

# Appendix A1

## Balance Sheet As at 31 December 2005

	Note	2005 ₹ Million	2004 ₹ Million
<b>Assets:</b>			
External reserves	2	3,835,433	2,478,620
Federal Government securities	3	162,423	374,611
Rediscount and advances	4	28,634	76,716
Other assets	5	29,733	30,344
Other securities	6	24,088	14,244
Exchange difference on promissory notes	7	-	67,349
Fixed assets	8	119,789	115,206
		<b>4,200,100</b>	<b>3,157,090</b>
<b>Liabilities:</b>			
Deposits	9	3,156,851	2,097,234
Currency in circulation	10	642,376	545,803
Trade debt promissory notes	11	-	67,734
Other foreign currency liabilities	12	4,667	4,824
Other liabilities	13	250,428	296,715
		<b>4,054,322</b>	<b>3,012,310</b>
<b>Capital and reserves:</b>			
Share capital	14	3,000	3,000
General reserve	15	47,532	46,179
Assets revaluation reserve	16	95,246	95,601
		<b>145,778</b>	<b>144,780</b>
		<b>4,200,100</b>	<b>3,157,090</b>
Contingent liabilities	20	140,732	163,752
<b>Approved by the Board of Directors on 22 February, 2006</b>			
_____	Governor		
_____	Director		
_____	Director		
_____	Director of Finance		

The accounting policies on pages 127 to 130 and the notes on pages 131 to 142 form an integral part of these financial statements.

## Appendix A2

### INCOME AND EXPENDITURE ACCOUNT For The Year Ended 31 December 2005

	Notes	2005 ₦' Million	2004 ₦' Million
	_____	_____	_____
Net Interest income		72,986	73,955
Realised loss on foreign currency	13	(21,701)	(8,792)
Other income		<u>43,144</u>	<u>22,476</u>
Total income		94,429	87,639
Operating expenses	19	<u>(73,560)</u>	<u>(74,474)</u>
Surplus before provisions		20,869	13,165
Net charge to provisions	13	<u>(12,750)</u>	<u>(4,000)</u>
Surplus available for appropriation		<u>8,119</u>	<u>9,165</u>
Appropriation Account			
Transfer to general reserve	15	1,353	1,528
Surplus available to the Federal Government of Nigeria	13	<u>6,766</u>	<u>7,637</u>
		<b><u>8,119</u></b>	<b><u>9,165</u></b>

The accounting policies on pages 127 to 130 and the notes on pages 131 to 142 form an integral part of these financial statements.

## Appendix A3

### STATEMENT OF CASH FLOWS For The Year Ended 31 December 2005

		2005 ₦ Million	2004 ₦ Million
<b>Cash flows from operating activities</b>			
Net cash flow before changes in operating activities	17	(18,243)	3,825
Changes in operating activities	18	1,165,777	1,396,987
<hr/>			
Net cash flow from operating activities		<u>1,147,534</u>	<u>1,400,812</u>
<b>Cash flows from investing activities</b>			
Increase in foreign marketable securities		(116,254)	(337,256)
Decrease in Federal Government securities		212,188	82,212
Decrease in rediscount and advances		38,802	11,485
Purchase of equity investment		(9,844)	(3,667)
Net movement in exchange difference on promissory notes		-	(19,625)
Increase in time deposit		(551,726)	(934,394)
Additions to fixed assets		(13,082)	9951
Proceeds from disposal of fixed assets		56	17
<hr/>			
Net cash used in investing activities		<u>(439,860)</u>	<u>(1,211,179)</u>
<b>Cash flows from financing activities</b>			
Repurchase agreement		7,786	16,218
Surplus paid to the Federal Government of Nigeria		(7,862)	(19,864)
Special drawing rights		-	(24)
Net Cash used in financing activities		<u>(76)</u>	<u>(3,670)</u>
<hr/>			
Net cash flow for the year		707,598	185,963
Exchange Rate Effect		(81,565)	(77,541)
Cash and cash equivalents at 1 January		<u>612,056</u>	<u>503,634</u>
<hr/>			
Cash and cash equivalents at 31 December		<u>1,238,089</u>	<u>612,056</u>

Cash and cash equivalents in the statement of cash flows comprise those items that could be liquidated in two working days and are used for the day-to-day cash management of the Bank. These include foreign currency cash, current accounts and call deposits with foreign banks.

## Appendix B1

### Statement of Accounting Policies

A summary of the accounting policies adopted by the Bank is set out below:

**(a) Basis of Accounting**

The Central Bank of Nigeria Act no. 24 of 1991 (as amended) does not prescribe a format or basis for the Bank's annual financial statements. However, these financial statements have been prepared on the basis of historical cost accounting and also present fairly the state of affairs of the Bank and its surplus in accordance with generally accepted accounting principles.

**(b) Changes in Accounting Policies**

During the year, the Bank adopted International Accounting Standards (IAS) 16 and 21 on Property, Plant and Equipment and Effects of Changes in Foreign Exchange rate respectively to fully comply with International Accounting Standards in all respects.

**(c) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line method to write off the cost of each asset over its estimated useful life at the following annual rates:

Land and Buildings	2%
Motor Vehicles	10- 20%
Plant, Machinery & Equipment	10- 15%
Furniture and Fittings	20%
Computer Equipment	33.33%

Prior to the current accounting year, expenditure on land and buildings were written off in the year of purchase against provision for capital projects. All other fixed assets were expensed in the year of purchase.

**(d) Consolidation**

Investments in development banks and other related financial institutions are not consolidated but accounted for as other securities because these institutions operate under severe long term control restrictions, which impair their ability to transfer funds to the Bank and the Bank's ability to exercise the rights as a parent company over the assets or management of these institutions. In addition, the activities of these institutions and some of their accounting policies are different from that of the Bank.

**(e) Gold**

The Bank's gold is stated at cost.

## Appendix B1 (Cont'd)

### (f) **Foreign Currency**

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into Naira at exchange rates ruling at the balance sheet date.

Gains and losses arising from currency translation are included in the income and expenditure account.

Prior to the current accounting year, all losses were charged to the income and expenditure account whilst exchange gains were transferred to a foreign currency revaluation suspense account.

### (g) **Federal Government Securities**

The Bank's investment in Federal Government securities is stated at face value. Unearned income is deferred and amortised as earned.

### (h) **Sale and Repurchase Agreement (repo and reverse repo)**

Securities purchased under agreements to resell are recorded as funds receivable under the heading: "Rediscount and advances". Likewise, securities sold under agreement to repurchase are disclosed as "other liabilities". The differences between the purchase and sale prices are treated as interest and accrued evenly over the life of the repo and reverse repo transactions.

### (i) **Advances to Banks**

Advances to banks are stated net of provision for bad and doubtful debts.

Provision for bad and doubtful debts are made as considered necessary, having regard to both specific and general factors in line with the CBN Prudential Guidelines for licensed banks. The general factors arise in relation to existing losses which, although not separately identified, are known from experience to be present in any portfolio of bank advances. Provisions made (less amounts released) during the year are charged to the income and expenditure account for the year.

### (j) **Other Securities**

Other securities are stated at cost, less provision for diminution in value where appropriate.

### (k) **Currency in Circulation**

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability in respect of notes and coins in issue as at the balance sheet date is stated at the nominal value of the currency.

## Appendix B1 (Cont'd)

### (l) Other Miscellaneous Provisions

Charges made by way of provisions in the income and expenditure account are as follows:

#### Internal Currency Insurance

This provision is accumulated to cover possible losses that could arise on currency stock held within the Bank and in transit.

#### Contingency

This provision is made to cover unexpected losses in the value of investments and other assets not specifically covered by other provisions.

### (m) Self Insurance Schemes

The Bank operates self-administered insurance schemes for all potential losses for currency in transit and in vaults and for replacement and major repairs for its fleet of vehicles. Annual appropriations are made based on past experience. The schemes are funded by the Bank and managed by a Board of Trustees.

### (n) General Reserve

An annual transfer is made to the general reserve account of an amount representing approximately 1/6 of the operating surplus of the Bank for the year. This is in accordance with part II Section 5(2) of the Central Bank of Nigeria Act No. 24 of 1991 (as amended).

### (o) Income Recognition

Credits to the income and expenditure accounts are recognized as follows:

- Interest - recognized on accrual basis;
- Commission and fees charged to customers for services rendered recognized at the time the services or transactions are effected; and
- Investment income recognized on accrual basis.

**(p) Retirement Benefits**

The Bank operates a non-contributory defined benefit pension scheme with contributions of 33.33% of the employee's annual basic salary and certain allowances. The expected cost is charged to the income and expenditure account over the service lives of the employees entitled to these benefits. The pension fund is actuarially assessed every three years and any deficiency resulting from this assessment is amortised over a period not exceeding five years, in line with the Statement of Accounting Standards (SAS) No. 8 on Accounting for Employees' Retirement Benefits.

## Appendix B2

### NOTES TO THE ACCOUNTS

1. The Central Bank of Nigeria (CBN) is the apex regulatory authority of the financial system in Nigeria. It was established by the Central Bank of Nigeria Act of 1958, as amended by CBN Act No 24 of 1991. It commenced operations on 1 July 1959.

The issued share capital of the Bank is held by the Federal Government of Nigeria. The principal objectives of the Bank are to issue legal tender currency, maintain external reserves to safeguard the international value of the legal tender currency, promote monetary stability and a sound financial system in Nigeria and act as bankers and financial adviser to the Federal Government of Nigeria (FGN).

2. External reserves

These comprise:

	<u>2005</u>	<u>2004</u>
	N' Million	N' Million
Convertible Currencies (see Notes 2(i) and 2(ii))	3,835,337	2,478,524
IMF Reserve Tranche	23	23
- Special Drawing Rights	54	54
Gold (see Note 2(iii))	19	19
	<u>3,835,433</u>	<u>2,478,620</u>
(i) Convertible currencies comprise:		
Currency accounts with foreign banks	1,185,993	574,822
Time deposits and money employed	2,314,629	1,452,103
Domiciliary accounts	131,687	135,714
Other foreign securities	182,316	298,570
Sundry currencies and travellers cheques	20,712	17,315
	<u>3,835,337</u>	<u>2,478,524</u>

Included in convertible currencies is an amount of ₦1,526.24 billion (2004- ₦ 1,172.41 billion), which represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts for letters of credit transactions and other purposes. The corresponding liability for this amount is included in deposits (see Note 9).

## Appendix B2 (Cont'd)

(ii) Analysis by currency:

	2005	2004
	₦' Million	₦' Million
United States Dollars	3,584,512	2,261,248
British Pounds Sterling	75,298	98,332
Euro	173,911	116,071
Japanese Yen	1,568	1,860
Others	48	1,013
	3,835,337	2,478,524

(iii) The market value of gold held as at 31 December, 2005 was ₦45.816 billion (2004= ₦39.938 billion).

### 3. Federal Government securities

These comprise:

	2005	2004
	₦' Million	₦' Million
Nigerian treasury bonds	90,000	342,425
Nigerian treasury bills (see Note 3(i))	72,290	31,956
Nigerian development stocks	133	230
	162,423	374,611

(i) Included in Nigerian treasury bonds and bills is an amount of ₦7.786 billion (2004: ₦16.218 billion) being the face value of treasury bills sold under repurchase agreements. The related liability is disclosed in Note 13.

### 4. Rediscount and advances

These comprise:

	2005	2004
	₦' Million	₦' Million
Nigerian treasury bills	18,175	66,979
Advances to Federal Mortgage Bank of Nigeria (Guaranteed by the Federal Government)	9	9
Overdrafts and advances (see Note 4(i))	10,450	1,545
Long term loans (see Note 4(ii))	-	8,184
	28,634	76,716

## Appendix B2 (Cont'd)

### (i) Overdrafts and advances include accommodation to deposit money banks:

	2005 ₦ Million	2004 ₦ Million
Distressed banks	24,817	29,204
Liquidated banks	10,290	11,786
Others	10,555	1,560
	<hr/>	<hr/>
	45,662	42,550
<b>Less: Provision for doubtful debt</b>		
- Specific	(35,107)	(40,989)
- General provision	(105)	(16)
	<hr/>	<hr/>
	<b>10,450</b>	<b>1,545</b>

### (ii) Long term loan

In 2001, the management of the Bank approved the reduction of the interest rate on loans to some banks from 13.5% to 3%, extended the moratorium period from one to two years and increased the repayment period to five years. Movement on account during the year is as follows:

	2005 ₦ Million	2004 ₦ Million
Balance at 1 January	49,383	42,099
Addition/(repayment) during the year	(1,096)	7,284
Forbearance granted on DMBs consolidation reform	(37,340)	-
	<hr/>	<hr/>
	10,947	49,383
<b>Provision for doubtful debt</b>	(10,947)	(41,199)
Balance at 31 December	<hr/>	<hr/>
	-	8,184

### 5. Other assets

These comprise:

Balances recoverable from the Federal Government of Nigeria (see Notes 5(i))	-	1,122
Receivable from Agric Credit Guarantee Scheme Fund	345	-
Accrued interest receivable	22,026	21,778
Sundry assets (see Note 5(iii))	7,362	7,669
	<hr/>	<hr/>
	29,733	30,569
<b>Provision for doubtful balances</b>	-	(225)
	<hr/>	<hr/>
	<b>29,733</b>	<b>30,344</b>

### (i) Balances recoverable from the Federal Government of Nigeria

Net Loss on cancelled and redeemed Promissory notes (see Note 5(ii))	(1)	1,121
Refinancing charges	1	1
	<hr/>	<hr/>
	-	1,122

## Appendix B2 (Cont'd)

(ii) Net loss on cancelled and redeemed promissory notes includes:

	2005 ₦' Million	2004 ₦' Million
Balance at 1 January	1,121	1,217
Exchange Loss		
On principal repayment (see Note 7)	-	17,000
	1,121	18,217
Repayment-FGN external creditors funding account (see Note (11))	-	(17,096)
Recovered and transferred to Debt Management Office	(1,121)	-
Balance at 31 December	-	1,121

(iii) Sundry assets include:

CBN SME accounts (see Note 12)	4,666	4,823
Staff loans	1,949	1,978
IMF local currency subscription	622	622
Prepayments	10	21
Fuel, printing, stationery	115	225
	7,362	7,669

6. Other securities

These include:

Equity investments (see Note 6(i))	25,578	15,734
Other investments (see Note 6(ii))	1,200	1,200
	26,778	16,934
Provision for diminution in value of other securities	(2,690)	(2,690)
	24,088	14,244

## Appendix B2 (Cont'd)

(i) Equity investments comprise investments in:

	2005 ₦ Million	2004 ₦ Million
Bank of Industry (BOI)	3,049	3,049
Abuja Commodity Exchange	408	408
Federal Mortgage Bank of Nigeria	60	60
Nigeria Deposit Insurance Corporation	1,380	1,380
Nigerian Agriculture Cooperative and Rural Development Bank Limited.	4,027	4,027
Nigerian Export-Import Bank	6,250	3,750
Nigerian Security Printing and Minting Company Ltd.	<u>10,404</u>	<u>3,060</u>
	<u>25,578</u>	<u>15,734</u>

(ii) Other investments include:

Agricultural Credit Guarantee Scheme Fund	<u>1,200</u>	<u>1,200</u>
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### 7. Exchange difference on promissory notes

Movement on this account during the year was as follows:

Balance at 1 January	67,349	86,974
Revaluation adjustment (see Note 11)	-	(2,625)
	<u>67,349</u>	<u>84,349</u>
Exchange loss:		
* On Principal Repayment (see Note 5(ii))	-	(17,000)
* Eliminated on transfer to Debts Management Office	(67,349)	-
Balance at 31 December	<u>-</u>	<u>67,349</u>

Exchange difference on promissory notes results from the translation of US\$ Trade Debts Promissory Notes at the ruling rate at year end and is fully recoverable on crystallisation from the Federal Government of Nigeria on whose behalf the trade debt promissory notes were issued.

## Appendix B2 (Cont'd)

8 Fixed Assets	Land & building	Plant & equipment	Furniture & fittings	Computers	Motor vehicles	Assets under Construction	Total
Cost/Valuation	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M
1-January	82,494	18,984	4,135	4,060	5,536	12,422	127,631
Additions	729	2,143	96	1,342	214	8,558	13,082
Disposals	-	(4)	(91)	(1)	(271)	-	(367)
31-December	<u>83,223</u>	<u>21,123</u>	<u>4,140</u>	<u>5,401</u>	<u>5,479</u>	<u>20,980</u>	<u>140,346</u>
Depreciation							
At 1 January	3,096	4,002	1,344	2,495	1,488	-	12,425
Charge for the yr.	1,655	3,160	830	1,798	809	-	8,252
Disposals	-	(2)	(36)	(1)	(81)	-	(120)
31-Dec.	<u>4,751</u>	<u>7,160</u>	<u>2,138</u>	<u>4,292</u>	<u>2,216</u>	<u>-</u>	<u>20,557</u>
Net Book Value							
At 31 Dec. 2005	<u>78,472</u>	<u>13,963</u>	<u>2,002</u>	<u>1,109</u>	<u>3,263</u>	<u>20,980</u>	<u>119,789</u>
At 31 Dec. 2004	<u>79,398</u>	<u>14,982</u>	<u>2,791</u>	<u>1,565</u>	<u>4,048</u>	<u>12,422</u>	<u>115,206</u>

During the year, the Bank incorporated assets that had previously been written off. All the assets, except motor vehicles and the new Head Office were valued by Onakanmi & Partners, Supo Ojo & Co., Ora Egbunike & Associates, Bello & Co., Adamu Mohammed & Partners, Olatoye Ogundana & Partners, 'Dosu Fatokun & Co., and Mohammed & Co. (all Estate Surveyors and Valuers). The assets were valued as at December, 2002 on either an open market basis assuming a willing seller and able buyer or depreciated replacement cost basis where market information was not available. Additions during the year have been incorporated at cost.

## Appendix B2 (Cont'd)

### 9. Deposits

These comprise:

	2005 ₦' Million	2004 ₦' Million
Governments	1,305,642	610,892
Banks	150,746	224,955
CBN Instruments (see notes 9 (i))	174,228	88,975
Others accounts include: (see Notes 2(i) and 9(ii))	1,526,235	1,172,412
	3,156,851	2,097,234
	3,156,851	2,097,234

(i) During the year ended 31 Dec. 2005 the Bank issued CBN bills to the public to the tune of ₦174.228 billion through open market operations. In 2004 ₦88.975 billion instruments were issued with a coupon rate at par with some tranches of Federal Government Treasury Bonds through the process of repo activity in the open market operations.

(ii) Other accounts include:

Domiciliary accounts	131,687	135,714
FGN PPT Naira funding account	821,561	465,680
Special reserve account	482	14,354
FGN excess crude oil proceeds (Naira funding) account	432,444	479,820
Letters of credit consolidated account	39,975	54,550
FGN (external creditors) funding account	69,771	12,860
NNPC/ NAPIMS cash call account	6,353	6353
Deposits for Naira draft account	16,635	868
Monetary policy stabilization account	4,617	-
Sundry accounts	2,710	2,213
	1,526,235	1,172,412
	1,526,235	1,172,412

### 10 Currency in circulation

Currency in circulation comprises:

	2005 ₦' Million	2004 ₦' Million
Notes	638,994	542,407
Coins	3,382	3,397
	642,376	545,803
	642,376	545,803

## Appendix B2 (Cont'd)

### 11. Trade debt promissory notes

The movement on this account during the year was as follows:

	2005 ₦ Million	2004 ₦ Million
Balance, beginning of year	67,734	87,455
Revaluation adjustment (see Note 7)	-	(2,625)
Transferred to Debt management Office	(67,734)	-
	-----	-----
Principal Repayment (see Note 5 (ii))	-	84,830 (17,096)
	-----	-----
Balance at 31 December	-	67,734
	=====	=====

- (i) On 14 January, 1988 new Promissory Notes were issued by the Central Bank of Nigeria on behalf of the Federal Government of Nigeria to refinance the debts on the old Promissory Notes including the arrears of interest to 5 January, 1988 under the following terms:-

In the two years moratorium period:]

- repayment in eight (8) quarterly instalments at the rate of 1.25% of the face value of the note; and
- thereafter 79 quarterly instalments at the rate of 2% of the face value of the note from 5 April, 1990 through to year 2010.

On 2 November 2001 a memorandum of understanding (MOU) was signed between the Central Bank of Nigeria and the Debt Management Office (DMO) of the Presidency to transfer all “documents, data records and equipment maintained by CBN pertaining to debt management” to the DMO. A c c o r d i n g l y , all functions currently performed by the Refinancing Office of CBN in relation to short-term private sector Paris Club debts, Promissory Notes and Par Bonds” were transferred to the DMO by 15 November, 2001. The MOU also provides that all such “certificates shall in the meantime remain in the custody of CBN but the DMO shall at all times have unhindered access to them”.

The promissory notes were transferred to the Debt Management Office (DMO) during the year.

## Appendix B2 (Cont'd)

### 12. Other foreign currency liabilities

These comprise:

	2005	2004
	₦' Million	₦' Million
IBRD SME Loan (see Note 5 (iii))	4,666	4,823
Bank of Tokyo Commodity Loan	1	1
	<u>4,667</u>	<u>4,824</u>
	=====	=====

### 13. Other liabilities Other liabilities comprises:

Special provision Foreign currency revaluation suspense (see note 13(i))	167,247	227,111
Miscellaneous provisions (see Note 13(ii))	39,349	26,599
Surplus available to the Federal Government (see Note 13(iv))	6,675	7,771
IMF Allocation of Special Drawing Rights	1,132	1,132
Charges accrued due	12,661	8,248
Sundry payment account and interest payable	14,395	8,132
Treasury bills on repurchase agreement (see Note 3(i))	7,786	16,218
Errors & omissions	33	43
Uncleared effects	1,150	1,461
	<u>250,428</u>	<u>296,715</u>
	=====	=====

#### (i) Special provision- Foreign currency revaluation suspense

The movement of these accounts during the year was as follows:

Balance at 1 January	227,111	295,860
Net loss on revaluation during the year	<u>(81,565)</u>	<u>(87,790)</u>
	145,546	208,070
Transferred from miscellaneous provision	<u>-</u>	<u>10,249</u>
	145,546	218,319
Realised loss charged to profit and loss accounts	<u>21,701</u>	<u>8,792</u>
<b>Balance at 31 December</b>	<u><b>167,247</b></u>	<u><b>227,111</b></u>

The special provision represents unrealized exchange gains. It was created with the approval of the President, under section 5 (1) (b) of the CBN act. 1991 as amended.

(ii) **Miscellaneous provisions**

The movement of these accounts during the year was as follows:

	Balance at 1 January 2005 ₦'M	Charged during the Year ₦'M	Balance at 31 December 2005 ₦'M
Contingency	9,856	12,250	22,106
Internal currency insurance	5,800	500	6,300
Capital project	10,603	-	10,603
Agricultural credit fund	<u>340</u>	<u>-</u>	<u>340</u>
	<u>26,599</u>	<u>12,750</u>	<u>39,349</u>

(iii) Included in provision for contingency is the shortfall of the actuarial valuation of the Bank's Staff Pension Fund. The actuarial valuation of the Fund as at 30 June, 2004 was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited. The valuation disclosed a deficiency of ₦19.067 billion in the value of the Pension Fund which is required to cover the estimated terminal benefits of existing employees up to their estimated retirement ages, based on prevailing demographic factors. The shortfall has outstanding balance of ₦6.817 billion which will be charged over a period of two years.

(iv) **The movement on surplus available to the FGN during the year was as follows:**

	2005 ₦' Million	2004 ₦' Million
Balance, beginning of year	7,771	19,998
Surplus for the year	6,766	7,637
Payments during the year	(7,862)	(19,864)
Balance, end of year	<u>6,675</u>	<u>7,771</u>
<b>14. Share capital</b>		
Authorised share capital	<u>5,000</u>	<u>5,000</u>
Issued and fully paid	<u>3,000</u>	<u>3,000</u>
<b>15. General reserve</b>		
The movement in the account during the year was as follows:		
	2005 ₦' Million	2004 ₦' million
Balance, beginning of year	46,179	44,651
Transfer from appropriation account	1,353	1,528
Balance, end of year	<u>47,532</u>	<u>46,179</u>

## Appendix B2 (Cont'd)

16.	<b>Assets revaluation reserve</b>	<b>2005</b> ₦'m	<b>2004</b> ₦'m
	The movement on this account during the year was as follows:		
	Balance at 1 January	95,601	95,601
	Realised on disposals (See Note 8)	<u>(355)</u>	<u>-</u>
	<b>Balance at 31 December</b>	<b><u>95,246</u></b>	<b><u>95,601</u></b>
	This amount represents surplus arising from the incorporation in the financial statements assets that were previously written off in the financial statements at 31 December 2003.		
17.	<b>Net cash flow from operating activities comprise:</b>		
	Surplus available for appropriation	8,119	9,165
	Adjustment		
	Depreciation	8,252	7,006
	(Profit)/Loss on disposal of fixed assets	(163)	446
	Exchange loss	(21,701)	(8,792)
	Movement in provision	<u>(12,750)</u>	<u>(4,000)</u>
	Net cash flow before changes in operating activities	<u>(18,243)</u>	<u>3,825</u>
18.	<b>Changes in operating activities:</b>		
	(Decrease)/increase in other assets	(611)	433
	Increase in deposit	1,059,617	1,348,103
	Increase in currency in circulation	96,573	43,549
	Decrease in other foreign currency liabilities	(157)	(1,158)
	Increase in other liabilities	<u>10,355</u>	<u>6,060</u>
		<u>1,165,777</u>	<u>1,396,987</u>
19.	<b>Operating expenses</b>		
	Operating expenses comprise:		
	Staff costs	23,906	24,690
	Administrative Expenses	14,763	12,418
	Depreciation charge	8,252	7,006
	Provision for doubtful loans and overdraft	935	7,328
	Currency issue expenses	24,009	21,543
	Others operating expense (See Note 19 (i))	1,695	1,489
		<u>73,560</u>	<u>74,474</u>
		=====	=====
(i)	<b>Other operating expenses comprise:</b>		
	Directors' fees and allowances	91	81
	Expenditure on furniture, equipment, vehicles and supplies	1,225	714
	Computer systems development	31	251
	Bank charges	121	81
	Project Eagle expenses	<u>227</u>	<u>362</u>
		<u>1,695</u>	<u>1,489</u>

## **20. Contingent liabilities**

There were contingent liabilities in respect of legal actions against the Bank for amounts totalling ₦140.732 billion (2004: ₦163.752 billion) for which no provision has been made in the financial statements. The Directors are of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of financial affairs of the Bank have been taken into consideration in the preparation of these financial statements.

## **21. Capital Commitments**

At 31 December 2005, the amount of capital expenditure authorized by the Board and still unspent was ₦ 4.411 billion (2004: ₦4.461 billion).

## **22. Related party transactions**

Related parties to the Bank are the Federal Government of Nigeria and the Nigerian Security Printing and Minting Company (NSPMC) Limited. The Bank acts as the banker and financial adviser to the Federal Government of Nigeria and as its agent in promoting monetary stability. During the year, the Bank paid NSPMC ₦26.749 billion (2004- ₦21.543 billion) as currency issue expenses.

## **23. Taxation**

Income tax payable is not provided for in the financial statements as the Bank is exempted from taxation.

## **24. Approval of the financial statements**

In accordance with the Central Bank of Nigeria Act No. 24 of 1991 (as amended), the Board of the Bank approved the financial statement for the year ended 31 December, 2005, on 22 February, 2006.

## Appendix B3

### Auditors' Report

We have audited the balance sheet of Central Bank of Nigeria (the “Bank”) as at 31 December, 2005 and the related income and expenditure account and statement of cash flows for the year then ended, set out on pages 127 to 142 and prepared on the basis of the accounting policies set out on pages 127 to 130.

#### **Respective responsibilities of Directors and Auditors**

The Directors of the Bank are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to express our opinion thereon.

#### **Basis of our opinion**

We conducted our audit in accordance with the international standards on auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgment made by the Board of Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, and assessed whether the Bank's books of account had been properly kept. We have obtained all the information and explanations we required for the purpose of our audit.

#### **Opinion**

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records. The financial statements, on the basis of the accounting policies, give a true and fair view of the state of affairs of the Bank as at 31 December, 2005, and its surplus and of its cash flows for the year ended on that date, and comply with the Central Bank of Nigeria Act No 24 of 1991 (as amended).

Akintola Williams Deloitte  
A member firm of  
Deloitte Touche Tohmatsu  
Chartered Accountants

22 February, 2006  
Abuja, Nigeria