

Nigeria Sovereign Investment Authority



**Interim Financial Statements for 3 months period
ended 31 March 2014**

Nigeria Sovereign Investment Authority
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For the three months period ended 31 March 2014

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Nigeria Sovereign Investment Authority

Interim financial statements

For the 3 months period ended 31 March 2014

Directors, officers and professional advisors

Chairman	Alhaji Mahey Rasheed (OFR)
Directors	Mr. Uche Orji (Managing Director) Mr. Hanspeter Ackermann (Executive Director) Mrs. Stella Ojekwe-Onyejeli (Executive Director) Mrs. Ibukun Awosika (Non- Executive Director) Mr. Arnold Ekpe (Non- Executive Director) Mrs. Olabisi Soyebó (SAN) (Non- Executive Director) Mr. Hassan Usman (Non- Executive Director) Mr. Jide Zeitlin (Non- Executive Director)
Acting Company secretary	Mrs. Ezinwa Okoroafor
Registered office	The Clan Place, 4th floor Plot 1386A, Tigris Crescent Maitama Abuja
Auditors	PricewaterhouseCoopers 252E Muri Okunola Street Victoria Island Lagos
Bankers	Access Bank Plc United Bank of Africa Plc
Fund custodians	JP Morgan (Global Custodian) Stanbic IBTC Bank Limited (Local Custodian)

Nigeria Sovereign Investment Authority
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For the 3 months period ended 31 March 2014

Directors' report

1. Financial statements

The Directors present their quarterly report on the affairs of Nigeria Sovereign Investment Authority ('the Authority' or 'NSIA'), together with the financial statements and independent auditor's report for the 3 months period ended 31 March 2014.

2. Principal activities

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

3. Operating results

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

	3 months period ended 31 March, 2014
	N'000
Operating Income	970,031
Non- operating Income	10,418
Profit for the period	598,552
Total comprehensive income for the period	1,204,177
Retained earnings, for the period	<u>598,552</u>

4. Objective

NSIA is an autonomous entity established by the Law of the Federal Republic of Nigeria as enacted by the Act

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

5. Governance and management

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

The Council comprises the following:

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

Nigeria Sovereign Investment Authority
Interim financial statements
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Statement of directors' responsibilities
In relation to the financial statements for the 3 months period ended 31 March 2014

The Directors accept responsibility for the preparation of the quarterly financial statements set out on pages 6 to 37 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) applicable in Nigeria and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

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

Nigeria Sovereign Investment Authority

Interim financial statements

For the 3 months period ended 31 March 2014

Nigeria Sovereign Investment Authority
Interim statement of comprehensive income
For the 3 months period ended 31 March 2014

	Note	31 March 2014 N '000	31 March 2013 N '000
Investment income	8	962,653	-
Interest income	9	7,378	68,538
Total operating income		970,031	68,538
Investment management fees		9,294	-
Local custodian fees		5,681	-
Global custodian fees		6,094	-
Total investment management & custodian fees		21,069	-
Total operating profit		948,962	68,538
Other non operating income	10	10,418	363,074
Total non- operating income		10,418	363,074
Operating and administrative expenses	11	360,828	223,470
Total operating and administrative expenses		360,828	223,470
Profit for the period		598,552	208,142
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Fair value gains on available for sale investments			
Net change in fair value		605,625	-
Other comprehensive income for the period		605,625	-
Total comprehensive income for the period		1,204,177	208,142

Nigeria Sovereign Investment Authority

Interim statement of financial position as at 31 March 2014

	Note	31 March 2014 N '000	31 December 2013 N '000
Asset			
Cash and cash equivalents	15	83,767,746	111,895,419
Advances		11,373	28,768
Investment securities	16	74,375,488	45,114,706
Other assets	17	326,937	290,512
Property and equipment	18	227,809	246,189
Intangible assets	19	17,901	19,777
Total assets		158,727,254	157,595,371
Liabilities			
Liabilities	20	367,383	439,677
Borrowings	21	1,400,000	1,400,000
Total liabilities		1,767,383	1,839,677
Equity and reserves			
Contribution by Government	22	155,250,000	155,250,000
Retained earnings	22	1,123,710	525,158
Fair value reserves	22	586,161	(19,464)
Total equity and amount attributable to equity contributors (Government)		156,959,871	155,755,694
Total equity and liabilities		158,727,254	157,595,371

These interim financial statements as set out on pages 6 to 37 were approved and authorised for issue by the board of directors on XX June 2014 and signed on its behalf by:

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

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

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

Nigeria Sovereign Investment Authority

Statement of changes in equity for the 3 months period ended 31 March 2014

	Contribution by government	Retained earnings	Fair value reserves	Total
	N'000	N'000	N'000	N'000
Balance at 1 January 2014	155,250,000	525,158	(19,464)	155,755,694
Total comprehensive income				
Profit for the 3 months period	-	598,552	-	598,552
	-	598,552	-	598,552
Other comprehensive income for the period				
Net changes in fair value reserve of financial assets (available for sale)	-	-	605,625	605,625
Total other comprehensive income for the period	-	-	605,625	605,625
Total comprehensive income for the period	-	598,552	605,625	1,204,177
Contributions made by Government	-	-	-	-
Total contribution and distributions to owners	-	-	-	-
Balance at 31 March 2014	155,250,000	1,123,710	586,161	156,959,871
	Contribution by government	Retained earnings	Fair value reserves	Total
	N'000	N'000	N'000	N'000
Balance at 1 January 2013	155,250,000	(104,325)	-	155,145,675
Total comprehensive income				
Profit for the 3 months period	-	208,142	-	208,142
	-	208,142	-	208,142
Other comprehensive income				
Net changes in fair value reserve of financial assets (available for sale)	-	-	-	-
Total other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	208,142	-	208,142
Contributions made by Government	-	-	-	-
Total contribution and distributions to owners	-	-	-	-
Balance at 31 March 2013	155,250,000	103,817	-	155,353,817

Nigeria Sovereign Investment Authority

Interim statement of cash flows for the year 3 months period ended 31 March 2014

	31 March 2014	31 March 2013
	N '000	N '000
Cash flows from operating activities		
Profit for the period	598,552	208,142
<i>Adjustments for:</i>		
Depreciation	18,740	1,179
Amortisation of intangible assets	1,876	-
Fair value changes in Available for sale	605,625	-
Net exchange gains	-	-
(Increases)/decreases in operating assets/liabilities		
Trade and other receivables	(36,426)	17,682
Prepayments	17,395	7,111
Trade and other payables	(72,294)	55,428
Net cash generated in operating activities	1,133,469	289,542
 Cash flows from investing activities		
Purchase of property and equipment	(360)	(120,420)
Purchase of investment securities	(29,260,782)	-
Net cash used investing activities	(29,261,142)	(120,420)
 Cash flows from financing activities		
Contribution by Government	-	155,250,000
Net cash from financing activities	-	155,250,000
 Net cash movement for the 3 months period	(28,127,673)	155,419,122
Cash and cash equivalents at beginning of period	111,895,419	2,664,967
Cash and cash equivalents at period end	83,767,746	158,084,089

Nigeria Sovereign Investment Authority
Notes to the interim financial statements
For the 3 months ended period 31 March 2014

1. General information

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') is domiciled in Nigeria. The Authority's office address is the Clan Place, 4th floor, Plot 1386A, Tigris Crescent, Maitama, Abuja.

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

In order to actualize its mandate, the Authority has established three separate "ring-fenced" funds. They include Stabilisation Fund (SF), Future Generation Fund (FGF) and Nigeria Infrastructure Fund (NIF).

The investment activities of the funds are managed as follows:

Fund	Investment managers
Stabilisation Fund (SF)	Credit Suisse, Goldman Sachs and UBS
Nigeria Infrastructure Fund (NIF)	In-house Management Team
Future Generation Fund (FGF)	Cevian Capital, Laurion Capital, Blue Mountain Capital , JHL Capital Group, Credit Suisse, Edgbaston, Capital International, Arbitr, Somerset, Marathon

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

2. Basis of preparation

2.1 Statement of compliance

The interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

The interim financial statements were authorised for issue by the Board of Directors on XX June 2014

2.2 Basis of measurement

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

- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Trade and receivables, held to maturity financial assets and financial liabilities are measured at amortized cost.

2.3 Functional and presentation currency

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

The currency of the primary economic environment of the Authority (that is, functional currency) is US Dollars.

Nigeria Sovereign Investment Authority
Notes to the interim financial statements
For the 3 months ended period 31 March 2014

2.4 Structure and content

The financial statement comprises:

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

2.5 Use of estimates and judgements

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in Notes 4.4 and 4.5.

2.6 Changes in accounting policy

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

(a) Standards, amendments and interpretations effective on or after 1 January 2014

A number of new standards and amendments to standards came into effect for annual periods beginning on 1 January 2014. These include IFRS 10 Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of interests in other entities, IFRS 13 - Fair Value Measurement and amendments to IAS 19 Employee Benefits (Revised 2011) and IAS 1 Presentation of financial statements.

(b) Standards, amendments and interpretations issued but not yet effective.

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting' (effective for periods beginning on or after 1 January 2014):

This amendment clarifies some of the requirements for offsetting financial assets and liabilities on the reporting date. The Group is yet to assess the full effect of the IAS 32 amendment and intends to adopt amended IAS 32 no later than the accounting period beginning on or after 1 January 2014.

(c) Early adoption of standards

The Authority did not early adopt any standards.

3 Significant accounting policies

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

Nigeria Sovereign Investment Authority
Notes to the interim financial statements
For the 3 months ended period 31 March 2014

3.1 Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the financial position date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For a non-monetary financial asset held for trading and for non-monetary financial assets designated at fair value through profit or loss, unrealized exchange differences are recognized in the income statement. For non-monetary financial investments available-for-sale, unrealized exchange differences are recorded directly in equity until the asset is sold or becomes impaired.

3.2 Interest income and interest expense

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

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

3.3 Dividend income and dividend expenses

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

3.4 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, custodians and advisers. Transaction costs when incurred are immediately recognised in statement of comprehensive income as an expense.

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

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

3.6 Fees and Commissions

Fees, commission and other expenses are recognised in profit or loss on an accrual basis as the related services are performed.

3.7 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.

Dividend and interest income received by the Authority may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the corresponding withholding tax is recognised as tax expense.

Nigeria Sovereign Investment Authority
Notes to the interim financial statements
For the 3 months ended period 31 March 2014

3.8 Financial assets and financial liabilities

3.8.1 Recognition and initial measurement

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

3.8.2 Classification

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

Financial assets:

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

Financial liabilities:

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

3.8.3 Subsequent measurement

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

Loans and receivables

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

Held-to-maturity

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

Available-for-sale

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

Nigeria Sovereign Investment Authority
Notes to the interim financial statements
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Financial assets at fair value through profit or loss

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

Financial assets may be designated at fair value through profit or loss when:

The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

A group of financial assets is managed and its performance evaluated on a fair value basis.

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

3.8.4 Derecognition

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

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

3.8.5 Offsetting

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

3.8.6 Amortised cost measurement

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

3.8.7 Fair value measurement

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

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

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

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

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

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

3.8.8 Identification and measurement of impairment

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

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

3.9 Cash and cash equivalents

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

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

3.10 Property and equipment

3.10.1 Initial Recognition

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

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

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

3.10.2 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

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

3.10.3 Depreciation

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

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

Assets	Annual depreciation rate
Leasehold improvements	Over the shorter of the useful life of item or lease period
Leasehold land	Over the lease period
Buildings	2.5%
Computer hardware	33.3%
Furniture and fittings	20%
Office equipment	25%
Motor vehicles	25%

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

3.10.4 Derecognition

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

3.11 Intangible assets - Software

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

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 3 years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

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3.12 Trade receivables

Trade receivable are amounts due from the sale of securities in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

3.13 Leased assets – lessee

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

Other leases are operating leases and are not recognised on the Authority's statement of financial position.

3.14 Impairment of non-financial assets

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

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

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

3.15 Provisions

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

3.15.1 Restructuring

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

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3.16 Trade payables

Trade payables are obligations to pay for securities that have been acquired in the ordinary course of business from the secondary market.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Contingencies

3.17.1 Contingent assets

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

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

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

3.17.2 Contingent liabilities

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

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

3.18 Employee benefits

3.18.1 Post-employment benefits

Defined contribution plans

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

Pension Scheme

The Authority operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004. The employer and the employee contributions are 7.5% each of the qualifying employee's salary.

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

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

3.18.2 Short-term benefits

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

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

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3.19 Segment reporting

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

3.20 Capital commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the agency 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. An agency 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 agency has contracted for expenditure but work has not commenced and no payments have been made.

3.21 Financial guarantees

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

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

4 Determination of fair values

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

4.1 Investments in equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

4.2 Receivables

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

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4.3 Impairment of assets

4.3.1 Financial assets carried at amortised cost

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

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

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

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

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

4.3.2 Impairment of other non-financial assets

The carrying amounts of the Authority's non-financial assets other than 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 that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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.

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4.4 Critical accounting estimates and judgements

Management discusses with the Board of Directors the development, selection and disclosure of the Authority's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 5).

4.5 Critical accounting judgements in applying the Authority's accounting policies

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

4.5.1 Valuation of financial instruments

The Authority's accounting policy on fair value measurements is discussed under Note 3.8.7. The Authority measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

The Authority's accounting policy on fair value measurements is discussed under Note 3.8.7. The Authority measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

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

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

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

4.5.2 Financial assets and liabilities classification

The Authority's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances: Details of the Authority's classification of financial assets and liabilities are given in Note 3.8.

4.5.3 Depreciation and carrying value of property and equipment

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

4.5.4 Determination of impairment of property and equipment, and intangible assets.

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

5 Financial risk management

The Authority is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk

5.1 Our approach to risk management

With a global outlook, the Authority'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.

NSIA 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. NSIA's Risk Framework seeks to explain the Authority's underlying approach to risk management, documents the roles and responsibilities of the Board of Directors, Risk Management department and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

5.2 Credit risk

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

The carrying amounts of financial assets represent the maximum credit exposure.

5.2.1 Management of credit risk

The Authority's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards.

5.2.2 Loan loss assessment

In accordance with IAS 39, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

With respect to impairment analysis, all loans and advances are classified as follows:

Neither past due nor impaired

These are loans and advances where contractual interest or principal payments are not past due.

Past due but not impaired

These are loans and advances where contractual interest or principal payments are past due but individually assessed as not being impaired. The Authority believes that impairment is not appropriate on the basis of the level of receivables or collateral available as well as the stage of collection of amounts owed by Counterparty. The Authority currently has no loan in this category.

Specific impairment

Specific impairment assessment is carried out on significant assets for which objective evidence of impairment has been identified. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate.

Collective impairment

Collectively impaired loans and advances are those that are grouped into classes of loans with similar characteristics and are therefore collectively assessed for impairment. Where no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of assets with similar characteristics and collectively assessed for impairment.

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5.2.3 *Credit risk measurement*

The Authority uses incurred loss model to determine impairment losses in a group of financial assets. The operational measurement can be contrasted with impairment allowances required under IAS 39 by introducing Emergence period (EP) to arrive at losses that have been incurred at the reporting date (the 'incurred loss model') rather than expected losses (IFRS 9 expected losses model is to take effect in 2015 with early adoption permitted).

Impairment on collectively impaired loan is therefore measured using the following components:

Probability of default (PD)

This is the probability of the status of an account regressing to the point where it can be classified as a defaulted account. The Authority has estimated PD using the proportion of non-performing loans to the total loan portfolio.

Loss given default (LGD)

LGD is defined as the portion of the loan determined to be irrecoverable should default occur.

Exposure at default (EAD)

This is the amount owed at the time of default or reporting date.

The measurement of exposure at default and loss given default is based on standard risk parameters.

Loan identification period (LIP)

Loan Identification Period is defined as the period of time between when an impairment trigger occurs and the date the Authority first becomes aware of its occurrence. Expert judgement has been in used in estimating LIP. This exercise is performed for each homogenous portfolio.

5.2.4 *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

31 March 2014

<i>In thousands of Naira</i>	SF	FGF	NIF	Unallocated	Total
Advances	-	-	-	11,373	11,373
Staff advances	-	-	-	11,373	11,373
Investment securities	31,072,609	13,929,191	15,266,704	-	60,268,504
US treasury bills	7,657,000	-	-	-	7,657,000
US treasury bonds	160,952	-	-	-	160,952
Corporate bonds	23,254,657	-	-	-	23,254,657
Nigeria marketable securities	-	-	15,266,704	-	15,266,704
Hedge fund investments	-	13,929,191	-	-	13,929,191
Receivables	238,423	-	-	-	238,423
Trade receivables	238,423	-	-	-	238,423
Cash and cash equivalents	152,987	36,167,599	46,863,774	298,616	83,482,975
Balances with bank	152,987	6,178,579	48,120	298,616	6,678,302
Money market placements	-	29,989,020	46,815,654	-	76,804,673
	31,464,019	50,096,790	62,130,478	309,989	144,001,275
Advances exposure to total exposure	0%	0%	0%	4%	
Debt securities exposure to total exposure	99%	28%	25%	0%	
Other exposures to total exposure	1%	72%	75%	96%	
	100%	100%	100%	100%	

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31 December 2013

<i>In thousands of Naira</i>	SF	FGF	NIF	Unallocated	Total
Advances	-	-	-	28,768	28,768
Staff advances	-	-	-	28,768	28,768
Investment securities	30,414,776	-	14,699,930	-	45,114,706
US treasury bills	7,354,746	-	-	-	7,354,746
US treasury bonds	399,019	-	-	-	399,019
Corporate bonds	22,661,011	-	-	-	22,661,011
Nigeria marketable securities	-	-	14,699,930	-	14,699,930
Receivables	238,655	-	-	-	238,655
Trade receivable	238,655	-	-	-	238,655
Cash and cash equivalents	690,206	62,119,054	47,995,104	1,091,055	111,895,419
Balances with banks	690,206	34,155,054	10,946,722	1,091,055	46,883,037
Money market placements	-	27,964,000	37,048,382	-	65,012,382
Total exposure to credit risk	31,343,637	62,119,054	62,695,034	1,119,823	157,277,548
Advances exposure to total exposure	-	-	-	3%	
Debt securities exposure to total exposure	97%	-	23%	-	
Other exposures to total exposure	3%	100%	77%	97%	
	100%	100%	100%	100%	

31 March 2014

Impairment analysis

<i>In thousands of Naira</i>	Advances	Investment securities	Receivables	Cash and cash equivalent
Carrying amount	11,373	67,810,439	238,424	83,767,747
Neither past due nor impaired	11,373	38,521,361	238,423	83,767,746
Carrying amount – amortised cost	11,373	38,521,361	238,423	83,767,746
Debt assets at fair value through profit or loss	-	29,289,078	-	-
Carrying amount - Fair value	-	29,289,078	-	-
Total carrying amount	11,373	67,810,439	238,423	83,767,746

31 December 2013

Impairment analysis

<i>In thousands of Naira</i>	Advances	Investment securities	Receivables	Cash and cash equivalent
Carrying amount	28,768	45,114,706	239,222	111,895,419
Neither past due nor impaired	28,768	37,360,941	239,222	111,895,419
Carrying amount – amortised cost	28,768	37,360,941	239,222	111,895,419
Debt assets at fair value through profit or loss	-	7,753,765	-	-
Carrying amount - Fair value	-	7,753,765	-	-
Total carrying amount	28,768	45,114,706	239,222	111,895,419

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The credit quality of money market placement is assessed by reference to external credit ratings information about counterparty default rates.

Money market placements

In thousands of Nigerian Naira

	Credit Quality As at 31 March 2014
Counterparties with external credit ratings (S&P), Fitch & Moody	
A+	6,243,555
B+	12,789,366
B	8,586,702
BB-	37,502,094
B-	11,689,823
	<u><u>76,811,540</u></u>
Counterparties without external credit ratings (S&P)	
Local Banks	<u><u>-</u></u>
Total money market placements	<u><u>76,811,540</u></u>

Investment Securities

In thousands of Nigerian Naira

	Credit Quality As at 31 March 2014
Counterparties with external credit ratings (S&P)	
A	59,108,784
	<u><u>59,108,784</u></u>
Counterparties without external credit ratings (S&P)	
Local Bank	15,266,704
	<u><u>15,266,704</u></u>
Total investment securities	<u><u>74,375,488</u></u>

Money market placements

In thousands of Nigerian Naira

	Credit Quality as at 31 December 2013
Counterparties with external credit ratings (S&P)	
AA-	6,212,484
B	20,729,651
BB-	15,539,939
	<u><u>42,482,074</u></u>
Counterparties without external credit ratings (S&P)	
Local Banks	22,530,308
	<u><u>22,530,308</u></u>
Total money market placements	<u><u>65,012,382</u></u>

Investment securities

In thousands of Nigerian Naira

	Credit Quality as at 31 December 2013
Counterparties with external credit ratings (S&P)	
A	30,414,776
	<u><u>30,414,776</u></u>
Counterparties without external credit ratings (S&P)	
Local Bank	14,699,930
	<u><u>14,699,930</u></u>
Total investment securities	<u><u>45,114,706</u></u>

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5.3 Liquidity risk

Liquidity risk is the risk that the Authority 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 Authority.

5.3.1 Management of liquidity risk

The Authority'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 Authority's reputation.

5.3.2 Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and

Maturity analysis of financial liabilities by earliest possible contractual maturity

The table below shows gross undiscounted cash flow on the basis of the earliest possible contractual maturity of financial liabilities:

31 March 2014

<i>In thousands of Naira</i>	Carrying amount	Gross nominal outflow	Up to 3 months	4 – 6 months	> 5 years
<i>Non-derivative financial liabilities</i>					
Liabilities	367,383	367,383	367,383	-	-
Borrowing	1,400,000	1,400,000	1,400,000	-	-
Total liabilities	1,767,383	1,767,383	1,767,383	-	-

31 December 2013

<i>In thousands of Naira</i>	Carrying amount	Gross nominal outflow	Up to 3 months	4 – 6 months	> 5 years
<i>Non-derivative financial liabilities</i>					
Liabilities	439,677	439,677	439,677	-	-
Borrowing	1,400,000	1,400,000	-	1,400,000	-
Total liabilities	1,839,677	1,839,677	439,677	1,400,000	-

5.4 Market risk

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

NSIA 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 Authority's potential exposure can be categorised into two: namely, traditional investments and alternative investments. Traditional investments include cash, listed equity and fixed income instruments. Alternative investments include non-listed assets, 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 Authority'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. NSIA has exposure to valuation risk through its investments in Real Estate assets, Private Equity investments as well as other alternative instruments and Project development.

We manage 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

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

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5.4.1 Trading assets/ Financial assets

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

5.4.2 Non-trading / Non-financial assets

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

5.4.3 Foreign exchange risk

Foreign exchange risk arises from transactions and recognized assets and liabilities which are denominated in a currency other than the Group's functional currency, USD.

The Authority does not currently carry significant foreign exchange risk exposure.

5.4.4 Interest risk management

Interest rate risk is the risk of loss to Net Interest Income (NII) arising from changes in market interest rates on rate sensitive assets and liabilities. The Authority carries some interest rate sensitive assets and liabilities which are priced with fixed rates that reprice at varying frequencies.

Net interest income sensitivity

Scenario analysis - Change in NII as a result of change in interest rate

The Authority is exposed to a considerable level of interest rate risk i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Authority measures its exposure to changes in net interest income resulting from changes in prevailing interest rates using the anticipated impact of at least three (3) different hypothetical interest rate scenarios for periods up to 15 months. A forward-looking net interest income forecast is used in quantifying the Authority's anticipated interest rate exposure, using static balance sheet assumption as well as plausible interest rate changes under both normal and stressed market conditions. These scenarios reflect best estimate of the most likely and worst-case conditions.

The table below shows the sensitivity of the Authority's net interest income to instantaneous parallel rate changes.

	As at 31 March 2014	As at 31 December 2013
	N'000	N'000
<i>Risk sensitive assets:</i>		
Placement with financial institutions	83,767,747	111,895,419
Investment security - HTM	38,521,361	37,360,941
	<u>122,289,108</u>	<u>149,256,360</u>

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Cash flow sensitivity analysis for variable rate instruments

A change of 25 to 200 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<i>In thousands of Naira</i>	Profit or loss			
3 months to 31 March 2014	25BP	25BP	50BP	50BP
	Increase	Decrease	Increase	Decrease
Financial assets	(96,827)	96,827	(193,654)	193,654
Cash flow sensitivity (net)	(96,827)	96,827	(193,654)	193,654

<i>In thousands of Naira</i>	Profit or Loss			
3 months to 31 March 2014	100BP	100BP	200BP	200BP
	Increase	Decrease	Increase	Decrease
Financial assets	(387,308)	387,308	(774,616)	774,616
Cash flow sensitivity (net)	(387,308)	387,308	(774,616)	774,616

<i>In thousands of Naira</i>	Profit or loss			
15months to 31 December 2013	25BP	25BP	50BP	50BP
	Increase	Decrease	Increase	Decrease
Financial assets	(94,102)	94,102	(188,203)	188,203
Cash flow sensitivity (net)	(94,102)	94,102	(188,203)	188,203

<i>In thousands of Naira</i>	Profit or Loss			
15months to 31 December 2013	100BP	100BP	200BP	200BP
	Increase	Decrease	Increase	Decrease
Financial assets	(376,407)	376,407	(752,814)	752,814
Cash flow sensitivity (net)	(376,407)	376,407	(752,814)	752,814

6 Operating segments

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

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

Segment	Investment objectives and principal investment products
Stabilisation Fund (SF)	To provide stabilisation support to the Federation revenue in times of economic stress. It is intended to help increase the credibility of the Federal Republic of Nigeria's macro-economic framework and to act as a buffer against short term macro-economic instability. As such, the Fund's assets should be invested conservatively, with investments in a diversified portfolio of liquid, low risk products such as Treasury bills and liquid short term investment grade bonds defined as debts whose ratings are considered by investors to have a high probability to pay the scheduled interest and principal amount at maturity.
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. Investment options include listed stocks, hedge funds, private equity and real estate.
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. Potential areas for investment include transportation, energy and power, water resources, agriculture, among others, in order to stimulate growth and diversification of the Nigerian economy, attract foreign investment, and create jobs for Nigerians.

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

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Information about reportable segments

3 months to 31 March 2014	Stabilisation	Future	Nigeria	Total
	Fund	Generation Fund	Infrastructure Fund	
	N'000	N'000	N'000	N'000
Investment and interest income	104,486	166,358	694,846	965,690
Total operating segment income	104,486	166,358	694,846	965,690
Investment management expenses	9,294	-	-	9,294
Local custodian fees	-	-	5,680	5,680
Global custodian fees	1,219	2,438	2,438	6,094
Total segment investment management & custodian fees	10,513	2,438	8,118	21,069
Total operating segment profit	93,973	163,921	686,728	944,621
Professional expenses	-	-	3,363	3,363
Other operating expenses	4	54	4,502	4,559
Total segment operating & administrative expenses	4	54	7,865	7,922
Segmented profit/ (loss) for the period	93,970	163,867	678,863	936,699
Reportable segment assets	31,464,019	62,881,555	63,730,478	158,076,052
Reportable segment liabilities	239,788	-	1,141	240,930
15 months to 31 December 2013				
	Stabilisation	Future	Nigeria	Total
	Fund	Generation Fund	Infrastructure Fund	
	N'000	N'000	N'000	N'000
Investment and interest income	63,074	32,771	1,119,600	1,215,445
Total operating segment income	63,074	32,771	1,119,600	1,215,445
Investment management expenses	9,575	-	-	9,575
Local custodian fees	-	-	8,131	8,131
Global custodian fees	839	1,680	1,680	4,199
Total segment investment management & custodian fees	10,414	1,680	9,811	21,905
Total operating segment profit	52,660	31,091	1,109,789	1,193,540
Professional expenses	18,912	33,077	81,209	133,198
Other operating expenses	825	26,210	20,545	47,580
Total segment operating & administrative expenses	19,737	59,287	101,754	180,778
Segmented profit/ (loss) for the period	32,923	(28,196)	1,008,035	1,012,762
Reportable segment assets	31,343,637	62,119,054	62,695,034	156,157,725
Reportable segment liabilities	239,868	-	-	239,868

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Reconciliation of reportable segment revenues, profit or loss and assets and liabilities

<i>In thousands of Naira</i>	3 months to 31 March 2014	15 months to 31 December 2013
Revenues		
Total revenue for reportable segments	965,690	1,215,445.00
Unallocated amounts	4,341	250,740.00
Total revenue for the period	970,031	1,466,185
Profit or loss		
Total profit or loss for reportable segments	936,699	1,012,762
Unallocated amounts	(338,147)	(487,604)
Total profit for the period	598,552	525,158
Assets		
Total assets for reportable segments	158,076,052	156,157,725
Other unallocated amounts	651,202	1,437,646
Total assets for the period	158,727,254	157,595,371
Liabilities		
Total liabilities for reportable segments	240,930	239,868
Other unallocated amounts	1,526,453	1,599,809
Total liabilities for the period	1,767,383	1,839,677

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7 Financial assets and financial liabilities
31 March 2014

<i>In thousands of Naira</i>	<i>Note</i>	Held for trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	-	-	83,767,746	-	-	83,767,746	83,767,746
Advances		-	-	11,373	-	-	11,373	11,373
Investment securities:								
Measured at fair value	16	-	-	-	35,854,127	-	35,854,127	35,854,127
Measured at amortised cost	16	-	38,521,361	-	-	-	38,521,361	38,592,796
Other assets	17	-	-	326,937	-	-	326,937	326,937
		-	38,521,361	84,106,056	35,854,127	-	158,481,544	158,552,979
Liabilities	20	-	-	-	-	367,383	367,383	367,383
Borrowings	21	-	-	-	-	1,400,000	1,400,000	1,400,000
		-	-	-	-	1,767,383	1,767,383	1,767,383

31 December 2013

<i>In thousands of Naira</i>	<i>Note</i>	Held for trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	-	-	111,895,419	-	-	111,895,419	111,895,419
Advances		-	-	28,768	-	-	28,768	28,768
Investment securities:								
Measured at fair value	16	-	-	-	7,753,765	-	7,753,765	7,753,765
Measured at amortised cost	16	-	37,360,941	-	-	-	37,360,941	37,561,274
Other assets	17	-	-	290,512	-	-	290,512	290,512
		-	37,360,941	112,214,699	7,753,765	-	157,329,405	157,529,738
Liabilities	20	-	-	-	-	439,677	439,677	439,677
Borrowings	21	-	-	-	-	1,400,000	1,400,000	1,400,000
		-	-	-	-	1,839,677	1,839,677	1,839,677

Nigeria Sovereign Investment Authority
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8 Investment income	31 March 2014	31 March 2013
	N '000	N '000
Investment in Treasury Bills	435,704	-
Investment in Fixed Deposits	422,261	-
Deposit from MMDA and DDA*	928	-
Investment in Other Financial Instruments	103,760	-
	962,653	-

*MMDA – Money market deposit account

DDA – Demand deposit account

Investment income represents income earned on investment of the Authority's \$1billion USD seed capital and operational funds during the period.

9 Interest income	31 March 2014	31 March 2013
	N '000	N '000
Bank balances	7,378	68,538
	7,378	68,538

Interest income represents income earned on balances with banks.

10 Other non-operating income	31 March 2014	31 March 2013
	N '000	N '000
Other non-operating income	-	363,074
Net exchange gain	10,418	-
Total other non-operating income	10,418	363,074

11 Operating and administrative expenses		31 March 2014	31 March 2013
		N '000	N '000
Personnel expenses	12	219,517	83,848
Depreciation and amortisation		20,616	1,179
Professional fees	13	45,108	93,786
Directors fees and allowances		12,500	14,358
Other operating expenses	14	63,086	44,399
		360,828	223,470

12 Personnel expenses	31 March 2014	31 March 2013
	N '000	N '000
Salaries	112,740	61,357
Contributions to defined contribution plans	9,152	3,825
Other allowances	97,625	18,666
	219,517	83,848

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

Executive management staff & senior staff
Non- management staff

31 March 2014	31 March 2013
Number	Number
9	3
14	6
23	9

13 Professional fees

Professional fees

31 March 2014	31 March 2013
N '000	N '000
45,108	93,786
45,108	93,786

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

14 Other operating expenses

General and administrative expenses
Office rent and other expenses
Travel expenses

31 March 2014	31 March 2013
N '000	N '000
38,568	20,863
10,077	13,586
14,442	7,008
63,087	41,457

15 Cash and cash equivalents

Cash
Bank balances
Money market placements
Total cash and cash equivalents

31 March 2014	31 December 2013
N '000	N '000
315	163
6,955,891	46,882,874
76,811,540	65,012,382
83,767,746	111,895,419

16 Investment securities

Held to maturity investments 16.1
Available for sale investments 16.2

31 March 2014	31 December 2013
N '000	N '000
38,521,361	37,360,941
35,854,127	7,753,765
74,375,488	45,114,706

16.1 Analysis of HTM investment securities

Investment grade bonds
Nigerian marketable securities

31 March 2014	31 December 2013
N '000	N '000
23,254,657	22,661,011
15,266,704	14,699,930
38,521,361	37,360,941

16.2 Analysis of available for sale investment securities

US Treasury Bills
US Treasury Bonds
Available for sale equities
Available for sale securities
Other available for sale equities

31 March 2014	31 December 2013
N '000	N '000
7,657,000	7,354,746
160,952	399,019
4,965,049	-
21,471,126	-
1,600,000	-
35,854,127	7,753,765

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	31 March 2014	31 December 2013			
	N '000	N '000			
Reconciliation of available for sale financial assets					
Opening balance	7,753,765	-			
Additions/(Disposals)					
US Treasury Bills	302,254	7,354,746			
US Treasury Bonds	(238,067)	399,019			
Available for sale equities	4,965,049	-			
Available for sale securities	21,471,126	-			
Other available for sale equities	1,600,000	-			
Closing balance	35,854,127	7,753,765			
17 Other assets	31 March 2014	31 December 2013			
	N '000	N '000			
Trade receivables	238,423	238,655			
Prepayment	88,514	51,857			
	326,937	290,512			
18 Property and equipment					
	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Total
	N '000	N '000	N '000	N '000	N '000
Cost					
Balance at 1 January 2014	127,208	87,704	957	73,107	288,976
Additions	-	-	-	360	360
Balance at 31 March 2014	127,208	87,704	957	73,467	289,336
Accumulated depreciation					
Balance at 1 January 2014	19,070	14,051	174	9,492	42,787
Charge for the 3 months	7,861	7,209	59	3,611	18,740
Balance at 31 March 2014	26,931	21,260	233	13,103	61,527
Net Book values					
At 31 March 2014	100,277	66,444	724	60,363	227,808
At 1 January 2014	108,138	73,653	783	63,615	246,189
19 Intangible assets				Software	Total
Cost					
Balance at 1 January 2014				22,828	22,828
Additions				-	-
Balance at 31 March 2014				22,828	22,828
Amortisation					
Balance at 1 January 2014				3,051	3,051
Charge for the 3 months period				1,876	1,876
Balance at 31 March 2014				4,927	4,927
Net book value					
At 31 March 2014				17,901	17,901
At 1 January 2014				19,777	19,777

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20 Liabilities	31 March 2014	31 December 2013
	N '000	N '000
Trade Payables	239,788	239,868
Other Payables	96,599	178,565
Accruals	30,996	21,244
	<u>367,383</u>	<u>439,677</u>

21 Borrowings	31 March 2014	31 December 2013
	N '000	N '000
Opening balance		
Loan by Federal Government of Nigeria	1,400,000	2,900,000
Repaid during the period	-	(1,500,000)
	<u>1,400,000</u>	<u>1,400,000</u>

This represents the outstanding balance on the sum of N 2,900,000,000 (Two billion, nine hundred million naira only) given as a bridge finance loan to Nigeria Sovereign Investment Authority. The agreement for the zero interest loan was executed on the 23rd of November 2012. The balance is repayable by June 2014.

22 Equity and reserves	31 March 2014	31 December 2013
	N '000	N '000
Contribution by Government	155,250,000	155,250,000
Retained earnings	22.1 1,123,710	525,158
Fair value reserves	22.2 586,161	(19,464)
	<u>156,959,871</u>	<u>155,755,694</u>

22.1 Retained earnings	31 March 2014	31 December 2013
	N '000	N '000
Opening balance	525,158	-
Profit for the year	598,552	525,158
Closing balance	<u>1,123,710</u>	<u>525,158</u>

22.2 Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

	31 March 2014	31 December 2013
	N '000	N '000
Items that may subsequently be reclassified to profit or loss		
Opening balance	(19,464)	(19,464)
Change in value of available- for- sale	605,625	-
	<u>586,161</u>	<u>(19,464)</u>

23 Capital management

The Authority is to maintain a strong capital base in order to retain the confidence of the Nigerian people and the market with a bid to sustain future. The Board of Directors seek to maintain a balance between the higher return that might be possible with higher levels of borrowings and the advantages and The Authority monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, The Authority's adjusted net debt to equity ratio at 31 March 2014 was as follows:

<i>In thousands of Naira</i>	31 March 2014	31 December 2013
	N '000	N '000
Total liabilities	1,767,383	1,839,677
Less cash and cash equivalent	83,767,746	111,895,419
Net debt	<u>(82,000,363)</u>	<u>(110,055,742)</u>
Total Equity	156,959,871	155,755,694
Adjusted equity	<u>156,959,871</u>	<u>155,755,694</u>
Net debt to adjusted equity ratio	<u>-52%</u>	<u>-71%</u>

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24 Related parties and other contracts

24.1 Investment managers

The Authority appointed three investment managers through their global custodian JP Morgan for the management of the Stabilisation Fund.

Investment manager	31 March 2014	31 December 2013
	Amount	Amount
UBS	\$50million	\$50million
Credit Suisse	\$150 million	\$150 million
Goldman Sachs		

UBS Global Asset Management (UK) LTD

Appointment and Service

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

Reports on Investments

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

Goldman Sachs Asset Management

Appointment and Service

The Authority appointed Goldman Sachs Asset Management Company incorporated in America as an investment manager and discretionary manager for the purpose of selecting and executing transactions which are in compliance with the Authority's investment strategy stated in the investment agreement.

Reports on Investments

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

Credit Suisse AG, Zurich

Appointment and Service

The Authority appointed Credit Suisse AG, Zurich as an investment manager to manage the portfolio assigned in accordance with the asset management agreement.

Reports on Investments

Credit Suisse AG provides quarterly performance statements and monthly valuation reports to the global custodian.

24.2 Hedge Fund Managers

A portion of the Future Generation Fund was invested in hedge fund managers in the proportion shown below:

Hedge Fund manager	31 March 2014	31 December 2013
	Amount	Amount
Laurion Capital Management	USD \$25 million	USD \$25 million
JHL Capital Group Fund	USD \$25 million	USD \$25 million
Blue Mountain Capital Management	USD \$25 million	USD \$25 million
Arbiter	USD \$25 million	-

24.3 Long only equity managers

A portion of the Future Generation Fund was also invested with long only equity managers as follows:

Hedge Fund manager	31 March 2014	31 December 2013
	Amount	Amount
Cevian Capital II Limited	USD \$13.4 million	USD \$10 million
Credit Suisse (Passive Equity)	USD \$31.3 million	USD \$33 million
Edgbaston	USD \$12 million	-
Somerset	USD \$15 million	-
Marathon	USD \$13.3 million	-
Capital International	USD \$15 million	-

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24.4 Custodians

Custodians	JP Morgan Chase
	Stanbic IBTC

Appointment and Service

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

Reports on Investments

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

24.5 Compensation of key management personnel

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

The key management personnel have been identified as the executive and non-executive directors of the Authority. The Directors did not hold any shares in the Authority during or as at the end of the period.

	31 March 2014	31 March 2013
	N '000	N '000
Directors' remuneration and expenses		
	108,487	72,310
Total short term directors benefit	108,487	72,310
Fees as directors	12,500	12,500
Other allowances	1,660	1,858
Defined contribution plan	6,065	4,183
	20,225	18,541