KANO SOLAR FUND

Financial statements
For the year ended 31 December 2022

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Financial statements for the year ended 31 December 2022

Index

Corporate information

Fund manager's office	Nigeria Sovereign Investment Authority (NSIA) 4th Floor, Clan Place, Plot 1386 Tigris Crescent Maitama, Abuja
Fund manager	Nigeria Sovereign Investment Authority 4th Floor, Clan Place, Plot 1386 Tigris Crescent Maitama, Abuja
Bankers	Central Bank of Nigeria JP Morgan

Fund manager's report

Financial statements

The Fund manager presents its report on the affairs of the Kano Solar Fund, together with the financial statements for the year ended 31 December 2022.

Principal activities

In December 2018, the President and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria by a mandate letter dated 12 December 2018 appointed NSIA as Fund and Project manager for the development of 10MW FGN/Kano Grid Solar Project in Kumbotso Local Government Area of Kano state. As a result, Kano Solar Fund was created following an investment management agreement between Nigeria Sovereign Investment Authority (NSIA) and the Federal Government of Nigeria represented by the Honorable Minister of Finance dated 2nd July 2020. The shareholders of the fund are Federal Government of Nigeria, Kano State Government and Kumbotso Local Government with holdings of 80%, 15% and 5% respectively.

Fund under management

Investors	**Contribution as at 31 Dec. 2022 N'000**	**Contribution as at 31 Dec. 2021 N'000**
Federal Government of Nigeria	4,708,142	4,708,142
	4,708,142	**4,708,142**

Governance and management

The President of the Federal Republic of Nigeria appointed Nigeria Sovereign Investment Authority ('NSIA') as the manager of the Fund.

Performance of the Fund

The performance of the Fund as a function of its net assets is as follows:

	31 December 2022 N'000	**31 December 2021 N'000**
Net assets value	7,051,274	6,734,625

Operating results of the Fund

	31 December 2022 N'000	**31 December 2021 N'000**
Total operating income	509,948	840,750
Total operating expenses	(193,299)	(125,167)
Surplus for the period	316,649	715,583

By order of the Fund manager

Mrs Ezinwa Okoroafor
Company Secretary of the Fund manager
FRCN/2016/NBA/00000015045

Statement of fund manager's responsibilities

The Fund manager of the Fund is responsible for the preparation of the financial statements that gives a true and fair view of the financial position of the Fund as at 31 December 2022, and the results of its operations and cash flows in compliance with International Public Sector Accounting Standards (IPSAS).

In preparing the financial statements, the Fund manager is responsible for:

(a) properly selecting and applying accounting policies;

(b) presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) providing additional disclosures when compliance with the specific requirements in IPSAS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance of the Fund.

In preparing the financial statements, the Fund manager is responsible for:

(a) designing, implementing and maintaining an effective and sound system of internal controls for the operations of the Fund;

(b) maintaining adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IPSAS;

(c) maintaining statutory accounting records in compliance with the requirements of the Auditor General of the Federation

(d) taking such steps as are reasonably available to them to safeguard the assets of the Fund; and

(e) preventing and detecting fraud and other irregularities.

The financial statements of the Fund for the year ended 31 December 2022 were approved by the directors of the Fund manager on 28 June 2023.

Signed on behalf of the directors of the Fund manager by:

Mr. Aminu Umar-Sadiq	**Mrs. Olubisi Makoju**
Managing Director	Executive Director
FRC/2014/IODN/00000025004	FRC/2014/ICAN/00000005765

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INDEPENDENT PRACTITIONER'S REPORT
TO THE MEMBERS OF NIGERIA SOVEREIGN INVESTMENT AUTHORITY

Report on the Financial Statements

We have reviewed the accompanying financial statements of Kano Solar Power Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Fund Manager's Responsibility for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards ("IPSAS"), and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements.

ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0791218

Tolu Adeleke

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

30 June 2023

Engagement Partner: Tolulope Adeleke
FRC/2014/ICAN/00000008319

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
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KANO SOLAR FUND

Financial statements for the year ended 31 December 2022

Statement of financial performance for the year ended 31 December 2

	Notes	31 December 2022 N'000	31 December 2021 N'000
Revenue			
Revenue from exchange transactions:			
Investment income	6	166,487	297,256
Other income	7	343,461	543,494
Total operating income		**509,948**	**840,750**
Expenses			
Administrative and other operating expenses	8	(193,299)	(125,167)
Total operating expenses		**(193,299)**	**(125,167)**
Surplus for the period		**316,649**	**715,583**

The accounting policies and notes on pages 9 to 20 form an integral part of these financial statements.

Statement of financial position as at 31 December 2022

	Notes	31 December 2022 N'000	31 December 2021 N'000
Assets			
Infrastructure asset	9	4,187,289	821,662
Cash and cash equivalents	10	3,559,103	6,452,354
Total assets		**7,746,392**	**7,274,016**
Liabilities			
Trade and other payables	11	695,118	539,391
Total liabilities		**695,118**	**539,391**
Net assets		**7,051,274**	**6,734,625**
Equity			
Contributions from government	12	4,708,142	4,708,142
Retained earnings	13	2,343,132	2,026,483
		7,051,274	**6,734,625**

The financial statements were approved and authorised for issue by the directors of the Fund manager on 28 June 2023 and signed on its behalf by:

Mr. Aminu Umar-Sadiq
Managing Director of the Fund Manager
FRC/2014/IODN/00000025004

Mrs. Olubisi Makoju
Executive Director of the Fund Manager
FRC/2014/ICAN/00000005765

Additionally certified by:

Mr. Victor Sesere
Financial Controller of the Fund Manager
FRC/2015/ICAN/00000012317

The accounting policies and notes on pages 9 to 20 form an integral part of these financial statements.

Statement of changes in net assets for the year ended 31 December 2022

	Contribution from government N'000	Accumulated Surplus N'000	Total N'000
Balance as at 1 January 2022	4,708,142	2,026,483	6,734,625
Contribution during the year	-	-	-
Surplus for the year	-	316,649	316,649
Balance as at 31 December 2022	**4,708,142**	**2,343,132**	**7,051,274**
Balance as at 1 January 2021	4,708,142	1,310,900	**6,019,042**
Contribution during the year	-	-	-
Surplus for the year	-	715,583	715,583
Balance as at 31 December 2021	**4,708,142**	**2,026,483**	**6,734,625**

The accounting policies and notes on pages 9 to 20 form an integral part of these financial statements.

Statement of cash flow for the year ended 31 December 2022

	Notes	31 December 2022 N'000	31 December 2021 N'000
Cashflow from operating activities			
Surplus before tax		316,649	715,583
Adjustments for:			
Investment income	6	(166,487)	(297,256)
Other income	7	(343,461)	(543,494)
Movements in operating assets/ liabilities:			
Increase in other assets	15	(3,365,627)	(752,964)
Increase in trade and other payables	15	155,727	479,227
Total inflow/(outflow) from operating activities		(3,719,848)	(1,114,487)
Net cashflow used in operating activities		**(3,403,199)**	**(398,904)**
Cashflow from investing activities			
Acquisition of investment securities		-	-
Proceeds from matured investment securities		509,948	4,780,318
Net cash flow used in investing activities		**509,948**	**4,780,318**
Cash flows from financing activities			
Net cash flow generated from financing activities		-	-
Increase in cash and cash equivalents		(2,893,251)	4,381,414
Opening cash and cash equivalents		6,452,354	2,070,940
Closing cash and cash equivalents		**3,559,103**	**6,452,354**
Cash and cash equivalents comprise:			
Cash in bank		687,679	414,915
Money market placements		2,871,424	6,037,439
		3,559,103	**6,452,354**

The accounting policies and notes on pages 9 to 20 form an integral part of these financial statements.

1 General information

In December 2018, the President and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria by a mandate letter dated 12 December 2018 appointed NSIA as Fund and Project manager for the development of 10MW FGN/Kano Grid Solar Project in Kumbotso Local Government Area of Kano state. As a result, Kano Solar Fund was created following an investment management agreement between Nigeria Sovereign Investment Authority (NSIA) and the Federal Government of Nigeria represented by the Honorable Minister of Finance dated 2nd July 2020.

2 Summary of significant accounting policy

The Fund has adopted International Public Sector Accounting Standards as its financial reporting framework unless otherwise stated. These financial statements comprise of the activities of the Fund for the reporting period and its comparative period.

2.1 Basis of preparation

The financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSAS) on a historical cost basis.
In the absence of an International Public Sector Accounting Standard that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is relevant to the decision-making needs of users of the financial statements.
The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires the Fund manager to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2.2 Adoption of newly published standards and interpretations and revised reporting standards and *Standards issued but not yet effective*

IPSAS 41, Financial Instruments

IPSAS 41, 'Financial Instruments' was issued by the International Public Sector Accounting Standards Board (IPSASB) in August 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard is effective for financial statements beginning on or after 1 January 2022 and has been applied by the Fund in preparing its IPSAS financial statements for the year ended 31 December 2022.

IPSAS 42 - Social Benefits

IPSAS, 42 - Social Benefits was issued to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits as defined by the standard. The standard defines the information which should be provided by the reporting entity to help users of the financial statements and general purpose financial reports assess:

a. The nature of such social benefits provided by the entity;

b. The key features of the operation of those social benefit schemes; and

c. The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ('the functional currency'). The financial statements are presented in Nigerian Naira (NGN), which is the Fund's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using an average monthly exchange rate prevailing at dates of the transactions. Foreign exchange gains and losses resulting from the settlements 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 statement of financial performance. Foreign exchange gains and losses that relate to borrowings are presented in the statement of financial performance within finance costs. All other foreign exchange gains and losses are presented in the statement of financial performance on a net basis within other income or other expenses.

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 the statement of financial performance.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available – for - sale are included in the statement of financial performance.

2.4 Revenue recognition

Revenue includes only the gross inflow of economic benefits or service potential received or is receivable by the Fund. Those amounts collected as an agent of the government/organization or on behalf of third parties are not considered as revenue. Revenue is measured at the fair value of the consideration received or receivable.

2.4.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions consists of benefits from concessionary loan rate and revenue from other non-exchange transactions.

(a) Benefits from concessionary loan rate

Benefits from concessionary loan rate represent the difference between the interest rate at market and the concessionary rate. The Fund determines the revenue by ascertaining the difference between the interest amount that would have been paid under a market rate and the interest amount paid under the concessionary rate. The difference is recognized as revenue from non-exchange transactions.

2.4.2 Revenue from exchange transactions

These are transactions in which the Fund receives consideration from, and directly gives approximately equal value in exchange for goods, services or use of assets. They are recognised at the fair value of consideration received or receivable. The Fund's revenue from exchange transactions include interest income and other miscellaneous revenue from exchange transactions.

Interest income on investments is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund.

Revenue arising from the use by others of the Fund's assets yielding rental income, royalties and dividends or similar distributions, are recognised as they are earned in accordance with the substance of the relevant agreement. They are recognised when the amount can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

(a) Investment income

Investment income consist of interest income and returns from short-term investments. Investment income or similar distributions are recognised in the statement of financial performance, when the Fund's right to receive payments is established.

(b) Other income

Other income arising from exchange difference are accounted for at fair value as at year end.

2.5 Expenses

Expenses are recognised when the transaction or event causing the expense occurs. The Fund's expenses consist of direct and indirect expenses incurred by the Fund Manager in running the Fund during the year.

2.6 Related parties

The related parties of the Fund include the Federal Government of Nigeria, Kano State Government, Kumbotso Local Government, Nigeria Sovereign Investment Authority (NSIA) and key management personnel. The nature of the related party relationships, balances and transactions with related parties are disclosed in note to the financial statements.

2.7 Cash and cash equivalents

Cash and cash equivalents as shown in the statement of financial position comprise cash in hand or at bank, deposit held at call with banks and time deposits which are readily convertible to cash with a maturity of three months or less.

2.8 Investment securities

Investment securities consist of short term investments held by the Fund as at year end 31 December, with changes recognised in the statement of changes in net assets for the year.

2.9 Other liabilities

Other liabilities consist of payables to Fund manager.

3.0 Provisions, contingent liabilities and contingent assets

(a) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as provision is the best estimate of the expenditure required to settle the obligation at the statement of financial position date.

(b) Contingent liabilities

The Fund does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

(c) Contingent assets

The Fund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

3.1 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

3.1.1 Financial assets

(a) Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are recognised at fair value and subsequently classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial assets at fair value through surplus or deficit.

(b) Subsequent measurement of financial assets

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise 'receivables from exchange transactions', 'other receivables' and 'cash and cash equivalents' and are presented in the statement of financial position.

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganisation
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

Loans and receivables are initially recognised at fair value less transaction costs. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

(ii) *Held-to-maturity investments*

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Fund may have the positive intention and ability to hold to maturity. They are initially recognised at fair value including direct transaction costs and subsequently measured at amortised cost using the effective interest rate method.

(iii) *Available-for-sale financial assets*

These are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through surplus or deficit. Available-for-sale financial assets comprise of investment in shares and other quoted securities. They are initially measured at fair value including any direct transaction costs and subsequently measured at fair value. Fair value of available for sale investments are determined with reference to quoted prices in an active stock market.

(iv) *Financial assets at fair value through surplus or deficit*

These are financial assets held for the purpose of selling in the short term. Financial assets at fair value through surplus or deficit are initially recognised at fair value and changes are recognised in the statement of financial performance.

(c) Derecognition

The Fund derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when: the rights to receive cash flows from the asset have expired or is waived or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) The Fund has transferred substantially all the risks and rewards of the asset; or (b) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.1.2 Financial liabilities

(a) Initial recognition and measurement

All financial liabilities are recognised initially at fair value. The Fund recognises financial liabilities within the scope of IPSAS 29 which are classified as financial liabilities at fair value through surplus or deficit or other financial liabilities at amortised cost.

(b) Subsequent measurement of financial liabilities

(i) *Financial liabilities at fair value through surplus or deficit*

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Firm that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29. Gains or losses on liabilities held for trading are recognised in the statement of financial performance.

(ii) *Other financial liabilities at amortised cost*

After initial recognition, other financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of financial performance when the liabilities are derecognised as well as through the effective interest method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(c) Derecognition

A financial liability is derecognised by the Fund when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of financial performance.

3.1.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates. The Fund uses widely recognised valuation models for determining fair values of non- standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market- observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions PIDF holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the Fund managers believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

3.1.4 Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

3.1.5 Impairment of financial assets

(a) Assets carried at amortised cost

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group 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 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 group of financial assets that can be reliably estimated.
Where there is objective evidence that an impairment loss on loans and receivables or held- to-maturity investments carried at amortised cost has been incurred, 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 has (have) not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.
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 an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in the statement of financial performance.

(b) Available-for-sale financial instruments

For available-for-sale financial instruments, the Fund assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the statement of financial performance. Reversals of impairment of equity shares are not recognised in the statement of financial performance. Increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income. Reversals of impairment of debt securities are recognised in the statement of financial performance if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of financial performance.

4 Financial risk management

The Fund's activities are exposed to market risk, credit risk and liquidity risk. The Fund's overall risk management programme focuses on minimising the potential adverse effects of risk on the Fund's financial performance and financial position.

The Fund's strategy for managing risks is to understand risk, with the aim of monitoring, controlling and mitigating against undesired events.

The Fund has adopted, wherever possible, 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. The risk framework seeks to explain its underlying approach to risk management, documents the roles and responsibilities of the Fund manager and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

(b) Risk management structure

The Fund manager has overall responsibility for the establishment and oversight of the Fund's risk management. The NSIA's Board of Director's is responsible for risk management. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Fund aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Through its risk management structure, The Fund seeks to manage efficiently the core risks which affects its operations as an infrastructure development fund.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any market counterparties fail to fulfil their contractual obligations to the Fund. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to counterparties including outstanding receivables and committed transactions. The Fund manages its credit risk by ensuring that it only transacts with reputable well- established institutions and constantly follows up on its receivables for payments to be made.
The Fund's maximum exposure to credit risk at the end of the reporting date is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Cash and cash equivalents	3,559,103	6,452,354
	3,559,103	**6,452,354**

4.2 Liquidity risk

Liquidity risk is the risk of the Fund not being able to meet its obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, through commitment from different sources. The Fund manager (NSIA) ensures that there is adequate liquid resources available to support the Fund's infrastructure project requirements.

The table below presents the amounts payable by Fund under non-derivative financial liabilities and assets held for managing liquidity
The following table details the Fund's maturity analysis of financial assets and liabilities based on contractual maturities.

31 December 2022

	Less than 3 months N'000	3 - 12 Months N'000	Greater than 12 Months N'000	Total N'000
Financial assets				
Cash & cash equivalents	3,559,103	-	-	3,559,103
Infrastructure assets		-	4,187,289	4,187,289
Total	**3,559,103**	-	**4,187,289**	**7,746,392**
Financial liabilities				
Trade and other payables	695,118	-	-	695,118
Total	**695,118**	-	-	**695,118**
Surplus	**2,863,985**	-	**4,187,289**	**7,051,274**

31 December 2021

	Less than 3 months N'000	3 - 12 Months N'000	Greater than 12 Months N'000	Total N'000
Financial assets				
Cash & cash equivalents	6,452,354	-	-	6,452,354
Infrastructure assets		-	821,662	821,662
Total	**6,452,354**	-	**821,662**	**7,274,016**
Financial liabilities				
Trade and other payables	539,391	-	-	539,391
Total	**539,391**	-	-	**539,391**
Surplus	**5,912,963**	-	**821,662**	**6,734,624**

4.2.1 Fair value hierarchy of financial assets and financial liabilities

IPSAS 29 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities (for example, Nigerian Stock Exchange).
- Level 2 – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices). Investment securities of the Fund were valued using level 2 fair value hierarchy.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

The table below sets out the fair values of financial instruments and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2022	Carrying Amount N'000	Level 1 N'000	Level 2 N'000	Level 3 N'000	Fair Value N'000
Cash & cash equivalents	3,559,103	687,679	2,871,424	-	3,559,103
	3,559,103	**687,679**	**2,871,424**	-	**3,559,103**
Trade and other payables	695,118	-	-	695,118	695,118
	695,118	-	-	**695,118**	**695,118**

31 December 2021	Carrying Amount N'000	Level 1 N'000	Level 2 N'000	Level 3 N'000	Fair Value N'000
Cash & cash equivalents	6,452,354	414,915	6,037,439	-	6,452,354
	6,452,354	**414,915**	**6,037,439**	-	**6,452,354**

	Carrying Amount N'000	Level 1 N'000	Level 2 N'000	Level 3 N'000	Fair Value N'000
Trade and other payables	539,391	-	-	539,391	539,391
	539,391	-	-	**539,391**	**539,391**

4.2.2 Transfers between the fair value hierarchy categories

During the reporting periods covered by these financial statements, there were no movement between levels of fair value measurement in financial instruments.

4.3 Market risk

The Fund takes on exposure to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

4.4 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The positions of currencies held are monitored on a daily basis. The objective of monitoring the position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Fund's policy to manage foreign exchange risk is to hold foreign currency assets for foreign denominated transactions. The Fund exposure results from one (1) major currency namely the United States Dollar

31 December 2022

	NGN N'000	USD N'000	Total N'000
Assets			
Current assets			
Cash and cash equivalents	687,679	2,871,424	3,559,103
Infrastructure Asset	4,187,289	-	4,187,289
Total assets	**4,874,968**	**2,871,424**	**7,746,392**
Liabilities			
Current liabilities			
Trade and other payables	695,118	-	695,118
Total liabilities	**695,118**	**-**	**695,118**
Net on statement of financial position	**4,179,850**	**2,871,424**	**7,051,274**

31 December 2021

	NGN N'000	USD N'000	Total N'000
Assets			
Current assets			
Cash and cash equivalents	414,915	6,037,439	6,452,354
Infrastructure assets	821,662	-	821,662
Total assets	**1,236,577**	**6,037,439**	**7,274,016**
Liabilities			
Current liabilities			
Trade and other payables	539,391	-	539,391
Total liabilities	**539,391**	**-**	**539,391**
Net on statement of financial position	**697,186**	**6,037,439**	**6,734,625**

4.5 Interest rate risk

Interest rate risk is the exposure of current and future earnings to adverse changes in the level of interest rates. Interest rate risk is managed by borrowing in fixed rate and also using the large size of the Fund to negotiate for better rates.
There was no non-current borrowing balance at the end of the reporting year.

5 Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

5.1 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values.

Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5.2 Held-to-maturity instruments

In accordance with IPSAS 29, the Fund classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Fund evaluates its intention and ability to hold such investments to maturity. If the Fund were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Fund manager is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

6 Investment income

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Finance income	166,487	297,256
	166,487	**297,256**

7 Other income

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Foreign exchange gain	343,461	543,494
	343,461	**543,494**

8 Administrative and other operating expenses

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Bank charges	652	5
Travel expenses	4,085	410
Custody fees	59,836	120,000
Financial statement review fees	2,369	1,822
Other expenses	126,357	2,930
	193,299	**125,167**

9 Infrastructure asset

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Infrastructure asset	4,187,289	821,662
	4,187,289	**821,662**
Maturity analysis		
Non-current	4,187,289	821,662
	4,187,289	**821,662**

10 Cash and cash equivalents

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Cash in bank	687,679	414,915
Money market placements	2,871,424	6,037,439
	3,559,103	**6,452,354**

11 Trade and other payables

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Payable to fund manager (NSIA)	315,143	521,528
Payable to FGN Stabilisation Fund	271,379	-
WHT Liabilities	108,596	17,863
	695,118	**539,391**
Maturity analysis		
Current	695,118	539,391
	695,118	**539,391**

12 Contributions from government

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Contributions	4,708,142	4,708,142
	4,708,142	4,708,142

13 Retained earnings

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Opening balance	2,026,483	1,310,900
Surplus of the year	316,649	715,583
	2,343,132	2,026,483

14 Related party information

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operation decisions, or one other party controls both. From the Fund's perspective, this definition includes key management personnel, directors, close members of family of key management personnel and any entity over which key management exercise control, close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Fund.

A summary of related party balances for the year is shown below:

Entity	Relationship	Nature of Balances	31 Dec. 2022 N'000	31 Dec. 2021 N'000
NSIA	Fund manager	Short term borrowings	271,379	-
NSIA	Fund manager	Fund expenses payable	315,143	521,528

Fund expenses payable represents the outstanding reimbursibe expenses incurred by the Fund manager for the day-to-day running of the activities of the Fund. Investment related recoverables relate to balances recoverable from the Fund manager regarding maturity of investment held on behalf of the Fundas at year end.

15 Cash flow workings

i Movement in other assets	2022 N'000	2021 N'000
Balance as at beginning of the year	821,662	68,698
Balance as at end of the year	4,187,289	821,662
Increase in balance	(3,365,627)	(752,964)

ii Movement in trade and other payables	2022 N'000	2021 N'000
Balance as at end of the year	695,118	539,391
Balance as at beginning of the year	539,391	60,164
Increase in balance	155,727	479,227

16 Contingent liabilities, litigation and claims

The Fund in its ordinary course of business was not involved in any suit as at the year end. The Fund managers are not aware of any pending or threatened claims or litigations which may be material to the financial statements. There were no contingent liabilities requiring disclosure in these financial statements.

17 Events after the reporting period

There are no events after the reporting period that are expected to have material impact on the financial statements of the Fund and the related disclosures for the year ended 31 December 2022.

Other national disclosures

Other national disclosures
Value added statement

	31 December 2022		31 December 2021	
	N'000	%	N'000	%
Investment income	166,487		297,256	
Other income	343,461		543,494	
Expense	(193,299)		(125,167)	
Value added	**316,649**	**100**	**715,583**	**100**
Applied as follows:				
Retained for growth and expansion				
Surplus for the year	316,649	100	715,583	100
Value added for the year	**316,649**	**100**	**715,583**	**100**

Four year financial summary

Statement of financial position as at	**31 Dec. 2022 N'000**	**31 Dec. 2021 N'000**	**31 Dec. 2020 N'000**	**31 Dec. 2019 N'000**
Assets				
Infrastructure asset	4,187,289	821,662	68,698	14,721
Investment securities	-	-	3,939,568	2,975,387
Receivables	-	-	-	600,749
Cash and cash equivalents	3,559,103	6,452,354	2,070,940	1,500,000
	7,746,392	**7,274,016**	**6,079,206**	**5,090,857**
	7,746,392	**7,274,016**	**6,079,206**	**5,090,857**
Liabilities				
Trade and other payables	695,118	539,391	60,164	29,353
	695,118	**539,391**	**60,164**	**29,353**
Net Assets	**7,051,274**	**6,734,625**	**6,019,042**	**5,061,504**
Owners' equity				
Contributions from government	4,708,142	4,708,142	4,708,142	4,708,142
Retained earnings	2,343,132	2,026,483	1,310,900	353,362
Total equity	**7,051,274**	**6,734,625**	**6,019,042**	**5,061,504**

Statement of financial performance for the year ended	**31 Dec. 2022 N'000**	**31 Dec. 2021 N'000**	**31 Dec. 2020 N'000**	**31 Dec. 2019 N'000**
Total operating income	509,948	840,750	1,063,047	368,968
Total operating expenses	(193,299)	(125,167)	(105,509)	(15,606)
Surplus for the period	**316,649**	**715,583**	**957,537**	**353,362**