC	Organisation of Petroleum Exporting Countries
P/E	Price/Earning
PFI	Presidential Fertiliser Initiative
PHP	Philippine Peso
PIDF	Presidential Infrastructure Development Fund
PIDG	Private Infrastructure Development Group
PPP	Purchasing Power Parity
Q	Quarter
ROA	Return on Asset
ROCE	Return on Capital Employed
ROI	Return on Investment
RUB	Russian Ruble
S&P	Standard & Poor's
SDGs	Sustainable Development Goals
SEK	Swedish Krona
SF	Stabilisation Fund
SGD	Singapore Dollar
SPV	Special Purpose Vehicle

List of Abbreviations *continued*

SSA	Sub Saharan Afric a
SWF	Sovereign Wealth Fund
SWFI	Sovereign Wealth Fund Institute
TBD	To Be Determined
T-Bill	Treasury Bill
TG	Trust Group
THB	Thai Baht (Currency of Thailand)
TWD	New Taiwan Dollar
UBS	Union Bank of Switzerland
UFF	UFF Agri Asset Management
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEPFI	United Nations Environment Programme Finance Initiative
US	United States of America
USD	United States Dollar
VAIDS	Voluntary Assets and Income Declaration Scheme
VC	Venture Capital
VND	Vietnamese Dong
WB	World Bank
WEF	World Economic Forum
ZAR	South African Rand

Corporate Information

Registered Office	The Clan Place 4th/5th Floor, Plot 1386A Tigris Crescent, Maitama, Abuja, Nigeria
Auditors	**PricewaterhouseCoopers** Landmark Towers 5B, Water Corporation Road Victoria Island Lagos, Nigeria
Bankers	**Central Bank of Nigeria** Plot 33, Abubakar Tafawa Balewa Way Central Business District Cadastral Zone Abuja, Federal Capital Territory Nigeria
Fund Custodians	**JP Morgan Chase & Co (Global Custodian)** 25 Bank Street Canary Wharf London, E14 5JP **Stanbic IBTC Bank Limited (Local Custodian)** IBTC Place 2, Walter Carrington Crescent Victoria Island Lagos, Nigeria