



# **FINANCIAL REPORTING COUNCIL OF NIGERIA**

**... Conscience of Regulatory Assurance**

## **Annual Report 2014**

**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 2014**

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**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**CORPORATE INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

<b>CHAIRMAN:</b>	Maryam L. Ibrahim
<b>EXECUTIVE SECRETARY/ CHIEF EXECUTIVE OFFICER:</b>	Jim O. Obazee
<b>REGISTERED/BUSINESS OFFICE:</b>	Elephant Cement House ASSIFI Road, Alausa Ikeja, Lagos
<b>SOLICITORS:</b>	Bola Ajibola & Co. 1, Murphy Atsepoy Crescent Ogudu GRA, Lagos.  Ken Okpe & Organisation (Daniel's Chambers) 10 Abeokuta Street Anifowose, Ikeja, Lagos.  Kenna Partners Kenna Place 8, Ogunyemi road Palace Way Oniru, Lagos.
<b>AUDITORS:</b>	Ernst & Young (Chartered Accountants) 10 <sup>th</sup> & 13 <sup>th</sup> Floors, UBA House 57, Marina Lagos, Nigeria.
<b>INSURERS:</b>	Standard Alliance Life Assurance Ltd Leverage Insurance Brokers Limited
<b>BANKERS:</b>	Central Bank of Nigeria Ecobank Plc First Bank of Nigeria Ltd Union Bank of Nigeria Plc United Bank for Africa Plc Zenith Bank Plc
<b>Website:</b>	<a href="http://www.financialreportingcouncil.gov.ng">http://www.financialreportingcouncil.gov.ng</a>

## FINANCIAL REPORTING COUNCIL OF NIGERIA

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

#### RESULT FOR THE YEAR

	<b>2014</b> ₦	<b>2013</b> ₦
Revenue	971,159,723	1,187,656,600
(Deficit)/Surplus for the year	(61,804,417)	563,919,294

#### LEGAL FORM

The Financial Reporting Council of Nigeria (FRC) was established on 3 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;

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**PRINCIPAL ACTIVITIES - Continued**

- (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, Council 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.
- (u) 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.

## **FINANCIAL REPORTING COUNCIL OF NIGERIA**

### **REPORT OF THE DIRECTORS - Continued**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **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 2014.

#### **CONTRIBUTIONS AND CHARITABLE GIFTS**

The Council identifies with the aspiration of the community and environment within which it operates. Total amount donated during the year was ₦8,700,000 (2013: ₦3,000,000).

#### **EVENTS AFTER REPORTING DATE**

As stated in Note 29, the President of the Federal Republic of Nigeria dissolved the Board of the Council on 16 July 2015. Other than that, 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 2014 and the deficit 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) Independent 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.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**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 Itegbaje	Member	CIS
Dr. Fodio Inuwa Musa	Member	ANAN
Prof. Okoye Emmanuel Ike.	Member	ANAN
Mr. Muniru Umaru Wambai	Member	CAC
Mr. Salmanu S. Fasksri	Member	FMITI
Mr. Queensley Seghosime	Member	FIRS
Alhaji Ahmad Rabi	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. Osisoma	Member	NAA

- The Chairman is appointed by the President on the recommendation of the Honourable Minister (Section 3 of the Financial Reporting Council of Nigeria Act No 6, 2011). The Chairman is non-executive.



**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**BOARD MEETINGS:**

The Board meetings were held on the following days: 20 March 2014, 19 June 2014, 8 September 2014, and 11 December 2014.

<b>Names</b>	<b>No. of Meetings</b>	<b>No. of Meetings Attended</b>
Hajia Maryam L. Ibrahim	4	4
Mr. Obazee Jim Osayande	4	4
Dr. Etofolam Osuji	4	4
Mr. Tayo Phillips	4	4
Mr George Onekhena	4	3
Mr. Muhammed Yola Datti	4	3
Mr. Michael Agbadun Iteboje	4	3
Dr. Fodio Inuwa Musa	4	4
Prof. Okoye Emmanuel Ike.	4	3
Mr. Muniru Umaru Wambai	4	4
Mr. Salmanu S. Faskari	4	3
Mr. Quesley Seghosime	4	1
Alhaji Ahmad Rabi	4	3
Mr. Moses Chimereze Okpo	4	2
Mr. Michael O. Owoseni	4	2
Mr. Alex M. Adeyemi	4	2
Mr. Abatcha Bulama	4	2
Mr. Titus Olukayode Aiyewumi	4	3
Mr. Zacchaues Biodun Odeleye	4	4
Alh. Ibrahim Mu'azu	4	2
Ms. Awe Tinuade Tolulope	4	2
Mr. Adeleke, A. Adedapo	4	3
Prof. Benjamin C. Osisoma	4	1

## FINANCIAL REPORTING COUNCIL OF NIGERIA

### REPORT OF THE DIRECTORS - Continued

#### FOR THE YEAR ENDED 31 DECEMBER 2014

In accordance with section 15 of the enabling Act and 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:

<b>Names</b>	<b>No. of Meetings</b>	<b>No. of Meetings Attended</b>
Mr. George Onekhena	1	-
Mr. Adeleke A. Adedapo	1	1
Mr. Biodun Odeleye	1	1
Mr. Abatcha Bulama	1	1
Mr. Jim O. Obazee	1	1
Ms. Queensley Seghosime	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.

<b>Names</b>	<b>No. of Meetings</b>	<b>No. of Meetings Attended</b>
Mr. Salmanu S. Faskari	3	3
Mr. Tayo Philips	3	3
Dr. Musa Fodio	3	3
Mr. Titus Olukayode Aiyewumi	3	2
Prof. Benjamin C. Osioma	3	1
Mr. Muhammed Yola Datti	3	3
Mr. Jim O. Obazee	3	3

c) 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:

<b>Names</b>	<b>No. of Meetings</b>	<b>No. of Meetings Attended</b>
Prof. Emma I. Okoye	2	2
Dr. Etofolam F. Osuji	2	1
Alhaji Ahmad Rabi	2	0
Mr. Muniru U. Wambai	2	2
Ms. Tinuade T. Awe	2	2
Mr. Moses C. Okpo	2	1
Mr. Alex Adeyemi	2	2

FINANCIAL REPORTING COUNCIL OF NIGERIA

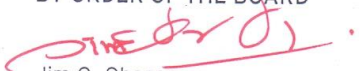
REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2014

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  
Executive Secretary  
FRC/2012/ICAN/00000000007

31 August ..... 2015

FINANCIAL REPORTING COUNCIL OF NIGERIA

STATEMENT OF COUNCIL'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014. 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

-----2015

*31 August*  
-----2015

# **THE FINANCIAL STATEMENTS**



**Ernst & Young**  
10th & 13th Floors  
UBA House  
57, Marina  
P. O. Box 2442, Marina  
Lagos.

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[www.ey.com](http://www.ey.com)

**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 2014, 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 2014, 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.



**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.

For: Ernst & Young

  
Yusuf Aliu, FCA  
FRC/2012/ICAN/0000000138  
Lagos, Nigeria

31 August 2015



**REPORTING COUNCIL OF NIGERIA**

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

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Notes</b>	<b>2014</b> ₦	<b>2013</b> ₦
<b>Revenue:</b>			
Internally Generated Revenue	7	931,430,654	1,110,318,257
Subventions	8	27,387,369	72,202,686
		-----	-----
<b>Total revenue</b>		<b>958,818,023</b>	<b>1,182,520,943</b>
<b>Other income</b>	<b>9</b>	<b>12,341,700</b>	<b>5,135,657</b>
		-----	-----
		<b>971,159,723</b>	<b>1,187,656,600</b>
		-----	-----
<b>Expenditure:</b>			
Technical activities	10	284,378,915	193,729,767
Administrative expenses	11	748,585,225	430,007,539
		-----	-----
		<b>1,032,964,140</b>	<b>623,737,306</b>
		-----	-----
<b>(Deficit)/Surplus for the year</b>		<b>(61,804,417)</b>	<b>563,919,294</b>
		=====	=====
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to surplus or deficit	-	-	
Items that may be reclassified subsequently to surplus or deficit	-	-	
		-----	-----
<b>Total comprehensive income for the year</b>		<b>(61,804,417)</b>	<b>563,919,294</b>
		=====	=====

The notes on page 20 to 45 form part of these financial statements.



FINANCIAL REPORTING COUNCIL OF NIGERIA

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

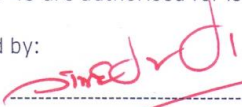
Assets	Notes	2014 ₦	2013 ₦
<b>Non-current assets</b>			
Property, plant & equipment	13	109,248,845	90,696,413
<b>Non-current financial assets</b>			
Staff receivables	14	805,556	7,959,239
		-----	-----
		110,054,401	98,655,652
		-----	-----
<b>Current assets</b>			
Inventories	15	4,606,982	1,607,329
Staff receivables	14	12,104,882	32,918,679
Prepayments	16	3,687,258	2,908,304
Cash and bank	17	111,197,644	397,902,005
		-----	-----
		131,596,766	435,336,317
		-----	-----
<b>Total Assets</b>		<b>241,651,167</b>	<b>533,991,969</b>
		=====	=====
<b>Equity and liabilities</b>			
<b>Equity</b>			
Accumulated fund	18	176,516,103	371,315,640
		-----	-----
<b>Current Liabilities</b>			
Trade and other payables	19	65,135,064	162,676,329
		-----	-----
<b>Total equity and liabilities</b>		<b>241,651,167</b>	<b>533,991,969</b>
		=====	=====

The notes on pages 20 to 45 form part of these financial statements.

The financial statements on pages 4 to 45 are authorised for issue.

They are signed on behalf of the Board 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 CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Notes</b>	<b>Accumulated Fund ₦</b>
As at 1 January 2014		371,315,640
Total comprehensive income: Deficit for the year		(61,804,417)
Consolidated revenue fund remittance CRF Over Provision Write Back (Note 19.2)	18	(219,649,473) 86,654,353
As at 31 December 2014		----- 176,516,103 =====
As at 1 January 2013		60,224,265
Total comprehensive income: Surplus for the year		563,919,294
Consolidated revenue fund remittance	18	(252,827,919)
As at 31 December 2013		----- 371,315,640 =====

The notes on page 20 to 45 form part of these financial statements.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 ₦	2013 ₦
<b>Operating activities</b>			
Cash received from subventions, fines, subscriptions, etc		999,093,420	1,187,869,981
Cash paid to suppliers and salaries		(1,007,889,261)	(621,245,221)
<b>Net cash (utilised)/generated by operating activities</b>	21	<b>(8,795,841)</b>	<b>566,624,760</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	13	(55,434,381)	(20,067,102)
Proceed from sale of property, plant and equipment		281,000	232,500
<b>Net cash utilised in investing activities</b>		<b>(55,153,381)</b>	<b>(19,834,602)</b>
<b>Financing activities</b>			
Consolidated revenue fund remitted	19.2	(222,755,139)	(194,110,713)
<b>Net cash utilised in financing activities</b>		<b>(222,755,139)</b>	<b>(194,110,713)</b>
Net (decrease) / increase in cash and cash equivalents		(286,704,361)	352,679,445
Cash and cash equivalents at 1 January		397,902,005	45,222,560
<b>Cash and cash equivalents at 31 December</b>	17	<b>111,197,644</b>	<b>397,902,005</b>

The notes on pages 20 to 45 form part of these financial statements.

## **FINANCIAL REPORTING COUNCIL OF NIGERIA**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **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 for 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.

## FINANCIAL REPORTING COUNCIL OF NIGERIA

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 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).

##### 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:

- 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

The Council's financial statements prepared under IFRS 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 2014, with comparative amounts for the financial year ended 31 December 2013.

#### 3 Going concern status

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.

NOTES TO THE FINANCIAL STATEMENTS - Continued

**4 New and revised International Financial Reporting Standards (IFRS)**

**4.1 Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Council's financial statements are disclosed below. The Council intends to adopt these standards, if applicable, when they become effective. IAS 8.30, IAS 8.31(d).

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Council's financial assets, but no impact on the classification and measurement of the Council's financial liabilities.

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Council, since none of the entities within the Council has defined benefit plans with contributions from employees or third parties.

**Annual improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Council. They include:

**IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

**Annual improvements 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Council. They include:

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

**IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. These amendments will not have any impact on the Council's financial statements.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

## **FINANCIAL REPORTING COUNCIL OF NIGERIA**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Council is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

#### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Council given that the Council has not used a revenue-based method to depreciate its non-current assets.



NOTES TO THE FINANCIAL STATEMENTS - Continued

**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 recognised 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 recognised as a reduction of revenue as the sales are recognised.

**5.1.2 Rendering of services**

Revenue from services rendered is recognised 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 recognised as a reduction of revenue as the services are recognised.

**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 cash basis.

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

• **Fees from services rendered**

Council's services include consultancy services, training through workshops, seminars and conferences. Revenue is recognised on cash 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. Revenue on sale of standards and other publications are recognised on cash basis

## FINANCIAL REPORTING COUNCIL OF NIGERIA

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 5 Summary of significant accounting policies - continued

##### 5.1.3 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 loans and receivables. Interest income is recognised 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 recognised on financial assets are recognised in the surplus or deficit account.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised 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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS - Continued

**5 Summary of significant accounting policies - continued**

**5.3 Foreign currency translation**

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 currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

**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 and employer contributing 7.5% and employer contributing 7.5% of the employee's relevant emoluments. Obligations for contributions to defined contribution pension plans are recognised 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 recognised 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 Terminal benefits**

An entity shall recognise a liability and expense for termination benefits at the earlier of the following dates:

- (a) when the entity can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when an entity can no longer withdraw the offer of termination benefits is the earlier of:

- (a) when the employee accepts the offer; and
- (b) when a restriction (e.g. a legal, regulatory or contractual requirement or other restriction) on the entity's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

For termination benefits payable as a result of an entity's decision to terminate an employee's employment, the entity can no longer withdraw the offer when the entity has communicated to the affected employees a plan of termination meeting all of the following criteria:

- (a) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made.
- (b) The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date.

**5 Summary of significant accounting policies - continued**

**5.4.3 Terminal benefits**

- (c) The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

When an entity recognises termination benefits, the entity may also have to account for a plan amendment or a curtailment of other employee benefits.

**5.5 Property, plant and equipment**

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

**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.

**Subsequent costs**

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

	<b>Useful lives (Years)</b>
Property, plant and equipment:	
Office improvement	4
Furniture and Fittings	5-10
Motor vehicles / Cycle	5
Computer equipment	3
Office equipment	5-10
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.

**5 Summary of significant accounting policies - continued**

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.

**5.6 Financial instruments**

Financial assets and financial liabilities are recognised 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.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

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.

**5.7 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.

**5.7.1 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS - Continued

**5 Summary of significant accounting policies - continued**

**5.8 Financial liabilities**

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

**Trade payables**

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

**5.8 Financial liabilities**

**Derecognition**

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and the intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**5.9 Impairment**

**5.9.1 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 recognised.

**5.9.2 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.

An impairment loss in respect of a financial asset measured at amortised 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 recognised 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 recognised through the unwinding of the discount.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**5 Summary of significant accounting policies – continued**

**5.9.2 Financial Assets**

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.

**5.10 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.

**5.11 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 recognised in the statement of surplus or deficit and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

**5.12 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.

**Contingent assets**

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

**5 Summary of significant accounting policies - continued**

**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.

**5.13 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 recognised prospectively by including it in the statement of surplus or deficit and other 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.



## FINANCIAL REPORTING COUNCIL OF NIGERIA

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 6 Use of judgments and estimates - continued

##### 6.2.1 Impairment of non-financial assets

An impairment loss is recognised 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 to 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 an effective interest rate as required by IFRS. The determination of effective interest rate is based on management judgement.

7 Internally Generated Revenue	2014	2013
	N	N
Consultancy services	40,650,000	30,800,000
Fines and penalties	151,365,000	397,470,599
Annual dues from companies (Note 7.1)	582,675,209	489,221,489
Registration of professionals	103,907,685	93,819,588
	-----	-----
IGR Subject to CRF	878,597,894	1,011,311,676
Donation received	44,430,000	66,688,000
Sales of Standards	1,652,760	1,427,440
Seminars and conferences	6,750,000	30,891,141
	-----	-----
	<b>931,430,654</b>	<b>1,110,318,257</b>
	=====	=====

#### 7.1 Annual dues

	2014	2013
	N	N
Public Quoted Companies	195,191,373	258,382,857
Other Registered Companies	387,483,836	230,838,632
	-----	-----

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

	<b>582,675,209</b>	<b>489,221,489</b>
	=====	=====
<b>8 Subventions</b>		
This represents subventions from Federal Government of Nigeria.		
	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Capital Subvention	-	4,932,735
Personnel Subvention	22,986,613	55,167,871
Overhead Subvention	4,400,756	12,102,080
	-----	-----
	<b>27,387,369</b>	<b>72,202,686</b>
	=====	=====
<b>9 Other income</b>		
Sale of bid documents	-	20,000
Biometrics (Note 9.1)	10,806,200	5,115,657
Sales of Scrap (E R G P)	1,310,500	-
Honorarium to CEO	225,000	-
	-----	-----
	<b>12,341,700</b>	<b>5,135,657</b>
	=====	=====
<b>9.1 Biometrics</b>		
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.		
<b>10 Technical Activities Expenses</b>		
	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Seminar Cost	45,680,228	12,777,157
Conference and meetings – General (Note 10.1)	122,713,510	108,796,441
Steering Committee	16,696,732	19,835,137
Technical Sessions	-	151,412
Internet Services	10,927,680	6,041,346
Consultancy Services	27,777,778	2,253,000
Publicity and Public Relations (Note 10.2)	60,582,987	43,875,274
	-----	-----
	<b>284,378,915</b>	<b>193,729,767</b>
	=====	=====
<b>10.1 Conference &amp; Meeting - General:</b>		
This represents an amount spent on Annual Financial Reporting Summit, Council on Commerce (organised by Federal Ministry of Industry, Trade and Investment), sensitization of stakeholders, Council and Staff retreats.		
<b>10.2 Publicity and Public Relations:</b>		
Many media campaign in respect of the Council's activities were carried out during the year 2014 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.		

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**11 Administrative expenses**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Audit Expenses	470,000	70,000
Audit fee	5,000,000	5,000,000
Impairment Loss on Staff Receivables	340,951	-
Depreciation of property, plant and equipment	35,855,778	31,163,050
Bank charges	641,072	91,992
Donation (Note 11.1)	8,700,000	3,000,000
Governing board expenses (Note 11.2)	44,920,521	34,582,204
Loss on disposal of property, plant and equipment	745,171	3,421,811
Office accommodation rent expenses	25,081,622	24,083,150
Office stationeries	568,247	523,315
Personnel cost (Note 11.3)	224,289,866	131,634,082
Postages & Telephone	10,584,530	9,655,974
Printing	78,996,724	4,493,393
Professional fee (Legal and Retainership fee)	35,615,000	10,585,000
Repairs	38,894,816	36,981,146
Staff cost (Note 11.4)	1,753,257	213,381
Staff training and welfare (Note 11.5)	104,393,204	67,268,378
Subscription	129,454	112,034
Transportation	4,307,748	2,025,900
Travelling, Local (Note 11.6)	124,891,916	62,651,715
Vehicle Insurance	2,405,348	1,115,014
Write-down of inventories	-	1,336,000
	-----	-----
	<b>748,585,225</b>	<b>430,007,539</b>
	=====	=====

**11.1** Donation: This represents contribution to Federal Ministry of Trade and Investment towards selection of Top 100 Businesses in Nigeria for award by the Federal Government of Nigeria and media chart with ministry and donation to ICAN.

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Federal Ministry of Industry, Trade and Investment	7,500,000	3,000,000
Institute of Chartered Accountants of Nigeria	1,000,000	-
Agboola Odeyemi Foundation	200,000	-
	-----	-----
	<b>8,700,000</b>	<b>3,000,000</b>
	=====	=====

**11.2** Governing board expenses: This comprises board members sitting allowance of ₦18.11 million paid during the year and board members expenses of ₦26.81 million incurred during the year.

**11.3** Personnel Cost: This comprises payment of salaries and benefits to the Council's staff, security personnel and National Youth Service Corps members.

**FINANCIAL REPORTING COUNCIL OF NIGERIA****NOTES TO THE FINANCIAL STATEMENTS - Continued**

	2014	2013
Personnel Cost	224,289,866	131,634,082
Other Staff Cost (interest on loan)	1,753,257	213,381
	-----	-----
	226,043,123	131,847,463
	=====	=====

**11.4** 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.

**11.5** 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.

**11.6** Travelling, Local: This represents the travelling expenses of Council's staff on official duties during the year.

**12** **Income tax:** The Council is classified as tax-exempt under the Financial Reporting Council of Nigeria Act No. 6, 2011.

FINANCIAL REPORTING COUNCIL OF NIGERIA

NOTES TO THE FINANCIAL STATEMENTS - Continued

13. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Motor Vehicles	Motorcycle	Furniture & Fittings	Office Equipment	Office Improvement	Library Books	Total
<i>Cost</i>	₦	₦	₦	₦	₦	₦	₦	₦
<b>At 1 January 2014</b>	17,466,529	25,324,852	667,000	43,778,892	41,359,271	14,384,654	16,287,317	159,268,515
Additions	10,702,800	42,477,631	-	1,189,750	1,064,200	-	-	55,434,381
Disposal	-	(3,265,000)	-	(1,070,000)	(1,673,550)	-	-	(6,008,550)
<b>At 31 December 2014</b>	<b>28,169,329</b>	<b>64,537,483</b>	<b>667,000</b>	<b>43,898,642</b>	<b>40,749,921</b>	<b>14,384,654</b>	<b>16,287,317</b>	<b>208,694,346</b>
<i>Depreciation and Impairment</i>								
<b>At 1 January 2014</b>	9,717,493	12,814,150	44,467	9,570,830	11,038,083	12,306,986	13,080,093	68,572,102
Charged for the year	6,324,954	11,471,974	133,400	6,234,483	6,517,962	1,965,781	3,207,224	35,855,778
Eliminated on disposal	-	(3,265,000)	-	(728,797)	(988,582)	-	-	(4,982,379)
<b>At 31 December 2014</b>	<b>16,042,447</b>	<b>21,021,124</b>	<b>177,867</b>	<b>15,076,516</b>	<b>16,567,463</b>	<b>14,272,767</b>	<b>16,287,317</b>	<b>99,445,501</b>
<i>Carrying Amount</i>								
<b>At 31 December 2014</b>	<b>12,126,882</b>	<b>43,516,359</b>	<b>489,133</b>	<b>28,822,126</b>	<b>24,182,485</b>	<b>111,887</b>	<b>-</b>	<b>109,248,845</b>
<b>At 31 December 2013</b>	<b>7,749,036</b>	<b>12,510,702</b>	<b>622,533</b>	<b>34,208,062</b>	<b>30,321,188</b>	<b>2,077,668</b>	<b>3,207,224</b>	<b>90,696,413</b>
<i>Cost</i>								
<b>At 1 January 2013</b>	10,250,069	19,588,010	-	42,594,292	44,066,119	14,384,654	16,287,317	147,170,461
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)
<b>At 31 December 2013</b>	<b>17,466,529</b>	<b>25,324,852</b>	<b>667,000</b>	<b>43,778,892</b>	<b>41,359,271</b>	<b>14,384,654</b>	<b>16,287,317</b>	<b>159,268,515</b>
<i>Depreciation and Impairment</i>								
<b>At 1 January 2013</b>	6,907,849	6,938,010	-	5,453,909	6,665,622	8,176,275	7,582,124	41,723,789
Charged 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)
<b>At 31 December 2013</b>	<b>9,717,493</b>	<b>12,814,150</b>	<b>44,467</b>	<b>9,570,830</b>	<b>11,038,083</b>	<b>12,306,986</b>	<b>13,080,093</b>	<b>68,572,102</b>
<i>Carrying Amount</i>								
<b>At 31 December 2013</b>	<b>7,749,036</b>	<b>12,510,702</b>	<b>622,533</b>	<b>34,208,062</b>	<b>30,321,188</b>	<b>2,077,668</b>	<b>3,207,224</b>	<b>90,696,413</b>
<b>At 31 December 2012</b>	<b>3,342,220</b>	<b>12,650,000</b>	<b>-</b>	<b>37,140,383</b>	<b>37,400,497</b>	<b>6,208,379</b>	<b>8,705,193</b>	<b>105,446,672</b>

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**13.1** Impairment losses recognised in the year is ₦340,951 (2013: Nil).  
None of the recoverable amounts of the assets is estimated to be less than its carrying amount therefore no impairment has been recognised (2013: Nil).

**13.2** Capital commitments  
At 31 December 2014, the Council had no contractual commitments for the acquisition of property, plant and equipment (2013: Nil).

**13.3** Assets pledged as security  
There were no assets pledged as securities for liabilities during the year ended 31 December 2014 (2013: Nil).

**14 Staff receivables**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Staff loans – non-current	805,556	7,959,239
	-----	-----
Staff advances	-	21,494,942
Staff loans - current portion	12,445,833	11,423,737
Impairment loss on receivables	(340,951)	-
	-----	-----
	12,104,882	32,918,679
	-----	-----
Total	<b>12,910,438</b>	<b>40,877,918</b>
	=====	=====

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

Staff loans represent soft loans given to staff which is recoverable from their monthly salaries. The Effective Interest Rate (EIR) is 8% and the difference between the fair value of the loan measured using the EIR and the amount disbursed is treated as staff cost.

Staff advances represent cash given to staff to carry out some official assignments on behalf of the council that are yet to be retired.

<b>15 Inventories</b>	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Opening Balance	1,607,329	-
IFRS Bound Volume 2014 /SMEs 2009	2,999,653	-
IFRS Bound Volume – 2013	-	1,607,329
	-----	-----
	<b>4,606,982</b>	<b>1,607,329</b>
	=====	=====

Total inventories are at lower of cost and net realisable value. The council did not pledge any inventory as collateral for liabilities during the year (2013: Nil).

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**16 Prepayments**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Other assets - current	3,687,258	2,908,304
	=====	=====

Prepayments represent an advance payment for office rent for both Lagos and Abuja office, vehicle insurance and computer software maintenance for the year 2014.

**17 Cash and bank**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at banks.

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Cash at bank (Note 17.1)	111,197,644	397,902,005
	=====	=====

The carrying amounts are approximately equal to their fair values.

**17.1 Cash at bank**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Central Bank of Nigeria	170,452	1,370,452
Ecobank Plc	5,251,528	5,229,229
First Bank of Nigeria Limited	1,046,803	986,803
Union Bank Domiciliary Account	34,521	28,147
Union Bank of Nigeria Plc	1,561,795	7,280,487
United Bank for Africa	83,505,353	121,911,344
Zenith Bank Plc	19,627,192	261,095,543
	-----	-----
	<b>111,197,644</b>	<b>397,902,005</b>
	=====	=====

**18 Accumulated fund**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Balance at beginning of year	371,315,640	60,224,265
(Deficit) / Surplus for year	(61,804,417)	563,919,294
Consolidated Revenue Fund remittance (Note 18.1)	(219,649,473)	(252,827,919)
CRF Over Provision Write Back (Note 19.2)	86,654,353	-
	-----	-----
Balance at end of year	<b>176,516,103</b>	<b>371,315,640</b>
	=====	=====

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**18.1 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 further 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 ₦219,649,473 (2013: ₦252,827,919).

**19 Trade and other payables**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
IFRS Academy	-	3,500,000
NERC project (Note 19.1)	2,480,615	2,480,615
Other payables	197,000	197,000
Accrued expenses	8,271,929	5,798,320
Accrued consolidated revenue fund remittance (Note 19.2)	45,194,344	134,954,363
Pension	1,125,406	-
Accrued withholding tax payable (Note 19.3)	7,865,770	15,746,031
	-----	-----
	<b>65,135,064</b>	<b>162,676,329</b>
	=====	=====

**19.1 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. ₦2,480,615 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.

**19.2 Accrued consolidated revenue fund remittance**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Balance at the beginning	134,954,363	75,001,557
Additions	219,649,473	254,063,519
Payment during the year	(222,755,139)	(194,110,713)
Over-provision written back	(86,654,353)	-
	-----	-----
<b>At the end of the year</b>	<b>45,194,344</b>	<b>134,954,363</b>
	=====	=====

**19.3 Accrued withholding tax**

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

**20 Retirement benefit obligations**

**20.1 Defined Contribution Plan**



**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

The Council operates a defined contributory staff pension scheme in line with the Pensions Reform Act 2014. The Scheme is administered by designated Pension Fund Administrators. The council contributes 7.5% of employees emolument and the employees contribute 7.5% of same. The Council carried out staff conversion exercise during the year which led to additional pension contribution of ₦1,125,406.

The total expense recognised in the statement of surplus or deficit of ₦5,284,160 (2013: ₦5,135,742) represents contributions payable to these plans by the Council at rates specified in the rules of the plans. As at 31 December 2014, there was outstanding amounting to ₦1,125,406 (2013: Nil).

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

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
(Deficit) / surplus for the year	(61,804,417)	563,919,294
Adjustment for:		
Depreciation of property, plant and equipment	35,855,778	31,163,050
Loss on disposal of property, plant and equipment	745,171	3,421,811
Consolidated revenue fund remittance	89,760,019	(58,717,206)
	-----	-----
<b>Cash generated from operations</b>	<b>64,556,551</b>	<b>539,786,949</b>
Changes in assets and liabilities:		
Increase in inventories	(2,999,653)	(271,331)
Increase in receivables	20,813,797	(31,520,594)
(Increase)/decrease in prepayments	(778,954)	532,100
Decrease/(increase) in other financial assets	7,153,683	(7,959,239)
(Decrease)/increase in payables	(97,541,265)	66,056,875
	-----	-----
	<b>(73,352,392)</b>	<b>26,837,811</b>
	-----	-----
<b>Cash (utilised)/generated by operating activities</b>	<b>(8,795,841)</b>	<b>566,624,760</b>
	=====	=====

**22 Non-cash transactions**

There were no non-cash transactions during the year ended 31 December 2014 (2013: Nil).

**23 Employee information**

**23.1 Employees emoluments:**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Aggregate payroll costs	330,436,327	199,115,841
	=====	=====

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:

	<b>2014</b>	<b>2013</b>
<b>Range (₦)</b>	<b>Numbers</b>	<b>Numbers</b>
Below ₦500,000	4	13
₦500,001 - ₦1,000,000	11	36
₦1,000,001 - ₦3,000,000	27	12

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

Above ₦3,000,000	23	1
	-----	-----
	65	62
	=====	=====

**23.2 Staff numbers by department**

Executive Secretary	1	1
Finance	7	7
MEND	6	6
CLAP	2	2
GAAP	3	3
Administration	28	25
IT	2	2
SORP	1	1
PASS	1	1
Legal, Library & Collection	2	2
Registration	11	11
ICU	1	1
	-----	-----
	65	62
	=====	=====

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

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Chief Executive Officer (1)	28,000,000	19,729,292
	=====	=====

**23.4 Short-term employee benefit**

Chief Executive Officer (1)	2,333,333	3,288,215
	=====	=====

**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 2013.

The Council is not subject to any externally imposed capital requirements.

**25 Financial Instruments**

**25.1 Categories of financial instruments**

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Financial assets		
Loans and receivables:		
Cash and bank balances (Note 17)	111,197,644	397,902,005
Receivables - current (Note 14)	12,104,882	32,918,679

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

Receivables – non-current (Note 14)	805,556	7,959,239
	-----	-----
	124,108,082	438,779,923
	=====	=====
Financial liabilities		
Financial liabilities at amortised cost:		
Payables	65,135,064	162,676,329
	=====	=====

**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**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Council is 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. However, the Council has a domiciliary account with a small balance but considered it immaterial on the basis of the amount involved.

**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 Council 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:

	<b>2014</b>	<b>2013</b>
	<b>₦</b>	<b>₦</b>
Bank balances (Note 17)	111,197,644	397,902,005
Loans and receivables (Note 14)	12,910,438	40,877,918
	-----	-----
	<b>124,108,082</b>	<b>438,779,923</b>
	=====	=====

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**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.

	Carrying amount N	2014 Contractual amounts			Over 12 months N	Total N
		0-6 months N	6-12 months N			
<i>Financial liabilities at amortised cost</i>						
<u>Non-interest bearing:</u>						
Payables	65,135,064 =====	65,135,064 =====	- =====	- =====		65,135,064 =====

**25 Financial Instruments - continued**

	Carrying amount N	2013 Contractual amounts			Over 12 months N	Total N
		0-6 months N	6-12 months N			
<i>Financial liabilities at amortised cost</i>						
<u>Non-interest bearing:</u>						
Payables	162,676,329 =====	162,676,329 =====	- =====	- =====		162,676,329 =====

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 financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**26 IFRS Academy**

The International Financial Reporting Standards (IFRS) Academy is in the process of incorporation as a special purpose vehicle called, "IFRS Academy Gte/Ltd" 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.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**27 Capital commitments**

There are no known capital commitments as at 31 December 2014 (2013: Nil).

**28 Contingent liabilities**

There are no known contingent liabilities as at 31 December 2014 (2013: Nil).

**29 Events after the reporting period**

Subsequent to the year end, the President of the Federal Republic of Nigeria dissolved the Board of the Council on 16 July 2015. Other than that, 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 2014 or the loss for the year ended on that date that have not been adequately provided for or disclosed.

**FINANCIAL REPORTING COUNCIL OF NIGERIA**

**OTHER NATIONAL DISCLOSURES**

**STATEMENT OF VALUE ADDED**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 ₦		2013 ₦	
Revenue	971,159,723		1,187,656,600	
Cost of services - Local	(447,022,562)		(140,630,496)	
- Foreign	-		-	
	-----		-----	
Value Added	<b>524,137,161</b>		<b>1,047,026,104</b>	
	=====		=====	
Applied as follows:		%		%
To employees:				
As salaries and wages	330,436,327	63	199,115,841	19
To Government:				
Consolidated revenue fund remittance	219,649,473	42	252,827,919	24
Retained for the organisation's future:				
For asset expansion (depreciation)	35,855,778	7	31,163,050	3
(Deficit) / surplus for the year	(61,804,417)	(12)	563,919,294	54
	-----	-----	-----	-----
	<b>524,137,161</b>	<b>100</b>	<b>1,047,026,104</b>	<b>100</b>
	=====	===	=====	===

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---->	
Statement of financial Position	2014 ₦	2013 ₦	2012 ₦	2011 ₦	2010 ₦
Accumulated fund	176,516,103 =====	371,315,640 =====	60,224,265 =====	186,185,743 =====	278,740,252 =====
<b>Assets and Liabilities</b>					
Property, plant and equipment	109,248,845	90,696,413	105,446,672	131,452,389	160,028,066
Non-current assets: loans to staff	805,556	7,959,239	-	-	-
Net current assets	66,461,702	272,659,988	(45,222,407)	54,733,354	118,712,186
Net Assets	176,516,103 =====	371,315,640 =====	60,224,265 =====	186,185,743 =====	278,740,252 =====
<-----IFRS-----> <----NGAAP---->					
Revenue	971,159,723	1,187,656,600	624,581,940	396,913,412	426,995,604
(Deficit) / Surplus for year	(61,804,417)	563,919,294	(14,285,045)	(92,554,509)	(40,729,132)

Other than reclassification adjustments, there were no significant re-measurement adjustments that would have been required to make 2010 figures, reported under local GAAP, comply with IFRS.

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