

**Nigeria Sovereign Investment Authority
Consolidated Financial Statements for the year
ended 31 December 2014**

Nigeria Sovereign Investment Authority
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For the year ended 31 December 2014

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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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Directors' report

1. Financial statements

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

2. Principal activities

The Authority was established by the Nigeria Sovereign Investment Authority (Establishment etc.) Act, 2011 to manage excess funds from the country's sale of crude oil. This will be performed through three (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 Group and Authority's operating results:

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

4. Objective

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

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

5. Governance and management

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

The Council comprises the following:

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

6. Employment of disabled persons

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

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Directors' report

7. Employee health, safety and welfare

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

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Statement of directors' responsibilities

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

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 6 to 55 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

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Nigeria Sovereign Investment Authority
Consolidated financial statements
Statement of comprehensive income for the year ended 31 December 2014

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

The accompanying notes on pages 11 to 55 form an integral part of this financial statement

Nigeria Sovereign Investment Authority
Consolidated financial statements
Statement of financial position as at 31 December 2014

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

The consolidated financial statements as set out on pages 6 to 55 were approved and authorised for issue by the board of directors on 24 March 2015 and signed on its behalf by:

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

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

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

The accompanying notes on pages 11 to 55 form an integral part of this financial statement

Nigeria Sovereign Investment Authority
Consolidated financial statements
Statement of changes in equity
For the year ended 31 December 2014

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

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

Nigeria Sovereign Investment Authority
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Statement of changes in equity
For the year ended 31 December 2014

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

The accompanying notes on pages 11 to 55 form an integral part of this financial statement

Nigeria Sovereign Investment Authority
Consolidated financial statements
Statement of cash flows
For the year ended 31 December 2014

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

The accompanying notes on pages 11 to 55 form an integral part of this financial statement

Nigeria Sovereign Investment Authority
Consolidated financial statements
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Notes to the consolidated financial statements

1. General information

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

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

In order to actualize its mandate, the Authority has established three separate "ring-fenced" funds. 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)	Brandywine, Goldman Sachs and UBS
Nigeria Infrastructure Fund (NIF)	In-house Management Team, Fund for Agricultural Finance in Nigeria (FAFIN), Goldman Sachs, JP Morgan and Brandywine
Future Generations Fund (FGF)	Cevian Capital, Laurion Capital, Blue Mountain Capital , JHL Capital Group, Edgbaston, Capital International, Arbitrator, Somerset, Marathon, Chieftain, Prince Street, JP Morgan, Goldman Sachs, Brandywine

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

2. Basis of preparation

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

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

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Consolidated financial statements
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(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(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.

(d) Composition of the Group

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

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

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

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

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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 in 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 Changes in accounting policy

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

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

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

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

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

(b) New standards, amendments and interpretations not yet adopted

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

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

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

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

Amendments to IAS 27 on equity method in "Separate Financial Statements"

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

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

3 Significant accounting policies

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

3.1 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(b) Changes in ownership interests in subsidiaries without loss of control

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

(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.

(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.

(e) Joint arrangements

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

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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

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

3.4 Transaction costs

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

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

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

3.6 Fees and Commissions

Fees, commission and other expenses that are not integral to the effective interest rate computation are recognised in profit or loss on an accrual basis as the related services are performed.

3.6.1 Fiduciary Activities

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

3.7 Income tax expense

The Authority and its wholly-owned subsidiaries and wholly affiliates in Nigeria shall be exempt from the provisions of any and all taxes, fees, imports or similar fiscal laws or regulations of the Federal Government, State Government, Federal Capital Territory, Local Government and Area councils of the Federal Republic of Nigeria, including without limitation, the Companies Income Tax Act Cap. C21 LFN 2004, the Capital Gains Tax Act Cap. C1 LFN 2004, the Stamp Duties Act Cap. S8 LFN 2004, the Value Added Tax Act Cap. V1 LFN 2004 or other imports, taxes on interest and dividends or any similar law or regulation.

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

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

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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 ownership.

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.

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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.

Financial liabilities

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

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

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

3.10.4 Derecognition

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

3.11 Intangible assets - Software

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

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

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

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

3.14 Impairment of non-financial assets

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

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

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

3.15 Provisions

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

3.15.1 Restructuring

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

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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 2014. The employee and the employer contributions are 8% and 10% respectively each of the qualifying employee's salary.

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

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

3.18.2 Short-term benefits

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

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

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3.19 Segment reporting

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

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

3.20 Capital commitments

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

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

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

3.21 Financial guarantees

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

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

3.22 Determination of fair values

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

3.22.1 Investments in equity and debt securities

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

3.22.2 Investments in private equity funds

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

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3.22.3 Receivables

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

3.23 Impairment of financial assets

Financial assets carried at amortised cost

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

- Significant financial difficulty of the issuer or debtor; 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 Critical accounting estimates and judgements

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

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

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

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

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

4.1.1 Valuation of financial instruments

The Authority's accounting policy on fair value measurements is discussed under Note 3.9.7. The Authority measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

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

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

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

4.1.2 Financial assets and liabilities classification

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

4.1.3 Depreciation and carrying value of property and equipment

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

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

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

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4.1.5 Joint arrangements

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

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

In July 2014, NMIC, JBI and the Federal Government of Nigeria (FGN) entered into an indemnity agreement in order to start early works on the Second Niger Bridge Project. The FGN contributed N8.5 billion as part of an eventual equity contribution of N30 billion in the Second Niger Bridge Project. This amount is under the control of NMIC, and have been used in carrying out the initial works.

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

4.1.6 Payable to the second Niger Bridge Company

The Federal Government of Nigeria made a payment of N8.5 billion to the Authority's subsidiary, NSIA Motorways Investment Company (NMIC) to enable the execution of the early works phase of the construction of the second Niger Bridge in advance of the agreement of the terms of the service concession between the Federal Government of Nigeria and the second Niger Bridge Development Company. This amount was pledged by the Federal Government of Nigeria as equity contribution towards subscription and allotment of shares of the Second Niger Bridge Development Company (the concessionaire).

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

4.1.7 Impairment of available-for-sale equity investments

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

4.1.8 Investment in associate

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

4.1.9 Functional currency reassessment

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

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4.2 Critical accounting estimates and assumptions

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

4.2.1 Fair value of investments classified as available-for-sale

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

4.2.2 Fair value of private equity funds

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

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5 Financial risk management

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

5.1 Our approach to risk management

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.

5.2 Credit risk

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

5.2.1 Management of credit risk

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

5.2.2 Exposure to credit risk

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

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

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5.2.3 Credit quality of financial assets

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

	Group	Authority	Authority
(i) Money market placements	31 December	31 December	31 December
	2014	2014	2013
	N '000	N '000	N '000
<i>Counterparties with external credit ratings (S&P), Fitch & Moody</i>			
A+	9,244,786	9,244,786	6,212,484
AA-	8,516,656	8,516,656	-
B+	10,843,730	9,243,069	-
B	4,191,373	4,191,373	20,729,651
BB-	5,030,863	5,030,863	15,539,939
<i>Counterparties without external credit ratings</i>			
Local banks	-	-	22,530,308
Total money market placements	37,827,408	36,226,747	65,012,382
(ii) Cash at bank			
<i>Counterparties with external credit ratings (S&P)</i>			
AAA	23,104	23,104	484,032
A+	9,725	9,725	-
A	6,566,647	6,566,647	45,725,435
A-	4,590,105	-	-
B+	886,681	272,180	673,407
Total cash at bank balances	12,076,261	6,838,827	46,882,874
(iii) Trade receivables and advances			
<i>Counterparties without external credit ratings</i>			
Trade receivables	4,521,599	4,521,287	238,655
Advances	16,800	16,800	28,768
	4,538,399	4,538,087	267,423

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

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(iv) Investment securities

Counterparties with external credit ratings (S&P)

A	58,404,050	58,404,050	30,414,776
	<u>58,404,050</u>	<u>58,404,050</u>	<u>30,414,776</u>

Counterparties with external sovereign credit ratings (Fitch)

B+	14,483,914	14,483,914	14,699,930
	<u>14,483,914</u>	<u>14,483,914</u>	<u>14,699,930</u>

Total investment securities (subject to credit risk)	<u>72,887,964</u>	<u>72,887,964</u>	<u>45,114,706</u>
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5.3 Liquidity risk

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

5.3.1 Management of liquidity risk

The Group's approach to managing liquidity is to have sufficient funds to meet its liabilities, as and when due, without incurring undue losses or risking damage to the Group's reputation.

5.3.2 Exposure to liquidity risk

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

Group

31 December 2014

<i>In thousands of Naira</i>	Up to 3 months	4 – 6 months	Between 6 months and 1 year	Between 1 and 2 years	Total
Non-derivative financial liabilities					
Trade payables	49,913	-	10,728	965,951	1,026,592
Accruals	-	113,616	-	-	113,616
Other payables	-	-	157,297	-	157,297
Payables to related parties	-	-	5,012,784	-	5,012,784
Total liabilities	<u>49,913</u>	<u>113,616</u>	<u>5,180,809</u>	<u>965,951</u>	<u>6,310,289</u>

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In thousands of Naira

Non-derivative financial liabilities

	Up to 3 months	4 – 6 months	Between 6 months and 1 year	Between 1 and 2 years	Total
Trade payables	49,913	-	10,728	175,769	236,410
Accruals	-	113,616	-	-	113,616
Other payables	-	-	158,297	-	158,297
Total liabilities	49,913	113,616	169,025	175,769	508,323

Authority

31 December 2013

In thousands of Naira

Non-derivative financial liabilities

	Up to 3 months	4 – 6 months	Between 6 months and 1 year	Between 1 and 2 years	Total
Trade payables	239,868	-	-	-	239,868
Accruals	21,244	-	-	-	21,244
Other payables	178,565	-	-	-	178,565
Borrowings	-	1,400,000	-	-	1,400,000
Total liabilities	439,677	1,400,000	-	-	1,839,677

5.4 Market risk

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

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

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The Group's Market risk Framework includes:

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

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

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

5.4.1 Trading assets/ Financial assets

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

5.4.2 Non-trading / Non-financial assets

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

5.4.3 Foreign exchange risk

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

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

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

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

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

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

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

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

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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.

Net interest income sensitivity

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

5.4.5 Equities securities price risk

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

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

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

Other comprehensive income would increase/(decrease) as a result of gains/(losses) on equity securities classified as available for sale by the amounts shown above. There were no equity securities classified as available for sale as at 31 December 2013.

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6 Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Equity instruments quoted in over-the-counter (OTC) markets
Level 3	Inputs that are not based on observable market data (that is, unobservable inputs)	Unquoted equity instruments and debt instruments

Unquoted equity instruments and debt instruments are measured in accordance with the International Private Equity and Venture Capital valuation guidelines with reference to the most appropriate information available at the time of measurement.

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

Group

31 December 2014

In thousands of Naira

	Note	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Available for sale investment securities	16	57,087,718	2,676,133	37,551,874	97,315,725
		<u>57,087,718</u>	<u>2,676,133</u>	<u>37,551,874</u>	<u>97,315,725</u>

Authority

31 December 2014

In thousands of Naira

	Note	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Available for sale investment securities	16	57,087,718	2,676,133	28,277,032	88,040,883
		<u>57,087,718</u>	<u>2,676,133</u>	<u>28,277,032</u>	<u>88,040,883</u>

Authority

31 December 2013

In thousands of Naira

	Note	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Available for sale investment securities	16	7,753,765	-	-	7,753,765
		<u>7,753,765</u>	<u>-</u>	<u>-</u>	<u>7,753,765</u>

There were no transfers between levels during the year.

(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 2014. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as available for sale.

(b) Financial instruments in level 2

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

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

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(c) Financial instruments in level 3

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

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

Available-for-sale (Investments in other investee funds)

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

These differences may arise because a number of reasons including but not limited to:

- a) The report received from the Investee Fund's general partner may be noncoterminous with the Partnership's reporting date;
- b) The report received by the Investee Fund's general partner may be based on principles that are not aligned with the fair value principles set out in IFRS 13 or that of the Partnership; and
- c) The Investment Adviser and General Partner of the Partnership may have other observable or unobservable data that would indicate that amendments are required to particular portfolio company investment fair values presented in the report from Investee Fund's general partner.

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

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

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

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

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

Unquoted investments of a subsidiary (KG Brussels, L.P.) valued using Level 3 inputs also had the following impact on the Statement of comprehensive income; realised profits over value on disposal of investment of N148 million (2013: Nil), interest income of No.8 million (2013: Nil), dividend income of N1.3 million (2013: Nil) and foreign exchange gains of N117 million (2013: Nil). The foreign exchange gains of N117 million was recognised in other comprehensive income within the currency translation reserves. Level 3 inputs are sensitive to assumptions made when ascertaining fair value.

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

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

6.1 Financial assets and financial liabilities

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

Group
31 December 2014

<i>In thousands of Naira</i>	<i>Note</i>	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	-	49,903,739	-	-	49,903,739	49,903,739
Advances		-	16,800	-	-	16,800	16,800
Investment securities:	16						
Measured at fair value		-	-	97,315,725	-	97,315,725	97,315,725
Measured at amortised cost		14,483,914	5,947,040	-	-	20,430,954	20,454,759
Other assets	17	-	4,769,933	-	-	4,769,933	4,769,933
		14,483,914	60,637,512	97,315,725	-	172,437,151	172,460,956
Trade and other payables	21	-	-	-	6,310,289	6,310,289	6,310,289
		-	-	-	6,310,289	6,310,289	6,310,289

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<i>In thousands of Naira</i>	<i>Note</i>	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	-	43,098,473	-	-	43,098,473	43,098,473
Advances		-	16,800	-	-	16,800	16,800
Investment securities:	16						
Measured at fair value		-	-	88,040,883	-	88,040,883	88,040,883
Measured at amortised cost		14,483,914	5,947,040	-	-	20,430,954	20,454,759
Other assets	17	-	4,769,621	-	-	4,769,621	4,769,621
		14,483,914	53,831,934	88,040,883	-	156,356,731	156,380,536
Trade and other payables	21	-	-	-	508,323	508,323	508,323
		-	-	-	508,323	508,323	508,323

Authority
31 December 2013

<i>In thousands of Naira</i>	<i>Note</i>	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:	16						
Measured at fair value		-	-	7,753,765	-	7,753,765	7,753,765
Measured at amortised cost		14,699,930	22,661,011	-	-	37,360,941	37,561,274
Other assets	17	-	290,512	-	-	290,512	290,512
		14,699,930	134,875,710	7,753,765	-	157,329,405	157,529,738
Trade and other payables	21	-	-	-	439,677	439,677	439,677
Borrowings	22	-	-	-	1,400,000	1,400,000	1,400,000
		-	-	-	1,839,677	1,839,677	1,839,677

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7 Segment information

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

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

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

Stabilisation Fund (SF)	To provide stabilisation support to the Federation in times of economic stress.
Future Generations Fund (FGF)	To invest in a diversified portfolio of appropriate growth investments in order to provide future 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 reportable segment is included below. Performance is measured based on segment profit as included in the internal management reports that are reviewed by the board of directors. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the profitability of each segment.

Information about reportable segments

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

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Authority	Stabilisation	Future	Nigeria	Total
31 December 2014	Fund	Generations	Infrastructure	Fund
	N'000	Fund	Fund	N'000
Investment and interest income	128,833	743,459	2,909,018	3,781,310
Total operating segment income	128,833	743,459	2,909,018	3,781,310
Investment management expenses	45,036	210,955	37,770	293,761
Local custodian fees	-	-	16,988	16,988
Global custodian fees	8,608	18,068	5,575	32,251
Total segment investment management & custodian fees	53,644	229,023	60,333	343,000
Total operating segment profit	75,189	514,436	2,848,686	3,438,311
Other non-operating income	875,053	1,700,098	519,075	3,094,226
Professional expenses	7,598	151,241	36,619	195,458
Other operating expenses	2,189	6,784	62,335	71,309
Total segment operating & administrative expenses	9,787	158,025	98,954	266,766
Segmented profit/ (loss) for the period	940,455	2,056,509	3,268,807	6,265,771
Reportable segment assets	33,860,471	68,296,708	67,328,503	169,485,682
Reportable segment liabilities	-	35,281	3,441	38,722
Authority				
31 December 2013				
	Stabilisation	Future	Nigeria	Total
	Fund	Generations	Infrastructure	Fund
	N'000	Fund	Fund	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>	Group	Authority	Authority
	12 months to 31 December 2014	12 months to 31 December 2014	15 months to 31 December 2013
Revenues			
Total revenue for reportable segments	3,941,304	3,781,310	1,215,445
Unallocated amounts	89	10,090	250,740
Total revenue for the year	3,941,393	3,791,400	1,466,185
Profit or loss			
Total profit or loss for reportable segments	6,425,764	6,265,771	1,012,762
Unallocated amounts	(1,259,838)	(1,258,385)	(487,604)
Total profit for the period	5,165,926	5,007,386	525,158
Assets			
Total assets for reportable segments	177,159,114	169,485,682	156,157,725
Other unallocated amounts	679,442	663,077	1,437,646
Total assets for the period	177,838,556	170,148,759	157,595,371
Liabilities			
Total liabilities for reportable segments	5,842,688	38,722	239,868
Other unallocated amounts	467,601	469,601	1,599,809
Total liabilities for the period	6,310,289	508,323	1,839,677

7a Entity-wide information

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

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

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8 Investment income

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

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

9 Interest income

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

Interest income represents income earned on balances with banks.

10 Other non-operating income

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

Nigeria Sovereign Investment Authority also acts as a manager for funds from other institutions. Included in other non-operating income is the total fee income earned during the period of N57 million (2013: Nil).

11 Operating and administrative expenses

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

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

12 Personnel expenses

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

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

	31 December 2014 Number	31 December 2014 Number	31 December 2013 Number
Executive management staff & senior staff	9	9	8
Non- management staff	14	14	14
	23	23	22

13 Other operating expenses

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

14 Taxation

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

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

Effective tax rate reconciliation:

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

15 Cash and cash equivalents

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

16 Investment securities

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

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16.1 Analysis of HTM investment securities

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

16.2 Loans and receivables

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2013 N '000
Sub-Investment Grade bonds	5,947,040	5,947,040	22,661,011
	5,947,040	5,947,040	22,661,011

16.3 Analysis of available for sale investment securities

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2013 N '000
US treasury bills	8,424,874	8,424,874	7,354,746
US treasury bonds	-	-	399,019
Available-for-sale equities	3,535,769	3,535,769	-
Available-for-sale securities	44,032,136	44,032,136	-
Hedge funds and long only equity managers	41,322,946	32,048,104	-
	97,315,725	88,040,883	7,753,765

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

17 Other assets

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

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

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18 Property and equipment

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

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

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

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

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

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

19 Intangible assets

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

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

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

20 Investments

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

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2013 N '000
Subsidiaries			
At the beginning of the year	-	-	-
Additions during the year	-	11,994,482	-
Disposals during the year	-	-	-
At the end of the year	-	11,994,482	-

Associate

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2014 N '000
At the beginning of the year	-	-	-
Additions during the year	1,600,000	1,600,000	0
Share of profit/(loss) of associate	16,364	-	-
At the end of the year	1,616,364	1,600,000	0

The amounts recognised in the income statement are as follows:

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

20.1 Investment in associate

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

The nature of investment in associate 2014 :

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

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

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

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

	31 December 2014 N '000
Summarised balance sheet	
Assets	
Cash and cash equivalents	10,424,950
Prepayments	62,334
Other assets	96,091
Property and equipment	71,165
Total assets	<u>10,654,540</u>
Liabilities	
Accounts payable	72,138
Accruals	206,072
Deferred income on term loan	1,614,008
Term loan	1,807,930
Total liabilities	<u>3,700,148</u>
Capital and reserves	
Share capital	6,882,288
Retained earnings	72,104
Total equity	<u>6,954,392</u>
Total liabilities and equity	<u>10,654,540</u>

	31 December 2014 N '000
Summarised statement of comprehensive income	
Interest income	591,465
Interest expense	(115,609)
Depreciation and amortisation	(18,843)
Personnel expenses	(12,392)
Operating expenses	(372,516)
Profit for the period	<u>72,105</u>

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

Reconciliation of summarised financial information

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

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

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20.2 Investment in subsidiaries

The group had the following subsidiaries at 31 December 2014

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

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

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

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

21 Trade and other payables

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

22 Borrowings

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

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

23 Equity and reserves

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

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23.1 Retained earnings

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

23.2 Fair value reserve

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

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2013 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 financial assets	10,489,666	8,877,356	(19,464)
Closing balance	<u>10,470,202</u>	<u>8,857,892</u>	<u>(19,464)</u>

23.3 Currency translation reserve

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

	Group 31 December 2014 N '000
Opening balance	-
Net changes in foreign currency	116,981
Closing balance	<u>116,981</u>

24 Capital management

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

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

The Authority monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising borrowings from the Federal Government and other obligations, less cash and cash equivalent. Adjusted equity comprises all components of equity.

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

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

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25 Related parties

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

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

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

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

(i) Payables to related parties

	Group	Authority	Authority
	31 December	31 December	31 December
	2014	2014	2013
	N '000	N '000	N '000
Payable to the second Niger Bridge Company Ltd	5,012,784	-	-
	5,012,784	-	-

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

Amount received from the Federal Government of Nigeria for the Second Niger Bridge Development Company was N8.5billion. Out of this amount, a total of N6.4billion has been spent on construction work and in line with the accounting for a joint operation, the resulting asset and the obligation has been split between the Group's subsidiary (NMIC) and JBI according to their participatory interest in the joint operation (50:50). The unspent amount still with NMIC has been recognised fully by NMIC as a liability to the Second Niger Bridge Development Company.

25.1 Compensation of key management personnel

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

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

The compensation paid or payable to key management for employee services is shown below:

	12 months	15 months
	ended 31	ended 31
	December	December
	2014	2013
	N '000	N '000
Directors' remuneration and expenses		
Short-term employee benefits	416,265	432,883
Fees as directors	50,000	62,500
Other allowances	167,196	125,941
Defined contribution plan	27,834	23,403
Total	661,295	644,727

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26 Other contracts

The investment activities of the three separate funds established by the Authority were managed by various investment managers engaged during the year. The closing value of the funds' investments held by these managers at year end are as follows:

26.1 Stabilisation Fund

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

26.1.1 UBS Global Asset Management (UK) LTD

Engagement and Service

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

Reports on Investments

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

26.1.2 JP Morgan Asset Management

Engagement and Service

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

Reports on Investments

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

26.1.3 Goldman Sachs Asset Management

Engagement and Service

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

Reports on Investments

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

26.1.4 Credit Suisse AG, Zurich

Engagement and Service

The Authority engaged 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.

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26.1.5 Brandywine Global Investment Management

Engagement and Service

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

Reports on Investments

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

26.2 Future Generations Fund

26.2.1 Hedge fund

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

- 1.0 JHL Capital Group
Blue Mountain Capital
- 2.0 Management
- 3.0 Arbiter

26.2.2 Commodity managers

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

- 1.0 Jamison Capital Partners

26.2.2 Long only equity managers

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

- 1.0 Cevian Capital II Limited
- 2.0 Credit Suisse (Passive Equity)
- 3.0 Edgbaston
- 4.0 Somerset
- 5.0 Marathon
- 6.0 Capital International
- 7.0 Prince Street
- 8.0 Chieftain Capital Management

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26.2.3 Private equity partners

The Private equity fund in which the Future Generations Fund is invested as at 31 year end are stated below:

- 1.0 Z Capital Partners
- 2.0 Healthcare Royalty Partners
- 3.0 Xenon Private Equity
- 4.0 Helios Investors

26.2.4 Income opportunity fund

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

- 1.0 Goldman Sachs Asset Manager International
- 2.0 JP Morgan Asset Management
- 3.0 BrandyWine Global Investment Management

26.3 Nigeria Infrastructure Fund

26.3.1 Private equity Partners

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

- 1.0 Fund for Agricultural Finance in Nigeria

26.3.2 Income opportunity fund

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

- 1.0 Goldman Sachs Asset Manager International
- 2.0 JP Morgan Asset Management
- 3.0 BrandyWine Global Investment Management

26.4 Nigerian equities

A portion of the Infrastructure Fund was invested in the following Nigerian equities:

MTN Nigeria Communications Limited
Nigeria Mortgage Refinance Company Plc.

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26.5 Custodians

Custodians	JP Morgan
	Stanbic IBTC

Engagement and Service

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

Reports on Investments

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

27 Commitments

(a) Capital commitments:

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

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

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

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

(b) Operating lease commitments - group company as lessee:

The Group leases its head office under noncancellable operating lease agreements. The lease terms are between 2 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	Group 31 December 2014 N '000	Authority 31 December 2014 N '000	Authority 31 December 2013 N '000
No later than 1 year	-	-	22,000
Later than 1 year and no later than 5 years	-	-	-
Total	-	-	22,000

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28 Other fiduciary activities

The sums of USD\$200 million and USD\$350 million ("the Funds") were received from the Debt Management Office ("DMO") and Nigerian Bulk Electricity Company Plc. ("NBET") respectively under an Investment Management Agreement ("the Agreement") during the period. NSIA acts as a manager of the Fund while the DMO and NBET act as customers. In addition to being a manager, NSIA also acts as a custodian and the Funds are managed in a fiduciary relationship. The agreement provides for the Authority to invest the Funds in gas, power and other related projects. Consideration will be paid to the Authority after certain milestones have been met and the customers' share of return has been paid. The assets and liabilities of the Funds have been excluded from these financial statements as they are not assets and liabilities of the Authority. The fees and commissions which relates mainly to these investment management agreement have been recognised in the income statement. The total fair value of the Fund as at 31 December 2014 was USD\$553.22 million (2013: Nil) while income of N57 million has been accrued by the Authority from the fiduciary agreement as of 31 December 2014.

29 Events after the reporting period

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

30 Functional currency reassessment

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