# FINANCIAL REPORTING COUNCIL OF NIGERIA

**... Conscience of Regulatory Assurance**

# Annual Report 2013

**VISION**

**To be the conscience of regulatory assurance in financial reporting and corporate governance in Nigeria.**

**MISSION**

**To bring utmost confidence to investors, reputation to oversight and ensure quality in accounting, auditing, actuarial and corporate governance standards and non-financial reporting issues.**

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

CONTENTS

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**CORPORATE INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | |
|---|---|
| CHAIRMAN: | Maryam L. Ibrahim |
| EXECUTIVE SECRETARY/<br>CHIEF EXECUTITVE OFFICER: | Jim O. Obazee |
| REGISTERED OFFICE: | Elephant Cement House<br>Assbifi Road, Alausa, Ikeja<br>Lagos. |
| SOLICITORS: | Bola Ajibola & Co.<br>1,Murphy Atsepoy Crescent<br>Ogudu GRA, Lagos. |
| | Ken Okpe & Organisation<br>(OHA Chambers)<br>10 Abeokuta Street<br>Anifowose, Ikeja, Lagos. |
| AUDITORS: | Ernst & Young<br>2A, Bayo Kuku Road<br>Ikoyi, Lagos. |
| INSURERS: | Aiico Insurance Plc<br>Standard Alliance Life Assurance<br>Leverage Insurance Brokers Limited |
| BANKERS: | Union Bank of Nigeria Plc<br>Zenith Bank Plc<br>United Bank for Africa Plc<br>Central Bank of Nigeria<br>Ecobank Plc<br>First Bank of Nigeria Plc |
| Website: | http://www.financialreportingcouncil.gov.ng |

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors have pleasure in presenting to the members of the Council their report together with the audited financial statements for the year ended 31 December 2013.

FIRST TIME ADOPTION OF IFRS

The accompanying set of financial statements is the Financial Reporting Council of Nigeria's first set of financial statements prepared in accordance with IFRS and IFRS 1, (First-time adoption of International Financial Reporting Standards) has been applied. In the accompanying set of Financial Statements, the term "Nigerian GAAP" or "NGAAP" refers to Nigerian Generally Accepted Accounting Principles, the Local GAAP which was applied before the adoption of IFRS. The reconciliation from Nigerian GAAP to IFRS is presented in Note 30 to the 2013 Financial Statements.

RESULT FOR THE YEAR

| | 2013 | 2012 |
|---|---|---|
| | ₦ | ₦ |
| Revenue | 1,187,656,600 | 624,581,940 |
| Surplus/(deficit) for year | 563,919,294 | (14,285,045) |

LEGAL FORM

The Financial Reporting Council of Nigeria (FRC) was established on 3rd June, 2011 by the Financial Reporting Council of Nigeria Act No. 6, 2011. The Financial Reporting Council is an agency of the Federal Government under the supervision of the Federal Ministry of Industry, Trade and Investment.

PRINCIPAL ACTIVITIES

The Council-

(a) Develops and publishes accounting and financial reporting standards to be observed in the preparation of financial statement of public interest entities;

(b) Enforces and approves enforcement of compliance with accounting, auditing, corporate governance and financial reporting standards;

(c) Reviews, promotes and enforces compliance with the accounting and financial reporting standards adopted by the Council;

(d) Ensures accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existence in Nigeria;

(e) Receives notices of non-compliance with approved standards from preparers, users, other third parties or auditors of financial statements;

(f) Receives copies of annual reports and financial statements of public interest entities from preparers within 60 days of the approval of their Boards, or within 30 days if such entities have submitted to any other regulatory agency;

(g) Advises the Federal Government on matters relating to accounting, financial reporting and corporate governance;

(h) Maintains a register of professional accountants and other professionals engaged in the financial reporting process;

(i) Monitors compliance with the reporting requirements specified in the National code of corporate governance;

(j) Promotes compliance with the adopted standards issued by the International Federation of Accountants and International Accounting Standards Board;

(k) Monitors and promotes education, research and training in the fields of accounting, auditing, financial reporting and corporate governance;

(l) Conducts practice reviews of registered professionals;

(m) Reviews financial statements and reports of entities;

(n) Enforces compliance with the Act and the rules of the Council on registered professionals and the affected entities;

(o) Establishes such systems, schemes or engages in any relevant activity, either alone or in conjunction with any other organisation or agency, whether local or international, for the discharge of its functions;

(p) Receives copies of all qualified reports together with detailed explanations for such qualifications from auditors of the financial statements within a period of 30 days from the date of such qualification (and such reports shall not be announced to the public until all accounting issues relating to the reports are resolved by the Council);

(q) Adopts and keeps up-to-date accounting and financial reporting standards, and ensures consistency between standards issued and the International Financial Reporting Standards;

(r) Specifies, in the accounting and financial reporting standards, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial reports which every entity shall comply with, in the preparation of financial statements and reports:

(s) Develops or adopts and keeps up-to-date auditing standards issued by relevant professional bodies and ensures consistency between the standards issued and the auditing standards and pronouncements of the International Auditing and Assurance Standards Board; and

(t) Performs such other functions which in the opinion of the board are necessary or expedient to ensure the efficient performance of the functions of the Council.

(2) The Council may issue rules and guidelines for the purpose of implementing auditing and accounting standards.

STATE OF AFFAIRS

In the opinion of the Directors, the state of the Council's affairs is satisfactory and no events have occurred since the end of the reporting date that would affect the financial statements as presented.

DIRECTORS' INTERESTS IN CONTRACTS

None of the members has notified the Council for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004 of any disclosable interest in contracts with which the Council is involved as at 31 December 2013.

CONTRIBUTIONS AND CHARITABLE GIFTS

The Council identifies with the aspiration of the community and environment within which it operates. However, there was no donation during the year (2012: NIL).

EVENTS AFTER REPORTING DATE

As stated in Note 20, there are no events after the reporting date which could have had material effect on the state of affairs of the Council as at 31 December 2013 and the surplus for the year ended on that date which have not been adequately provided for or disclosed in the financial statements.

EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS

No physically challenged persons were employed by the Council during the year. It is the Council's policy to consider physically challenged persons for employment if academically qualified and medically fit.

HEALTH, SAFETY AND WELFARE AT WORK OF EMPLOYEES

The Council places a high premium on the health, safety and welfare of its employees in their places of work. Medical facilities are provided for employees and their immediate families at the Council expense, up to specified limits.

Corporate Governance

I The Council is committed to best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.

ii. The Board currently consists of twenty three (23) members made up of one Executive and twenty-two (22) Non-Executives.

iii Board meetings are held quarterly. However, special or emergency board meetings are convened whenever the need arises.

iv. The Board takes decisions on policy matters and directs the affairs of the Council, monitors broad strategies and priorities and oversees the delivery of each directorate.

**BOARD MEMBERS AND THEIR INTERESTS:**

| Names | Designation | Organisation |
|---|---|---|
| Hajia Maryam L. Ibrahim | Chairman | FRC |
| Mr. Obazee Jim Osayande | Executive Secretary | FRC |
| Dr. Etofolam Osuji | Member | ICAN |
| Mr. Tayo Phillips | Member | ICAN |
| Mr George Onekhena | **Member** | NAICOM |
| Mr. Muhammed Yola Datti | **Member** | PENCOM |
| Mr. Michael Agbadun Itegboje | **Member** | CIS |
| Dr. Fodio Inuwa Musa | **Member** | ANAN |
| Prof. Okoye Emmanuel Ike. | **Member** | ANAN |
| Mr. Muniru Umaru Wambai | **Member** | CAC |
| Mr. Dauda S Kigbu | **Member** | FMITI |
| Mr. Onyekachi Ihedioha | **Member** | FIRS |
| Alhaji M B Abubakar | **Member** | NACCIMA |
| Mr. Moses Chimereze Okpo | **Member** | FMF |
| Mr. Michael O. Owoseni | **Member** | OAuGF |
| Mr. Alex M. Adeyemi | **Member** | OAGF |
| Mr. Abatcha Bulama | **Member** | SEC |
| Mr. Titus Olukayode Aiyewumi | **Member** | CITN |
| Mr. Zacchaues Biodun Odeleye | **Member** | NIESV |
| Alh. Ibrahim Mu'azu | **Member** | CBN |
| Ms. Awe Tinuade Tolulope | **Member** | NSE |
| Mr. Adeleke, A. Adedapo | **Member** | NDIC |
| Prof. Benjamin C. Osisioma | **Member** | NAA |

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**BOARD MEETINGS:**

The Board meetings were held on the following days: 27 May 2013, (Inauguration day of the board), 27 June 2013, 23 August 2013, 12 September 2013, 28 November 2013 (Emergency meeting) and 4 December 2013.

| Names | No. of Meetings | No. of Meetings Attended |
|---|---|---|
| Hajia Maryam L. Ibrahim | 6 | 6 |
| Mr. Obazee Jim Osayande | 6 | 6 |
| Dr. Etofolam Osuji | 6 | 5 |
| Mr. Tayo Phillips | 6 | 6 |
| Mr George Onekhena | 6 | 4 |
| Mr. Muhammed Yola Datti | 6 | 2 |
| Mr. Michael Agbadun Itegboje | 6 | 4 |
| Dr. Fodio Inuwa Musa | 6 | 5 |
| Prof. Okoye Emmanuel Ike. | 6 | 6 |
| Mr. Muniru Umaru Wambai | 6 | 4 |
| Mr. Dauda S Kigbu | 6 | 3 |
| Mr. Onyekachi Ihedioha | 6 | 3 |
| Alhaji M B Abubakar | 6 | 1 |
| Mr. Moses Chimereze Okpo | 6 | 2 |
| Mr. Michael O. Owoseni | 4 | - |
| Mr. Alex M. Adeyemi | 4 | - |
| Mr. Abatcha Bulama | 6 | 3 |
| Mr. Titus Olukayode Aiyewumi | 6 | 4 |
| Mr. Zacchaues Biodun Odeleye | 6 | 4 |
| Alh. Ibrahim Mu'azu | 6 | - |
| Ms. Awe Tinuade Tolulope | 6 | 2 |
| Mr. Adeleke, A. Adedapo | 6 | 5 |
| Prof. Benjamin C. Osisioma | 6 | 3 |

In conformity with the Code of Best Practice in Corporate Governance, the following committees are established:

a) Technical and Oversight Committee: The Committee consists of 7 persons. Their functions are as contained in Section 15 (2) of the Financial Reporting Council of Nigeria Act, No 6, 2011.

Members and attendance of meetings during the year under review were as follows:

| Names | No. of Meetings | No. of Meetings Attended |
|---|---|---|
| Mr. George Onekhena | 1 | 1 |
| Mr. Adeleke A. Adedapo | 1 | 1 |
| Mr. Biodun Odeleye | 1 | 1 |
| Mr. Abatcha Bulama | 1 | 1 |
| Mr. Obazee Jim Osayande | 1 | 1 |
| Ms. Queensley Seghesime | 1 | 1 |
| Mr. Michael Itegboje | 1 | 1 |

b) Finance and General Purpose Committee: The Committee consists of 7 persons. Their functions are as specified in Section 15 (3) of the Financial Reporting Council of Nigeria Act, No 6, 2011.

| Names | No. of Meetings | No. of Meetings Attended |
|---|---|---|
| Mr. Tayo Philips | 1 | 1 |
| Mr. Muniru Umaru Wambai | 1 | 1 |
| Mr. Musa Fodio | 1 | 1 |
| Mr. Titus Olukayode Aiyewumi | 1 | 1 |
| Prof. Benjamin C. Osisioma | 1 | 1 |
| Mr. Muhammed Yola Datti | 1 | 1 |
| Mr. Jim O. Obazee | 1 | 1 |

**Audit Committee: The committee consists of 7 persons.** Their functions are as contained in Section 15 (4) of the Financial Reporting Council of Nigeria Act, No 6, 2011.
Members and attendance of meetings during the year under review were as follows:

| Names | No. of Meetings | No. of Meetings Attended |
|---|---|---|
| Prof. Emma I. Okoye | 2 | 2 |
| Dr. Etofalam F. Osuji | 2 | 1 |
| Alh. Mohammed B. Abubakar | 2 | 0 |
| Mr. Muniru U. Wambai | 2 | 2 |
| Ms. Tinuade T. Awe | 2 | 2 |
| Mr. Moses C.Okpo | 2 | 2 |
| Mr. Alex Adeyemi | 2 | 2 |

FINANCIAL REPORTING COUNCIL OF NIGERIA

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

AUDITORS

Ernst & Young have indicated their willingness to continue as the Council's auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Jim O. Obazee
FRC/2012/ICAN/00000000007
Executive Secretary

25 November 2014

FINANCIAL REPORTING COUNCIL OF NIGERIA

STATEMENT OF COUNCIL'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

The Financial Reporting Council of Nigeria Act No. 6, 2011 and the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 require the Council to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Council at the end of the year and of its surplus or deficit. The responsibilities include ensuring that the Council:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Council and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with,

- relevant International Financial Reporting Standards issued by the International Accounting Standards Board (IASB)
- the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and
- Financial Reporting Council of Nigeria Act, No 6, 2011.

The Council is of the opinion that the financial statements present fairly, in all material respects, the financial position and the financial performance of the Council as of and for the year ended 31 December 2013. The Council further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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

Chairman of the Board
FRC/2012/ANAN/00000000519

Executive Secretary/ Chief Executive Officer
FRC/2012/ICAN/00000000007

25 November 2014.

# THE FINANCIAL STATEMENTS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

## Report on the Financial Statements

We have audited the financial statements of the Financial Reporting Council of Nigeria, which comprise the statement of financial position as at 31 December 2013, the statement of surplus or deficit and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and such internal control as the council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the financial statements show a true and fair view, in all material respects, the financial position of the Financial Reporting Council of Nigeria as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FINANCIAL REPORTING COUNCIL OF NIGERIA - Continued

## Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Council, so far as appears from our examination of those books;

iii) the Council's statement of financial position and the statement of surplus or deficit and other comprehensive income are in agreement with the books of account.

Yusuf Aliu FCA, FRC/2012/ICAN/00000000138
For: Ernst & Young
Lagos, Nigeria

26 November 2014

FINANCIAL REPORTING COUNCIL OF NIGERIA

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

| | Note | 31-Dec-13<br>₦ | 31-Dec-12<br>₦ | 01-Jan-12<br>₦ |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant & equipment | 7 | 90,696,413 | 105,446,672 | 131,452,389 |
| **Non-current financial assets** | | | | |
| Loans to staff | 8 | 7,959,239 | - | - |
| | | 98,655,652 | 105,446,672 | 131,452,389 |
| **Current assets** | | | | |
| Inventories | 9 | 1,607,329 | 1,336,000 | 5,585,852 |
| Receivables | 10.1 | 32,918,679 | 1,398,083 | 794,166 |
| Other assets | 10.2 | 2,908,304 | 3,440,404 | 5,125,235 |
| Cash and Cash Equivalents | 11 | 397,902,005 | 45,222,560 | 47,146,097 |
| | | 435,336,317 | 51,397,047 | 58,651,350 |
| Total Assets | | 533,991,969 | 156,843,719 | 190,103,739 |
| **Current Liabilities** | | | | |
| Creditors and other payables | 12 | 162,676,329 | 96,619,454 | 3,917,996 |
| **Reserves** | | | | |
| Accumulated fund | 13 | 371,315,640 | 60,224,265 | 186,185,743 |
| Total Liabilities and Reserves | | 533,991,969 | 156,843,719 | 190,103,739 |

The notes on pages 20 to 52 form part of these financial statements.

The Financial Statements on pages 4 to 54 were approved by the Board on 18 September 2014 and authorised for issue thereafter.

They were signed on its behalf by:

Maryam L. Ibrahim
Chairman of the Board
FRC/2012/ANAN/00000000519

Jim O. Obazee
Chief Executive Officer
FRC/2012/ICAN/00000000007

Ibrahim A. Abubakar
Chief Financial Officer
FRC/2012/ANAN/00000000563

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Note | 31/12/2013<br>₦ | 31/12/2012<br>₦ |
|---|---|---|---|
| ***Revenue:*** | | | |
| Internally Generated Revenue | 14 | 1,110,318,257 | 526,166,972 |
| Subventions | 15 | 72,202,686 | 98,374,568 |
| **Total revenue** | | 1,182,520,943 | 624,541,540 |
| Other income | 16 | 5,135,657 | 40,400 |
| | | **1,187,656,600** | **624,581,940** |
| ***Expenditure:*** | | | |
| Technical activities | 17 | 193,729,767 | 146,198,968 |
| Administrative expenses | 18 | 430,007,539 | 492,668,017 |
| | | **623,737,306** | **638,866,985** |
| **Surplus/(deficit) for the year** | | **563,919,294** | **(14,285,045)** |
| **Other comprehensive income** | | | |
| Items that will not be reclassified subsequently to surplus or deficit | | - | - |
| Items that may be reclassified subsequently to surplus or deficit | | - | - |
| **Total comprehensive income for the year** | | **563,919,294** | **(14,285,045)** |

The notes on page 20 to 52 form part of these financial statements.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Note | Accumulated Fund ₦ |
|---|---|---|---|
| **31 December 2012** | | | |
| Balance at 1 January 2012 | | | 186,185,743 |
| Total comprehensive income: | | | |
| Deficit for the year | | | (14,285,045) |
| Consolidated revenue fund remittance | 19 | | (111,676,433) |
| Balance at 31 December 2012 | | 60,224,265 | |
| **31 December 2013** | | | |
| Balance at 1 January 2013 | | | 60,224,265 |
| Total comprehensive income: | | | |
| Surplus for the year | | | 563,919,294 |
| Consolidated revenue fund remittance | 19 | (252,827,919) | |
| Balance at 31 December 2013 | | | 371,315,640 |

The notes on page 20 to 52 form part of these financial statements.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Note | 2013<br>₦ | 2012<br>₦ |
|---|---|---|---|
| Cash flow from Operating activities | | | |
| Cash received from Subventions, fines, subscriptions, etc | | 1,187,869,981 | 626,526,221 |
| Cash paid to suppliers and salaries | | (815,355,934) | (612,731,686) |
| Net cash inflows from operating activities | 21 | 372,514,047 | 13,794,535 |
| Cash flow from Investing activities | | | |
| Purchase of property, plant and equipment | 7 | (20,067,102) | (15,718,072) |
| Proceed from sale of property, plant and equipment | | 232,500 | - |
| Net cash flow used in investing activities | | (19,834,602) | (15,718,072) |
| Cash flow from Financing activities | | - | - |
| Net cash flow from financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | 352,679,445 | (1,923,537) |
| Cash and cash equivalents at 1 January | 11 | 45,222,560 | 47,146,097 |
| Cash and cash equivalents at 31 December | 11 | 397,902,005 | 45,222,560 |

The notes on pages 20 to 52 form part of these financial statements.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

## 1. LEGAL FORM AND OBJECTIVES

### 1.1 Legal Form

The Financial Reporting Council of Nigeria (FRC) was established by the Financial Reporting Council of Nigeria Act No 6, 2011 and charged with the responsibility for, among other things, developing and publishing Accounting and Financial Reporting Standards to be observed in the preparation of financial statements of Public Entities in Nigeria; and for related matters.

The Financial Reporting Council is an agency of the Federal Government of Nigeria under the supervision of the Federal Ministry of Industry, Trade and Investment.
The Council is governed by a 23 man Board representing the Institutions listed hereunder:

i) Association of National Accountants of Nigeria

ii) The Institute of Chartered Accountants of Nigeria

iii) Office of the Accountant General of the Federation

iv) Office of the Auditor-General of the Federation

v) Central Bank of Nigeria

vi) Chartered Institute of Stockbrokers

vii) The Chartered Institute of Taxation of Nigeria

viii) Corporate Affairs Commission

ix) Federal Inland Revenue Service

x) Federal Ministry of Industry, Trade and Investment

xi) Federal Ministry of Finance

xii) Nigerian Accounting Association

xiii) Nigerian Association of Chambers of Commerce, Industry, Mines & Agriculture

xiv) Nigerian Deposit Insurance Corporation

xv) Nigerian Institution of Estate Surveyors and Valuers

xvi) Securities and Exchange Commission

xvii) National Insurance Commission

xviii) Nigerian Stock Exchange

xix) National Pension Commission

xx) Financial Reporting Council of Nigeria

## 1.2 OBJECTIVES OF THE COUNCIL

The objectives of the Council are to :

a) Protect investors and other stakeholders' interest;

b) Give guidance on issues relating to financial reporting and corporate governance to bodies listed in sections 2 (2) (b), (c) and (d) of the Act;

c) Ensure good corporate governance practices in the public and private sectors of the Nigerian economy;

d) Ensure accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existence in Nigeria, and

e) Harmonize activities of relevant professional and regulatory bodies as it relates to Corporate Governance and Financial Reporting.

2. Basis of preparation

**2.1 Statement of Compliance**

The Financial Reporting Council (the Council) has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). This is the Council's first financial statements prepared in accordance with IFRSs and IFRS 1- First time Adoption of International Financial Reporting Standards has been applied.

These are the Council's first set of financial statements prepared in accordance with IFRS and IFRS 1 (First - time Adoption of International Financial Reporting Standards) has been applied.

Explanation of how the transition from Nigerian GAAP to IFRS affected the reported financial position, financial performance and cash flows are detailed in Note 30.

**2.2 Basis of measurement**

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Financial assets are measured at fair value
- Loans and receivables are measured at amortised cost.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 6.

**2.3 Functional and presentation currency**

The financial statements are presented in Nigerian Naira, which is also the functional currency of the Council. All financial information presented in Naira has been rounded to the nearest Naira.

**2.4 Composition of financial statements**

These are the Council's first full financial statements prepared under IFRS and comprises of:

- Statement of financial position
- Statement of surplus or deficit and other comprehensive Income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.

**2.5 Financial period**

These financial statements cover the financial year ended 31 December 2013, with comparative amounts for the financial year ended 31 December 2012 and the opening statement of financial position and relevant disclosures at 1 January 2012.

**3 Going concern status**

The Council has consistently been making surplus except in the comparative year when it recorded a deficit. Inspite of this; the Board members believe that there is no intention or threat from any source that will lead to liquidation of the Council's activities in the foreseeable future. Thus, these financial statements are prepared on going concern basis.

## 4 New and revised International Financial Reporting Standards (IFRSs)

### 4.1 Accounting standards and interpretations issued but not yet effective

The following are revisions to accounting standards and pronouncements which were issued but are not yet effective. They would however be applicable to the Council in subsequent periods. Early adoption is permitted for some of the IFRSs and IFRIC Interpretations listed below. However, the Council has not applied any in the preparation of these financial statements.

| Pronouncement | Nature of change | Required to be implemented for periods beginning on or after |
|---|---|---|
| IFRS 9 Financial Instruments | IFRS 9 introduces new requirements for classifying and measuring financial assets, a single approach to determine whether a financial asset is measured at amortised cost or fair value and a single impairment method. | 1 January 2018<br>Early adoption permitted |
| Amendments to IFRS 9 and IFRS 7 | The IASB intends to further expand IFRS 9 (including impairment and hedge accounting) to completely replace IAS 39. | |
| IFRS 13 Fair value measurement | Amendments resulting from Annual Improvements 20112013 Cycle (scope of the portfolio exception) | 1 July 2014 |
| IAS 16 Property, plant and equipment<br>IAS 38 Intangible assets | Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation) | 1 July 2014 |
| IAS 24 Related party disclosures | Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) | 1 July 2014 |
| Amendments to IAS 32 Offsetting financial assets and liabilities | The amendments clarify the requirements relating to offsetting financial assets and liabilities, specifically the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement." | 1 January 2014<br>Early adoption permitted |
| IAS 36 Impairment of assets | Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| IFRIC 21 Levies | Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. | 1 January 2014 |

## 5 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### 5.1 Revenue

#### 5.1.1 *Sale of goods*

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

#### 5.1.2 *Rendering of services*

Revenue from services rendered is recognized in the statement of surplus or deficit and other comprehensive income in proportion to the stage of completion of the transaction at the reporting date. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the services are recognized.

**5.1.3** The Council has the following sources of revenue:

- ***Annual levies/subscription***

Annual levies are levies charged registered professionals, publicly quoted companies, public interest entities and other entities as required in Section 33 of the Financial Reporting Council Act No. 6, 2011 (The Act). Annual levies are recognised on accrual basis.

Subscriptions are annual dues payable by member organisations of the Council as defined in Section 2 of the Act. Subscriptions are recognised on accrual basis.

- ***Budgetary Allocations and Subventions***

Budgetary allocation and subvention are accounted for on the basis of actual receipts.

- ***Fines and Penalties***

Fines and penalties are sanctions imposed by the Council and are recognised on accrual basis.

- ***Fees from services rendered***

Council's services include consultancy services, training through workshops, seminars and conferences. Revenue is recognised on accrual basis.

- ***Gifts/donations***

Gifts/donations are voluntary transfer of economic resources by persons and/or entities, public or private, to the Council without any compensation. They are recognised on cash basis.

- ***Sale of Standards and other publications***

Standards and publications include International Financial Reporting Standards bound volume and Statements of Accounting Standards published by the Council.

- ***Grants***

Grant revenue arises from a transfer of resources to the Council in return for past or future compliance with certain prescribed conditions/terms relating to the operating activities of the Council.

Grants are of two types:

***Restricted Grant revenue*** – This arises from a transfer of resources to the Council in return for past or future compliance relating to its operating activities.

**Unrestricted Grant revenue** – This arises from the unconditional transfer of cash or other assets to the Council.

Cash grants are recorded at the face value of the cash received or in the Nigerian Naira equivalent.

**Grant revenue**, including non-monetary grants at fair value, is not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and the grants will be received. Grants are recognised as revenue over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

**Grants relating to assets**, including non-monetary grants at fair value are presented in the Statement of Financial Position by setting up the grant as deferred revenue (and recognising the revenue on a systematic and rational basis over the life of the asset).

**Grants-in-kind** are recorded at the fair value of the assets (or services) received or promised, or the fair value of the liabilities satisfied.

### 5.2 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets and loans and receivables) and gains on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in the surplus or deficit account, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets are recognized in the surplus or deficit account.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the surplus or deficit account using the effective interest method.

### 5.3 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Council at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

## 5 Summary of significant accounting policies (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in the statement of surplus or deficit and other comprehensive income, except for differences arising on the retranslation of available-for-sale equity instruments. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 5.4 Employee Benefits

#### 5.4.1 *Defined Contribution Scheme*

The Council operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2004 with employee contributing 7.5% and employer contributing 7.5% each of the employee's relevant emoluments. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in surplus or deficit in the periods during which services are rendered by employees.

#### 5.4.2 *Short-term employee benefits*

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

A liability is recognized for the amount expected to be paid under short-term cash bonus plan if the Council 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.

#### 5.4.3 *Termination benefits*

Termination benefits are recognized as an expense when the Council is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Council has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### 5.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

***Initial costs***

Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 borrowing costs on qualifying assets.

## 5 Summary of significant accounting policies (continued)

***Subsequent costs***

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Council, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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

Computer equipment includes cost of software that is an integral part of the asset function.

Depreciation is provided on all property, plant and equipment on straight line basis at rates calculated to write off the cost, less estimated residual value, over their expected useful lives as follows:

| | **Useful lives (Years)** |
|---|---|
| Plant and Equipment | 10 |
| Office improvement | 4 |
| Furniture and Fittings | 5-10 |
| Motor vehicles/Cycle | 5 |
| Computer equipment | 3 |
| Office equipment | 3-5 |
| Library books | 3-5 |

Freehold land is not depreciated

Depreciation of property, plant and equipment commences when is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Council. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use, unless the asset is fully depreciated. Where there are changes, they are accounted for as changes in estimates.

Depreciation methods, useful lives and residual values are reviewed at least at each financial year end and adjusted as appropriate. Where there are changes, they are accounted for as changes in estimates.

If events or changes in circumstances indicate the carrying value may not be recoverable then the carrying values of property, plant and equipment are reviewed for impairment. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of surplus or deficit.

## 5 Summary of significant accounting policies (continued)

### 5.6 Intangible assets

Intangible assets that are acquired by the Council and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

***Initial expenditure***

Costs associated with acquiring, developing, tailoring and implementation of identifiable and unique software products that will generate economic benefits beyond one year are recognised as intangible assets. Costs include any employee costs incurred in bringing the asset into use.

***Subsequent expenditure***

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

***Amortization***

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

| | Useful lives |
|---|---|
| Library and Information software (annual license fee is expense as incurred) | |
| Accounting and reporting software (annual license fee is expense as incurred) | |
| Registration Portal | 3 years |

Amortisation period and amortization methods for intangible assets finite useful lives are reviewed at least at each financial year end and adjusted as appropriate.

### 5.7 Financial instruments

Financial assets and financial liabilities are recognized on the Council's Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The Council derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Council is recognised as a separate asset or liability.

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

### 5.8 Financial assets

Financial assets are classified into: (a) loans and receivables, (b) held-to-maturity investments (c) Available-for-sale and (d) financial assets at fair value through profit or loss. Financial assets are subsequently measured based on their nature and purpose as determined at initial recognition. The Council does not have financial assets classified as held-to-maturity, available for sale and at fair value through profit or loss.

## 5 Summary of significant accounting policies (continued)

### 5.8.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables; cash and bank balances and money market cash deposits.

***Trade and other receivables***

Trade receivables do not carry any interest and are recognized and measured at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of surplus or deficit when there is objective evidence that the asset is impaired.

***Cash and bank balances***

Cash and cash equivalents comprise cash at bank and other short-term highly liquid bank deposits with an original maturity of three months or less.

***Money market cash deposits***

Money market cash deposits comprise bank deposits with an original maturity of more than three months but less than one year and these are disclosed within current investments.

### 5.9 Financial liabilities

The Council has the following financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

***Trade payables***

Trade payables are not interest bearing and are recognized and measured at their nominal value.

### 5.10 Impairment

### 5.10.1 Non -Financial Assets

At each reporting date, the Council reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs of disposal, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in statement of surplus or deficit.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

### 5.10.2 Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**5 Summary of significant accounting policies (continued)**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of surplus or deficit and other comprehensive income reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized 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 the statement of surplus or deficit and other comprehensive income.

**5.11 Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories comprise of IFRS bound volume, SAS publications which are carried at lower of cost and their net realisable value.

Inventories of publication that have been superseded by new editions are written off.

Cost of consumables is expensed in the year of purchase.

**5.12 Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are premeasured in accordance with the Council's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost of disposal. Impairment losses on initial classification as held for sale and subsequent gains or losses on measurement are recognized in the statement of surplus or deficit and other comprehensive income. Gains are not recognized in excess of any cumulative impairment loss.

**5.13 Provisions and Contingencies**

**Provisions**

The Council recognises provisions when the following three conditions are met:

- The Council has a present obligation (legal or constructive) as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount of the provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

**Contingent liabilities**

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably are not recognised, but are disclosed unless the possibility of settlement is considered remote.

## 5 Summary of significant accounting policies (continued)

### Contingent assets

Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

***Litigation costs***

The legal and professional costs of litigations incurred in the period are included in the accounts on an accrual basis. Provision is made for the future costs of any litigation only where the costs are unavoidable and represent a present obligation at the reporting date.

### 5.14 Accumulated Fund

Accumulated Fund is the residual interest in the Council's assets after all liabilities are deducted.

The overall change in net assets represents the total surplus and deficit generated by the Council's activities during the period as determined by the particular measurement principles adopted and disclosed in the financial statements.

While IAS 8 requires all items of revenue and expense recognised in a period to be included in the Statement of Comprehensive Income, other IAS/IFRS require certain gains and losses (such as revaluation surpluses or deficits) to be recognised directly as changes in net assets. Since it is important to recognise all gains and losses when assessing the changes in the Council's financial position between two reporting dates, we are required to disclose its total gains and losses, including those that are recognised directly in net assets, by way of a separate Statement of Changes in Equity.

## 6 Use of judgments and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Council's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes.

The Council makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

### 6.1 Judgments

The judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### 6.1.1 *Componentization of property, plant and equipment*

In applying IAS 16 for the recognition of property, plant and equipment, management applies judgment to determine aggregation of assets. The Council aggregates individually insignificant items, such as small office equipment and furniture and fittings. Management has determined that there are no significant components to property, plant, and equipment that should be segregated.

### 6.2 Estimates and assumptions

The effect of a change in an accounting estimate is recognized prospectively by including it in the statement of comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**6.2.1** ***Impairment of non-financial assets***

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Council’s assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

**6.2.2** ***Useful Lives of Depreciable Assets***

Management reviews the useful lives of depreciable assets including property, plant and equipment and intangible assets at each reporting date based on the expected utility of the assets to the Council. Actual results, however, may vary due to technical obsolescence. Details of the property, plant and equipment and intangibles useful lives are provided.

**6.2.3** ***Inventories***

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Council’s business is not subject to regular technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory is affected by price changes in different market segments. Details of the inventory balances are provided in the note.

**6.2.4** ***Contingencies***

By their nature, contingencies will only be resolved when one or more future events occur or fail  occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**6.2.5** ***Re-measurement of staff loan***

Staff loan has been re-measured at amortised cost using and effective interest rate as required by IFRS. The determination of effective interest rate is based on management judgement.

## NOTES TO THE FINANCIAL STATEMENTS – Continued

| 7 | Property, plant and equipment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Computer equipment | Motor vehicles | Motorcycle | Furniture & fittings | Office equipment | Office improvements | Library books | Total |
| | | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ |
| | *Cost* | | | | | | | | |
| | **At 1 January 2012** | 25,056,293 | 37,235,000 | - | 57,884,812 | 53,350,490 | 53,881,339 | 37,497,404 | 264,905,338 |
| | Additions | 2,758,967 | - | - | 2,544,000 | 10,415,105 | - | - | 15,718,072 |
| | | ---------------- | ---------------- | --------------- | ---------------- | ---------------- | ----------------- | ----------------- | ------------------ |
| | **At 31 December 2012** | **27,815,260** | **37,235,000** | **-** | **60,428,812** | **63,765,595** | **53,881,339** | **37,497,404** | **280,623,410** |
| | Additions | 9,565,460 | 5,736,842 | 667,000 | 3,360,600 | 737,200 | - | - | 20,067,102 |
| | Disposals | (2,349,000) | - | - | (2,176,000) | (3,444,048) | - | - | (7,969,048) |
| | | ---------------- | --------------- | --------------- | ---------------- | ------------------ | --------------- | --------------- | ----------------- |
| | **At 31 December 2013** | **35,031,720** | **42,971,842** | **667,000** | **61,613,412** | **61,058,747** | **53,881,339** | **37,497,404** | **292,721,464** |
| | | ---------------- | --------------- | --------------- | ---------------- | ---------------- | ----------------- | ----------------- | ---------------- |
| | ***Accumulated depreciation and impairment*** | | | | | | | | |
| | **At 1 January 2012** | **17,565,191** | **17,646,990** | - | **17,834,520** | **19,699,476** | **39,496,685** | **21,210,087** | **133,452,949** |
| | Charge for the year | 6,907,849 | 6,938,010 | - | 5,453,909 | 6,665,622 | 8,176,275 | 7,582,124 | 41,723,789 |
| | | --------------- | --------------- | --------------- | --------------- | --------------- | --------------- | --------------- | ------------------- |
| | **At 31 December 2012** | **24,473,040** | **24,585,000** | **-** | **23,288,429** | **26,365,098** | **47,672,960** | **28,792,211** | **175,176,738** |
| | Charge for the year | 3,494,769 | 5,876,140 | 44,467 | 5,521,721 | 6,597,273 | 4,130,711 | 5,497,969 | 31,163,050 |
| | Eliminated on disposal | (685,125) | - | - | (1,404,800) | (2,224,812) | - | - | (4,314,737) |
| | | -------------- | --------------- | --------------- | ---------------- | ----------------- | --------------- | -------------- | -------------------- |
| | **At 31 December 2013** | **27,282,684** | **30,461,140** | **44,467** | **27,405,350** | **30,737,559** | **51,803,671** | **34,290,180** | **202,025,051** |
| | | ------------------ | ---------------- | --------------- | ---------------- | ----------------- | ----------------- | ----------------- | ------------------ |
| | ***Carrying amount*** | | | | | | | | |
| | At 31 December 2013 | **7,749,036** | **12,510,702** | **622,533** | **34,208,062** | **30,321,188** | **2,077,668** | **3,207,224** | **90,696,413** |
| | | ======= | ======= | ======= | ======= | ======= | ======= | ======= | ========= |
| | At 31 December 2012 | **3,342,220** | **12,650,000** | **-** | **37,140,383** | **37,400,497** | **6,208,379** | **8,705,193** | **105,446,672** |
| | | ======== | ========= | ======= | ========= | ========= | ======= | ======= | ========== |
| | At 1 January 2012 | **7,491,102** | **19,588,010** | **-** | **40,050,292** | **33,651,014** | **14,384,654** | **16,287,317** | **131,452,389** |
| | | ======== | ========= | ======= | ========= | ========= | ========= | ========= | ========== |

7.1 Depreciation charge is included in:

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Administrative expenses | 31,163,050 | 41,723,787 |
| | ---------------- | ---------------- |
| | 31,163,050 | 41,723,787 |
| | ========= | ========= |

**7.2 Impairment losses recognised in the year**

None of the recoverable amounts of the assets is estimated to be less than its carrying amount therefore no impairment has been recognised (31/12/2012: Nil).

**7.3 Capital commitments**

At 31 December 2013, the Council had no contractual commitments for the acquisition of property, plant and equipment (31/12/2012: Nil).

**7.4 Assets pledged as security**

There were no assets pledged as securities for liabilities during the year ended 31 December 2013 (31/12/2012: Nil).

**8 Loans**

| | **31/12/2013** | **31/12/2012** | **1/1/2012** |
|---|---|---|---|
| | **₦** | **₦** | **₦** |
| Loans to staff | 7,959,239 | - | - |
| | --------------- | ---------- | ---------- |
| | **7,959,239** | **-** | **-** |
| | ======== | ===== | ===== |

This represents an interest free loan with repayment period of more than twelve (12) months, granted to staff. Interest rate is 8% and it is treated as staff cost.

| **9 Inventories** | **31/12/2013** | **31/12/2012** | **1/1/2012** |
|---|---|---|---|
| | **₦** | **₦** | **₦** |
| IFRS Bound Volume – 2013 | 1,607,329 | - | - |
| IFRS Bound Volume – 2010 | 717,295 | 1,434,590 | 8,696,883 |
| SAS 31 | 18,360 | 36,720 | 183,600 |
| SAS 1 – 30 (Leaflet) | - | - | 943,740 |
| SAS 1 – 23 (Bound Volume) | - | - | 4,545,974 |
| SAS 1 – 30 (Bound Volume) | 527,345 | 1,054,690 | 5,273,450 |
| Implementation Guide | - | - | 134,880 |
| SORP | 73,000 | 146,001 | 182,501 |
| | ---------------- | ---------------- | ---------------- |
| | 2,943,329 | 2,672,001 | 19,961,028 |
| **Less:** Write down of inventories | (1,336,000) | (1,336,001) | (14,375,176) |
| | --------------- | ---------------- | ---------------- |
| | **1,607,329** | **1,336,000** | **5,585,852** |
| | ======== | ======== | ======== |

During the Council's IFRS conversion process, the IFRS committee resolved that the NGAAP and IFRS Bound Volume 2010 should be written off by the end of 2013 as the standards may no longer be relevant beyond that period. This led to a write down of inventory during the year ended 31 December 2013 of ₦1.3 million (31/12/2012: ₦1.3 million). However, there was no reversal of any write downs from previous year in the current year (31/12/2012: ₦4.9 million).
There were no items of inventories pledged as securities for liabilities during the year (31/12/2012: Nil).

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

10.1 Receivables

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Staff advances | 21,494,942 | 24,883 | - |
| Staff loans - current portion | 11,423,737 | 1,373,200 | 294,166 |
| Other receivables | - | - | 500,000 |
| Trade and other receivables | 32,918,679 | 1,398,083 | 794,166 |

The directors consider that the carrying amount of receivables is approximately equal to their fair value.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

**Staff Loans:**
These represent soft loans given to staff which are recoverable within one year from their monthly salaries, and cash advances given to staff to carry out some official assignments on behalf of the council that are yet to be retired.

10.2 Other assets

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Prepayments | 2,908,304 | 3,440,404 | 5,125,235 |
| | 2,908,304 | 3,440,404 | 5,125,235 |
| Current | 2,908,304 | 3,440,404 | 5,125,235 |
| | 2,908,304 | 3,440,404 | 5,125,235 |

Prepayments represent an advance payment for office rent for both Lagos and Abuja office, vehicle insurance and computer software maintenance for the year 2013.

**11 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Cash at bank (Note 11.1) | 397,902,005 | 45,222,560 | 47,146,097 |
| | 397,902,005 | 45,222,560 | 47,146,097 |

The carrying amounts are approximately equal to their fair values.

11.1 Cash at bank

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Union Bank of Nigeria Plc. | 7,280,487 | 765,432 | 3,734,177 |
| Zenith Bank Plc. | 261,095,543 | 13,810,686 | 27,947,377 |
| United Bank for Africa | 121,911,344 | 23,918,755 | - |
| Central Bank of Nigeria | 1,370,452 | 1,257,717 | 10,610,910 |
| Ecobank Plc. | 5,229,229 | 4,526,601 | 4,448,438 |
| First Bank Plc. | 986,803 | 930,694 | 405,195 |
| Union Bank Domiciliary Account | 28,147 | 12,675 | - |
| | 397,902,005 | 45,222,560 | 47,146,097 |

Included in cash at bank (Zenith Bank Plc.) is ₦3.5 million which represents donation for IFRS Academy which was paid directly into FRCN's account.

12 Payables

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| IFRS Academy | 3,500,000 | 3,500,000 | - |
| NERC Project (Note 12.1) | 2,480,615 | 2,480,615 | 2,480,615 |
| Other Payables – Union Bank Allen | 197,000 | 197,000 | - |
| Accrued Expenses | 5,798,320 | 1,234,814 | 1,437,381 |
| Accrued Consolidated Revenue Fund (Remittance) | 134,954,363 | 75,001,557 | - |
| Accrued Withholding Tax Payable | 15,746,031 | 14,205,468 | - |
| | 162,676,329 | 96,619,454 | 3,917,996 |

**12.1 NERC Project**

There was an agreement between National Electricity Regulatory Commission (NERC) and the then Nigerian Accounting Standard Board (NASB) that NASB should develop Statement of Accounting Standards for the Electricity Industry while NERC finances part of the project. N2,480,615 reported represents the unspent balance after the conclusion of the project yet to be refunded back to NERC.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

12.2 Accrued Withholding Tax

This represents the portion of WHT yet to be remitted as at the year end.

13 Accumulated fund

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Balance at beginning of year | 60,224,265 | 186,185,743 |
| Surplus/(deficit) for year | 563,919,294 | (14,285,045) |
| Consolidated revenue fund remittance (Note 19) | (252,827,919) | (111,676,433) |
| Balance at end of year | 371,315,640 | 60,224,265 |

**14 Internally Generated Revenue**

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Consultancy services | 30,800,000 | 11,800,000 |
| Fines and penalties | 397,470,599 | 156,954,397 |
| Donation received | 66,688,000 | 44,480,000 |
| Sales of Standards | 1,427,440 | 2,236,887 |
| Seminars and conferences | 30,891,141 | 32,744,353 |
| Annual dues from companies (Note 14.1) | 489,221,489 | 253,355,732 |
| Registration of professionals | 93,819,588 | 24,595,603 |
| | **1,110,318,257** | **526,166,972** |

**14.1 Annual dues**

| | ₦ | ₦ |
|---|---|---|
| Public Quoted Companies | 258,382,857 | 208,676,116 |
| Other Registered Companies | 230,838,632 | 43,108,929 |
| Practicing Members | - | 1,570,687 |
| | **489,221,489** | **253,355,732** |

**15 Subventions**

This represents subventions from Federal Government of Nigeria.

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Capital Subvention | 4,932,735 | 33,716,305 |
| Personnel Subvention | 55,167,871 | 51,055,416 |
| Overhead Subvention | 12,102,080 | 13,602,847 |
| | **72,202,686** | **98,374,568** |

**16 Other income**

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Sale of bid documents | 20,000 | - |
| Biometrics (Note 16.1) | 5,115,657 | 40,400 |
| | **5,135,657** | **40,400** |

**16.1 Biometrics**

This comprises income from the following activities: reactivation of professional registration code, sales of registration forms, re-issuance of professional certificate and on-site biometric and data capturing for individual professional registration.

## 17 Technical Activities Expenses

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Seminar Cost | 12,777,157 | 8,146,913 |
| Conference and meetings – General | 108,796,441 | 77,893,618 |
| Steering Committee | 19,835,137 | - |
| Technical Sessions | 151,412 | 1,482,431 |
| Internet Services | 6,041,346 | 3,587,134 |
| Consultancy Services | 2,253,000 | 34,535,173 |
| Publicity and Public Relations | 43,875,274 | 20,553,699 |
| | 193,729,767 | 146,198,968 |

**17.1 Conference & Meeting - General:** This represents an amount spent on Annual Financial Reporting Summit, Conference on Commerce organised by FMIT & I, meeting and sensitization of stakeholders such as Auditors and Regulators forum and Not for Profit organisations Conference.

**17.2 Publicity and Public Relations:** Many media campaign in respect of the Council's activities were carried out during the year 2013 and a media retreat was also organised for Financial Reporting Editors in addition to regular media charts with the Council's Executive Secretary / Chief Executive Officer.

## 18 Administrative expenses

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Repairs (Note 18.1) | 36,981,146 | 39,347,840 |
| Professional fee | 10,585,000 | 10,086,398 |
| Printing | 4,493,393 | 157,411,372 |
| Subscription | 112,034 | 110,303 |
| Donation | 3,000,000 | 1,000,000 |
| Office accommodation rent expenses | 24,083,150 | 22,353,610 |
| Transportation | 2,025,900 | 1,586,379 |
| Postages & Telephone | 9,655,974 | 10,935,853 |
| Vehicle Insurance | 1,115,014 | 1,526,566 |
| Travelling, Local (Note 18.2) | 62,651,715 | 38,349,389 |
| Depreciation of property, plant and equipment | 31,163,050 | 41,166,710 |
| Impairment charge on Library books | - | 557,078 |
| Audit fee | 5,000,000 | 1,000,000 |
| Office stationeries | 523,315 | 2,186,596 |
| Bad debt | - | 616,667 |
| Audit Expenses | 70,000 | - |
| Write-down of inventories | 1,336,000 | 1,336,000 |
| Loss on disposal of property, plant and equipment | 3,421,811 | - |
| Personnel cost (Note 18.3) | 131,634,082 | 123,156,006 |
| Staff training and welfare (Note 18.4) | 67,268,378 | 39,545,063 |
| Governing board expenses (Note 18.5) | 34,582,204 | - |
| Bank charges (Note 18.6) | 91,992 | 396,187 |
| Staff cost (Note 18.7) | 213,381 | - |
| | 430,007,539 | 492,668,017 |

**18.1 Repairs:** This represents the expenses incurred on repairs and maintenance of Council's vehicles, computers, equipment, office cleaning and service charge.

**18.2 Travelling, Local:** This represents the traveling expenses of Council's staff on official duties during the reporting period.

**18.3 Personnel Cost:** This comprises payment of salaries and benefits to the Council's staff, security personnel and NYSC members.

**18.4 Staff training and welfare:** This represents payment of estacode, air tickets, course fees for both local and foreign training and cost of staff monthly provision.

**18.5 Governing board expenses:** This comprises board members sitting allowance of ₦11.8 million paid during the year and board members expenses of ₦22.7 million incurred during the year.

**18.6 Bank charges:** The law demands that FRCN should not be subjected to any bank charges. There was therefore a refund of commission on turnover (COT) of ₦680,561 during the year which was charged by Ecobank on the council's previous year's transaction. The refund caused a significant decrease on bank charges in 2013.

**18.7 Staff cost**

The loans given to staff are measured at amortised cost using the effective rate of 8% as agreed by management. It is applied on reducing balance basis. This is an additional staff cost arising from re-measurement of the loan.

**19 Consolidated revenue fund remittance**

This represents 25% of the total amounts generated internally, and these are: consultancy services, fines and penalties, registration of professionals and annual dues from publicly quoted and registered companies in Nigeria, effective January 2012.

Section 22 of the Fiscal Responsibility Act, 2007 states: "Notwithstanding the provisions of any written law governing the corporation, each corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one-fifth of its operating surplus for the year. The balance of the operating surplus shall be paid to the Consolidated Revenue Fund of the Federal Government, not later than one month following the statutory deadline for publishing each corporation's accounts".

The Federal Ministry of Finance released a letter on 17 July 2012 in furtherance to the Circular issued by the Coordinating Minister for the Economy & Honourable Minister of Finance on 11 November 2011, directing government establishments to remit 25 per cent of its gross revenue (excluding some income streams) instead of the remittance of the balance of its operating surplus in accordance with the Fiscal Responsibility Act, 2007. This came to ₦252,827,919 (2012: ₦111,676,433).

Had Section 22 of the Fiscal Responsibility Act, 2007 been followed, the remittance thereof would have been ₦248,873,100 (2012: Nil, since the Council had a deficit for the year). A number of issues have been raised based on these inconsistencies and non-availability of guidance in determining which the ultimate is; law, circular and/or letter to comply with. Consequently, no adjustments have been made in these financial statements in respect of the differences as a result of the interpretation and compliance with the Circular instead of the Fiscal Responsibility Act, 2007.

20 Retirement benefit obligations

20.1 Defined Contribution Plan

The Council operates a defined contributory staff pension scheme in line with the Pensions Reform Act 2004. The Scheme is administered by designated Pension Fund Administrators. Employees and the Council contribute 7.5% each of total emoluments (consolidated emolument) respectively.

The total expense recognised in the statement of surplus or deficit of ₦5,135,742 (2012: ₦3,774,673) represents contributions payable to these plans by the Council at rates specified in the rules of the plans. As at 31 December 2013, there was no outstanding (2012: Nil).

## 21 Reconciliation of net income to net cash provided by operating activities:

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Surplus/(deficit) for the year | 563,919,294 | (14,285,045) |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | 31,163,050 | 41,723,787 |
| Loss on disposal of property, plant and equipment | 3,421,811 | - |
| Consolidated revenue fund remittance | (252,827,919) | (111,676,433) |
| Cash generated from operations | 345,676,236 | (84,237,691) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in inventories | (271,329) | 4,249,851 |
| Increase in receivables | (31,520,596) | (603,917) |
| Decrease in other assets | 532,100 | 1,684,831 |
| Increase in other financial assets | (7,959,239) | - |
| Increase in payables | 66,056,875 | 92,701,461 |
| | 26,837,813 | 98,032,226 |
| Cash provided by operating activities | 372,514,047 | 13,794,535 |

21.1 Exchange rate at the date of transaction was ₦260:£1. The exchange rate remained the same up till the statement of financial position date. As such, there was no exchange gain or loss that would have been accounted for in the statement of cash flows.

22 Non-cash transactions

There were no non-cash transactions during the year ended 31 December 2013 (31/12/2012: Nil).

## 23 Employee Information

### 23.1 Employees emoluments:

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Aggregate payroll costs | 199,115,841 | 162,701,069 |
| | 199,115,841 | 162,701,069 |

The number of employees of the Council, other than Board, whose duties were wholly or mainly discharged in Nigeria, in receipt of emoluments within the following ranges were:

| Range (₦) | Number | Number |
|---|---|---|
| Below ₦500,000 | 13 | 13 |
| ₦500,001 - ₦1,000,000 | 36 | 37 |
| ₦1,000,001 - ₦3,000,000 | 12 | 12 |
| Above ₦3,000,000 | 1 | 1 |
| | 62 | 63 |

### 23.2 Staff numbers by department

| | Number | Number |
|---|---|---|
| Executive Secretary | 1 | 1 |
| Finance | 7 | 7 |
| MEND | 6 | 6 |
| CLAP | 2 | 2 |
| GAAP | 3 | 3 |
| Administration | 25 | 25 |
| IT | 2 | 2 |
| SORP | 1 | 1 |
| PASS | 1 | 1 |
| Legal, Library & Collection | 2 | 2 |
| Registration | 11 | 11 |
| EOM | 0 | 1 |
| ICU | 1 | 1 |
| | 62 | 63 |

### 23.3 Compensation to key management personnel of the Council:

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Chief Executive Officer (1) | 19,729,292 | 19,729,292 |
| Assistant Directors (5) | 17,139,066 | 16,773,739 |
| Principal Manager (1) | 2,813,281 | 2,761,881 |
| Senior Manager (1) | 2,407,838 | 2,359,910 |
| Deputy Managers (2) | 3,411,990 | 3,353,550 |
| Assistant Manager (1) | 1,377,036 | 1,350,468 |

24 Capital risk management

The Council manages its capital to ensure that it will be able to continue as going concern.
The capital structure of the Council consists of equity (i.e. accumulated funds) as disclosed in the statement of financial position. The Council has no borrowed funds.
The Council manages its capital structure and makes adjustment to it, in light of changes to funding requirements. To maintain or adjust the capital structure, budgetary discretionary expenditure is reduced to avoid the need for external borrowings.
The Council's overall strategy for managing capital remained unchanged since 2012.
The Council is not subject to any externally imposed capital requirements.

25 Financial Instruments

25.1 Categories of financial instruments

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---:|---:|---:|
| | ₦ | ₦ | ₦ |
| Financial assets | | | |
| Loans and receivables: | | | |
| Cash and bank balances | 397,902,005 | 45,222,560 | 47,146,097 |
| Receivables | 32,918,679 | 1,398,083 | 794,166 |
| Staff loans | 7,959,239 | - | - |
| | 438,779,923 | 46,620,643 | 47,940,263 |
| Financial liabilities | | | |
| Financial liabilities at amortized cost: | | | |
| Payables | 162,676,329 | 96,619,454 | 3,917,996 |
| | 162,676,329 | 96,619,454 | 3,917,996 |

25.2 Financial risk management objectives

The Council's activities expose it to minimal risks. The Council does not trade in financial instruments, nor does it take on speculative or open positions through the use of derivatives.

Risk management is essential to help ensure sustainability. The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies.

Key elements of risk management are strong corporate governance including relevant and reliable management information and internal control processes.

Significant risk factors the Council is exposed to are:
- Market risk which is mainly due to foreign exchange and interest rate risk.
- Credit risk
- Liquidity risk

25.3 Market risk

Market risk is the risk that changes in market prices and indices such as foreign exchange rates, interest rates will affect the Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market exposure within acceptable parameters, while optimising the return on risk. The most important component of this risk is foreign currency risk.

25 Financial Instruments (continued)

25.4 Foreign currency risk management

The Council is not exposed to currency risk on its assets and liabilities that are denominated in a currency other than the functional currency of the Council which is Naira. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

25.5 Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by failing to discharge an obligation. Key areas where the Council is exposed to credit risk are: certain classes of financial assets such as term deposits and bank balances and certain accounts within receivables.

The Council does not have significant credit exposure to any single customer or group of customers that are related entities.

The carrying amount of the financial assets that represents the Council's maximum exposure at the reporting date was as follows:

| | 31/12/2013 | 31/12/2012 | 1/1/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Bank balances | 397,902,005 | 45,222,560 | 47,146,097 |
| Loans and receivables | 40,877,918 | 1,398,083 | 794,166 |
| | ------------------ | ---------------- | --------------- |
| | 438,779,923 | 46,620,643 | 47,940,263 |
| | ========== | ========= | ========= |

**25.6 Liquidity risk management**

Liquidity risk is the risk that the Council will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Council manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are maintained. In addition, detailed cash flow forecasts are regularly prepared and reviewed so that cash needs of the Council are managed according to requirements. The Council also obtains funds in form of subventions from the Federal Government of Nigeria.

**25.6.1 *Maturity risk***

The following are the maturity analysis of financial liabilities payable based on the earliest date on which the Council can be required to repay the liability.

| | | **31/12/2013** | | | | |
|---|---|---|---|---|---|---|
| | | | **Contractual amounts** | | | |
| | | **Carrying amount** | **0-6 months** | **6-12 months** | **Over 12 months** | **Total** |
| | | **₦** | **₦** | **₦** | **₦** | **₦** |
| | ***Financial liabilities at amortised cost*** | | | | | |
| | *Non-interest bearing:* | | | | | |
| | Payables | 162,676,329 | 162,676,329 | - | - | 162,676,329 |
| | | ------------- | ------------- | ------------- | ------------- | ------------- |
| | | **162,676,329** | **162,676,329** | **-** | **-** | **162,676,329** |
| | | ========== | ========== | ======== | ======== | ========== |

**25 Financial Instruments (continued)**

| | | 31/12/2012 | | | | |
|---|---|---|---|---|---|---|
| | | | Contractual amounts | | | |
| | | Carrying amount | 0-6 months | 6-12 months | Over 12 months | Total |
| | | ₦ | ₦ | ₦ | ₦ | ₦ |
| | ***Financial liabilities at amortised cost*** | | | | | |
| | *Non-interest bearing:* | | | | | |
| | Payables | 96,619,454 | 96,619,454 | - | - | 96,619,454 |
| | | ------------- | ------------- | ------------- | ------------- | ------------- |
| | | **96,619,454** | **96,619,454** | **-** | **-** | **96,619,454** |
| | | ========= | ========= | ======== | ======== | ======== |

Financial liabilities that can be repaid at any time have been assigned to the earliest possible time period. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**25.7 Fair value of financial instruments**

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

**26 IFRS Academy**

The International Financial Reporting Standards (IFRS) Academy was established as a special purpose vehicle called, "IFRS Academy Guarantee Limited" for education of IFRS and related matters in accordance with section 8 (i) (i) of the Financial Reporting Council Act, 2011. Separate records are being maintained for the academy to be examined by a separate appointed independent auditor.

The IFRS Academy, once fully operational, shall be consolidated with the financial statements of the Council in accordance with the provisions of IFRS 10 – Consolidated Financial Statements.

**27 Capital commitments**

There are no known capital commitments as at 31 December 2013 (31/12/2012: Nil).

**28 Contingent liabilities**

There are no known contingent liabilities as at 31 December 2013 (31/12/2012: Nil).

**29 Events after the reporting period**

There were no events after the statement of financial position date which would have a material effect on the state of affairs of the organisation as at 31 December 2013 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

## 30 Effects of first time adoption of International Financial Reporting Standards

The date of transition to IFRS is 1 January 2012. As at that date, the Council followed the provisions of IFRS 1 - First Time Adoption of IFRS in preparing an Opening statement of Financial Position. The impact as a result of transition to IFRS were adjusted directly in accumulated fund as at 1 January 2012 and described in the notes to the reconciliation.

### 30.1 Effect of International Financial Reporting Standards (IFRS) on adoption of Statement of Financial Position

The impact of adopting International Financial Reporting Standards is shown in the reconciliation below:

| | | As at 1/1/2012 | | | As at 31/12/2012 | | |
|---|---|---|---|---|---|---|---|
| | | Nigerian GAAP | Effect of transition | IFRS | Nigerian GAAP | Effect of transition | IFRS |
| ***Assets:*** | **Note** | **₦** | **₦** | **₦** | **₦** | **₦** | **₦** |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | a(i)(ii)(iii) | 132,747,149 | (1,294,760) | 131,452,389 | 107,298,511 | (1,851,839) | 105,446,672 |
| **Total non-current assets** | | **132,747,149** | **(1,294,760)** | **131,452,389** | **107,298,511** | **(1,851,839)** | **105,446,672** |
| **Current assets** | | | | | | | |
| Inventories | b | 19,961,028 | (14,375,176) | 5,585,852 | 12,147,555 | (10,811,555) | 1,336,000 |
| Receivables and prepayments | c | 5,919,401 | (5,919,401) | - | 4,641,487 | (4,641,487) | - |
| Receivables | cf(i) | - | 794,166 | 794,166 | - | 1,398,083 | 1,398,083 |
| Other assets | cd | - | 5,125,235 | 5,125,235 | - | 3,440,404 | 3,440,404 |
| Cash and bank balances | | 47,146,097 | - | 47,146,097 | 45,222,560 | - | 45,222,560 |
| **Total current assets** | | **73,026,526** | **(14,375,176)** | **58,651,350** | **62,011,602** | **(10,614,555)** | **51,397,047** |
| **Total assets** | | **205,773,675** | **(15,669,936)** | **190,103,739** | **169,310,113** | **(12,466,393)** | **156,843,719** |
| ***Equity:*** | | | | | | | |
| Accumulated fund | e | 201,855,679 | (15,669,936) | 186,185,743 | 72,887,659 | (12,663,394) | 60,224,265 |
| **Total equity** | | **201,855,679** | **(15,669,936)** | **186,185,743** | **72,887,659** | **(12,663,394)** | **60,224,265** |
| ***Liabilities:*** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Payables | f(i)(ii) | 3,917,996 | - | 3,917,996 | 96,422,454 | 197,000 | 96,619,454 |
| **Total current liabilities** | | **3,917,996** | **-** | **3,917,996** | **96,422,454** | **197,000** | **96,619,454** |
| **Total liabilities** | | **3,917,996** | **-** | **3,917,996** | **96,422,454** | **197,000** | **96,619,454** |
| **Total equity and liabilities** | | **205,773,675** | **(15,669,936)** | **190,103,739** | **169,310,113** | **(12,466,394)** | **156,843,719** |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.2 Reconciliation of Equity as at 1 January 2012 and 31 December 2012

The impact of adopting International Financial Reporting Standards is shown in the reconciliation below:

| | | | At 01/01/2012 | At 31/12/2012 |
|---|---|---|---|---|
| | | **Notes** | **₦** | **₦** |
| | **Total equity under Nigerian GAAP** | | **201,855,679** | **72,887,659** |
| | | | -------------- | -------------- |
| | ***IFRS Adjustments*** | | | |
| | Property, plant and equipment adjustment | a(iii) | (1,294,760) | (1,851,839) |
| | Inventories adjustment | b(ii) | (14,375,176) | (10,811,555) |
| | | | -------------- | -------------- |
| | | | (15,669,936) | (12,663,394) |
| | Tax effect of the above | | - | - |
| | | | -------------- | -------------- |
| | **Total adjustment to equity** | | **(15,669,936)** | **(12,663,394)** |
| | | | -------------- | -------------- |
| | **Total equity under IFRSs** | | **186,185,743** | **60,224,265** |
| | | | ========== | ========= |
| | | | | |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.3 Effect of IFRS adoption on statement of surplus or deficit and other comprehensive income

The impact of adopting International Financial Reporting Standards is shown in the reconciliation below:

| | | | Year ended 31/12/2012 | | |
|---|---|---|---|---|---|
| | | | Nigerian GAAP | Effect of transition | IFRSs |
| | | Notes | ₦ | ₦ | ₦ |
| | **Revenue** | | | | |
| | Internally Generated Revenue | | 526,166,972 | - | 526,166,972 |
| | Subventions | | 98,374,568 | | 98,374,568 |
| | | | -------------- | -------------- | -------------- |
| | **Total revenue** | | 624,541,540 | - | 624,541,540 |
| | | | | | |
| | Other income | | 40,400 | | 40,400 |
| | | | -------------- | -------------- | -------------- |
| | | | **624,581,940** | **-** | **624,581,940** |
| | | | ----------------- | | ---------------- |
| | **Expenditure:** | | | | |
| | Technical Activities Expenses | | 146,198,968 | - | 146,198,968 |
| | Administrative expenses | g | 495,674,559 | (3,006,542) | 492,668,017 |
| | Consolidated Revenue Fund (Remittance) | h | 111,676,433 | (111,676,433) | - |
| | | | ---------------- | ----------------- | -------------- |
| | | | **753,549,960** | **(114,682,975)** | **638,866,985** |
| | | | ---------------- | ------------------ | ---------------- |
| | **Deficit for the year** | | **(128,968,020)** | **114,682,975** | **(14,285,045)** |
| | | | =========== | ========== | ========== |
| | **Other Comprehensive Income** | | | | |
| | Items that will not be reclassified subsequently to surplus or deficit | | - | - | - |
| | Items that may be reclassified subsequently to surplus or deficit | | - | - | - |
| | | | -------------- | -------------- | -------------- |
| | **Total Comprehensive loss for the year** | | **(128,968,020)** | **114,682,975** | **(14,285,045)** |
| | | | =========== | ========== | ========= |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.4 Statement of Cash flow

There was no impact on statement of cash flows on the adoption of International Financial Reporting Standards (IFRS).

### 30.5 Analysis of cash and cash equivalents under IFRS

| | 1/1/2012 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| **Cash and cash equivalents consist of:** | | |
| Cash at bank | 47,146,097 | 45,222,560 |
| | --------------- | --------------- |
| **Total cash and cash equivalents** | **47,146,097** | **45,222,560** |
| | ========= | ========= |

### 30.6 Notes to the reconciliations

### a. Property, plant and equipment

**(i)** Reclassification: IFRS 1 requires all assets, liabilities or component of equity to be reclassified in accordance to IFRS. On transition date, 1 January 2012, certain reclassifications were done within property plant and equipment and these affected the Council's computer equipment, office equipment, furniture and fittings and office improvement as follows:

| | | 1/1/2012 | | | | |
|---|---|---|---|---|---|---|
| | | **Computer equipment** | **Furniture & fittings** | **Office equipment** | **Office improvement** | **Total** |
| | | ₦ | ₦ | ₦ | ₦ | ₦ |
| | NGAAP | 6,639,719 | 35,124,318 | 39,302,199 | 14,510,826 | 95,577,062 |
| | Reclassification | 851,383 | 4,925,974 | (5,651,185) | (126,172) | - |
| | | -------------- | --------------- | --------------- | --------------- | --------------- |
| | **As per IFRS** | **7,491,102** | **40,050,292** | **33,651,014** | **14,384,654** | **95,577,062** |
| | | ======== | ========= | ========= | ========= | ========= |
| | | **31/12/2012** | | | | |
| | | **Computer equipment** | **Furniture & fittings** | **Office equipment** | **Office improvement** | **Total** |
| | | ₦ | ₦ | ₦ | ₦ | ₦ |
| | NGAAP | 2,774,631 | 32,227,026 | 42,966,544 | 6,303,008 | 84,271,209 |
| | Reclassification (1/1/2012) | 851,383 | 4,925,974 | (5,651,185) | (126,172) | - |
| | Depreciation adjustment after reclassification | (283,794) | (12,617) | 85,138 | 31,543 | (179,730) |
| | | --------------- | --------------- | --------------- | --------------- | --------------- |
| | **As per IFRS** | **3,342,220** | **37,140,383** | **37,400,497** | **6,208,379** | **84,091,479** |
| | | ======== | ======== | ======== | ======== | ======== |

**30 Effects of first time adoption of International Financial Reporting Standards (continued)**

**(ii) Library books**

IFRS requires that when there is an indication of impairment, the carrying value of the asset should be compared to the recoverable amount. Where the recoverable amount is lower than the carrying amount, an impairment provision should be made to reduce the carrying value to the recoverable value. At transition date, the carrying amount of library journals, a category of library books was found to have exceeded its recoverable amount. The difference representing impairment was charged to accumulated fund.

| | | 1/1/2012 | | | |
|---|---|---|---|---|---|
| | | **Journals** | **E-books** | **Books** | **Total** |
| | | **₦** | **₦** | **₦** | **₦** |
| | NGAAP carrying amount (cost less accum depreciation) | 2,589,520 | 1,324,100 | 13,668,457 | 17,582,077 |
| | Impairment recognised (50% of carrying amount) | (1,294,760) | - | - | (1,294,760) |
| | | -------------- | -------------- | -------------- | -------------- |
| | **As per IFRS** | **1,294,760** | **1,324,100** | **13,668,457** | **16,287,317** |
| | | ======== | ======== | ======== | ======== |
| | | **31/12/2012** | | | |
| | | **Journals** | **E-books** | **Books** | **Total** |
| | | **₦** | **₦** | **₦** | **₦** |
| | NGAAP carrying amount (cost less accum depreciation) | 1,672,108 | 840,416 | 7,864,777 | 10,377,301 |
| | Depreciation adjustment (reversal of NGAAP depreciation) | 917,412 | - | - | 917,412 |
| | Impairment recognised (50% of carrying amount at transition) | (1,294,760) | - | - | (1,294,760) |
| | Impairment recognised at transition (50% of carrying amount) | (1,294,760) | - | - | (1,294,760) |
| | | -------------- | ------------ | -------------- | -------------- |
| | **As per IFRS** | **-** | **840,416** | **7,864,777** | **8,705,193** |
| | | ======== | ======= | ======== | ======== |

**(iii) Summary of IFRS adjustments to property, plant and equipment**

| | **1/1/2012** | **31/12/2012** |
|---|---|---|
| | **₦** | **₦** |
| Impairment on Library books at transition - Note a(ii) | (1,294,760) | (1,294,760) |
| Impairment on Library books at 31/12/2012 - Note a(ii) | - | (1,294,760) |
| Depreciation adjustment based on IFRS - Note a(i) | - | (179,730) |
| Reversal of NGAAP Depreciation on library book (journal) - Note a(ii) | - | 917,411 |
| | -------------- | -------------- |
| | **(1,294,760)** | **(1,851,839)** |
| | ========= | ========= |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.6 Notes to the reconciliations (continued)

### b. Inventories

(i) IFRS requires inventories to be measured at the lower of cost and net realisable value. At transition, the Council performed an estimate of what the net realizable value of inventories should be. The council took to account the most reliable evidence available at the times the estimate was made. The council considered the future realization of the carrying amount of the inventories. The inventories were written down in categories based on their demand in different market segments, relevance and based on future realization as follows:

| | | 1/1/2012 | | | |
|---|---|---|---|---|---|
| | | NGAAP | Write-down | IFRS | Basis |
| | | ₦ | ₦ | ₦ | % |
| | SAS 1-30 (leaflet) | 943,740 | (943,740) | - | 100 |
| | SAS 31 | 183,600 | (146,880) | 36,720 | 80 |
| | Implementation Guide | 134,880 | (134,880) | - | 100 |
| | SAS 1-23 (bound volume) | 4,545,974 | (4,545,974) | - | 100 |
| | SAS 1-30 (bound volume) | 5,273,450 | (4,218,760) | 1,054,690 | 80 |
| | IFRS 2010 | 8,696,883 | (4,348,442) | 4,348,441 | 50 |
| | SORP | 182,501 | (36,500) | 146,001 | 20 |
| | | --------------- | --------------- | --------------- | |
| | | **19,961,028** | **(14,375,176)** | **5,585,852** | |
| | | ======== | ======== | ======== | |

| | | 31/12/2012 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | NGAAP | Write-down at transition | Sales | Net carrying amount | Write down | IFRS | Basis |
| | | ₦ | ₦ | ₦ | ₦ | ₦ | ₦ | % |
| | SAS 1-30 (leaflet) | 943,740 | (943,740) | - | - | - | - | 0 |
| | SAS 31 | 183,600 | (146,880) | - | 36,720 | (18,360) | 18,360 | 50 |
| | Implementation Guide | 134,880 | (134,880) | - | - | - | - | 0 |
| | SAS 1-23 (bound volume) | 4,545,974 | (4,545,974) | - | - | - | - | 0 |
| | SAS 1-30 (bound volume) | 5,273,450 | (4,218,760) | - | 1,054,690 | (527,345) | 527,345 | 50 |
| | IFRS 2010 | 8,696,883 | (4,348,442) | (2,913,851) | 1,434,590 | (717,296) | 717,294 | 50 |
| | SORP | 182,501 | (36,500) | - | 146,001 | (73,000) | 73,001 | 50 |
| | | --------------- | --------------- | --------------- | --------------- | --------------- | --------------- | |
| | | **19,961,028** | **(14,375,176)** | **(2,913,851)** | **2,672,001** | **(1,336,001)** | **1,336,000** | |
| | | ======== | ========== | ========= | ======== | ======== | ======== | |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.6 Notes to the reconciliations (continued)

#### (ii) Summary of IFRS adjustments to inventories

| | 1/1/2012 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Write down of inventories at transition - Note b(i) | (14,375,176) | (14,375,176) |
| Write down of inventories at 31/12/2012 - Note b(i) | - | (1,336,001) |
| Reversal of NGAAP allowance at 31/12/2012 | - | 4,899,622 |
| | **(14,375,176)** | **(10,811,555)** |

#### c. Receivables

At transition, allowance for bad debt of ₦197,000 (1/1/2012: Nil) was reclassified from payables to receivables while prepayments of ₦3.4 million (1/1/2012: ₦5.1 million) was reclassified from receivables and prepayments to other assets due to its non-monetary nature. All other receivables totalling ₦1.2 million (1/1/2012: ₦794,166) were shown as single line item - Receivables. Receivables represent monetary items and financial assets.

| | 31/12/2012 |
|---|---|
| | ₦ |
| Allowance for doubtful debts | (197,000) |
| Other payables - Union bank | 197,000 |
| | - |

#### d. Other assets

IAS 1.55 permits an entity to present additional line items, headings and subtotals in statements of financial position when such presentation is relevant to an understanding of the entity's financial position. Based on this, other assets are presented as a separate line item. Other assets represent prepayments of ₦3.4 million (1/1/2012: ₦5.1 million) which is a non-financial asset that was reclassified from receivables and prepayments. Items in other assets are non-monetary items and are non-financial assets.

#### e. Accumulated funds

The following adjustments were made to accumulated funds:

| | 1/1/2012 | 31/12/2012 |
|---|---|---|
| | ₦ | ₦ |
| Property, plant and equipment adjustment - Note a(iii) | (1,294,760) | (1,851,839) |
| Inventories adjustment - Note b(ii) | (14,375,176) | (10,811,555) |
| | (15,669,936) | (12,663,394) |

## 30 Effects of first time adoption of International Financial Reporting Standards (continued)

### 30.6 Notes to the reconciliations (continued)

**f. Payables**

**(i)** Allowance for bad debt of ₦197,000 (1/1/2012: Nil) was reclassified from payables to receivables. Payables represent monetary items and are financial liabilities.

**(ii) Accrued expenses**

Within the line item - payables, balances previously classified as accrued expenses under Nigerian GAAP were reclassified as other payable.

| | 31/12/2012<br>₦ |
|---|---|
| Accrued expenses per Nigerian GAAP | 7,215,429 |
| Other payables - NERC | (2,480,615) |
| Other payables – IFRS Academy | (3,500,000) |
| | 1,234,814 |

**g. Administrative expenses**

The following adjustments were made to administrative expenses on adoption of IFRS:

| | 31/12/2012<br>₦ |
|---|---|
| Cumulative depreciation adjustment after reclassification - Note a(ii) | 179,730 |
| Impairment on Library books at 31/12/2012 - Note a(ii) | 1,294,760 |
| Reversal of NGAAP Depreciation on library book (journal) - Note a(ii) | (917,412) |
| Write down of inventories at 31/12/2012 - Note b(i) | 1,336,000 |
| Reversal of NGAAP allowance at 31/12/2012 | (4,899,620) |
| | (3,006,542) |

**h. Consolidated revenue fund**

Under IFRS, the consolidated revenue fund was removed from statement of surplus or deficit and other comprehensive income and adjusted directly in equity based on its nature as a distribution to Federal Government.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**OTHER NATIONAL DISCLOSURES**

**STATEMENT OF VALUE ADDED**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | 2013 ₦ | % | 2012 ₦ | % |
|---|---|---|---|---|
| Revenue | 1,187,656,600 | | 624,581,940 | |
| Cost of services - Local | (140,630,496) | | (323,322,773) | |
| - Foreign | - | | - | |
| Value Added | 1,047,026,104 | 100 | 301,259,167 | 100 |
| Applied as follows: | | | | |
| | | % | | % |
| To employees: | | | | |
| As salaries and wages | 199,115,841 | 19 | 162,701,069 | 54 |
| To Government: | | | | |
| Consolidated revenue fund remittance | 252,827,919 | 24 | 111,676,433 | 37 |
| Retained for the organisation's future: | | | | |
| For asset expansion (depreciation) | 31,163,050 | 3 | 41,166,710 | 14 |
| Surplus/(deficit) for the year | 563,919,294 | 54 | (14,285,045) | (5) |
| | 1,047,026,104 | 100 | 301,259,167 | 100 |

The value added represents the additional wealth which the Council has been able to create on its own and by its employees' efforts. This statement shows the allocation of that wealth to employees, providers of capital, government (25% of internally generated revenue as statutory remittance) and that retained for the future creation of more wealth.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**FIVE-YEAR FINANCIAL SUMMARY**

| | <------------------------IFRS------------------- | -><------------NGAAP | ----------------------------> | | |
|---|---|---|---|---|---|
| | <----------------------------------31 DECEMBER | ------------------------------------------------> | | | |
| Statement of financial position | 2013 | 2012 | 2011 | 2010 | 2009 |
| | ₦ | ₦ | ₦ | ₦ | ₦ |
| Accumulated fund | 371,315,640 | 60,224,265 | 186,185,743 | 278,740,252 | 319,469,384 |
| Assets and Liabilities | | | | | |
| Property, plant and equipment | 90,696,413 | 105,446,672 | 131,452,389 | 160,028,066 | 157,720,519 |
| Non-current assets: loans to staff | 7,959,239 | - | - | - | - |
| Net current assets | 272,659,988 | (45,222,407) | 54,733,354 | 118,712,186 | 161,748,865 |
| Net Assets | 371,315,640 | 60,224,265 | 186,185,743 | 278,740,252 | 319,469,384 |

| | <----------------------------IFRS | ------------------------------> | | <----------NGAAP | -----------> |
|---|---|---|---|---|---|
| Statement of Comprehensive Income | | | | | |
| Revenue | 1,187,656,600 | 624,581,940 | 396,913,412 | 426,995,604 | 692,937,456 |
| Surplus/(deficit) for year | 563,919,294 | (14,285,045) | (92,554,509) | (40,729,132) | (39,643,607) |