

Table 2.5  
Balance Sheet As At 31st December, 2002

	Notes	2002 Naira million	2001 Naira million
<b>ASSETS</b>			
External Reserves	2	1,013,514	1,181,652
Federal Government Securities	3	532,453	738,585
Rediscount And Advances	4	23,480	7,273
Other Assets	5	31,590	34,422
Other Securities	6	4,650	3,650
Exchange Difference on Promissory Notes	7	104,359	109,813
		<u>1,710,046</u>	<u>2,075,395</u>
<b>LIABILITIES</b>			
Deposits	8	701,982	1,131,652
Currency in Circulation	9	463,153	403,506
Trade Debt Promissory Notes	10	104,982	110,547
Other Foreign Currency Liabilities	11	5,574	6,619
Other Liabilities	12	390,882	385,544
		<u>1,666,573</u>	<u>2,037,868</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	13	3,000	3,000
General Reserve	14	40,473	34,527
		<u>43,473</u>	<u>37,527</u>
		<u>1,710,046</u>	<u>2,075,395</u>
Contingent Liabilities	16	<u>55,933</u>	<u>21,816</u>

Approved by the Board of Directors on 27 February 2003

Chief (Dr.) Joseph Oladele Sanusi (CON) Governor

Alhaji Mahey R. Rasheed Deputy Governor (Operations)

Mallam Bashiru Tukur Director

Alh. M. S. Garba Director of Finance

The accounting policies and Notes 1-21 form an integral part of these financial statements.

Table 2.6  
Income and Expenditure Account  
For The Year Ended 31st December, 2002

	Notes	2002	2001
		Naira million	Naira million
Net Interest Income		86,769	87,745
Other Income		15,248	21,895
<b>Total Income</b>		<b>102,017</b>	<b>109,640</b>
Operating Expenses		(57,043)	(38,432)
Surplus before provisions		44,974	71,208
Net (charge to)/release from provisions	12	(9,300)	12,414
Surplus after provisions		35,674	83,622
Exceptional items	15	-	(20,311)
<b>Surplus available for appropriation</b>		<b>35,674</b>	<b>63,311</b>
<b>Appropriation Account</b>			
Transfer to general reserve	14	5,946	10,552
Surplus available to the Federal Government of Nigeria	12	29,728	52,759
		<b>35,674</b>	<b>63,311</b>

The accounting policies and Notes 1-21 form an integral part of these financial statements.

## **Table 2.7**

### **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 to present fairly the state of affairs of the Bank and its surplus in accordance with generally accepted accounting principles.

The Bank has adopted accounting policies, which are considered by the directors to be more prudent and appropriate to the Bank's circumstances and the practice followed by central banks in other countries. The accounting policies, which are specific to the functions of the Bank, are with respect to accounting for fixed assets; commitments for capital expenditure and foreign currency gains and losses.

#### **b. 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.

#### **(c) Gold**

The Bank's gold is stated at cost.

#### **(d) Foreign Currency Translation**

Transactions in foreign currencies are translated to Naira 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. Net realised and unrealised gains arising from currency translations are transferred to a foreign currency revaluation suspense account.

#### **(e) Federal Government Securities**

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

#### **(f) 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.

#### **(g) 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

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements 31<sup>st</sup> December, 2002**

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.

**(h) Other Securities**

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

**(i) Fixed Assets**

Expenditure on land and buildings are written off against provision for capital projects. Other fixed assets such as motor vehicles, furniture and equipment are written off to operating expenses in the year of purchase. Any amounts realised on the disposal of fixed assets are included in the income and expenditure account.

**(j) 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.

**(k) Charges Accrued Due**

Capital expenditure commitments for the year, not necessarily executed at the end of the year, are provided for in the financial statements.

**(l) Other Miscellaneous Provision**

Charges made by way of provisions to 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.

***Exchange Fluctuation***

This represents amounts set aside to meet possible losses that may arise from foreign exchange fluctuations.

***Agricultural Credit Fund***

This is the amount required to meet the Bank's commitment in respect of the Agricultural Credit Guarantee Scheme Fund.

***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;
- Investment income – recognized on accrual basis.

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements 31<sup>st</sup> December, 2002**

**(p) Retirement Benefits**

The Bank operates a non-contributory defined benefit pension scheme with contributions of 33 1/3% 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.

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<sup>st</sup> 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>2002</u>	<u>2001</u>
	<b>N<sup>o</sup> Million</b>	<b>N<sup>o</sup> Million</b>
Convertible Currencies (see Notes 2(i) and 2(ii))	1,013,454	1,181,538
IMF - Reserve Tranche	23	20
- Special Drawing Rights	18	75
Gold (see note 2(iii))	19	19
	<u>1,013,514</u>	<u>1,181,652</u>
 (i) <b>Convertible Currencies comprise:</b>	 <u>2002</u>	 <u>2001</u>
Current accounts with foreign banks	339,386	391,502
Time deposits and money employed	562,472	745,856
Other foreign securities	85,980	37,723
Sundry currencies and travellers cheques	25,616	6,457
	<u>1,013,454</u>	<u>1,181,538</u>

Included in convertible currencies is an amount of N204.298 billion (2000 – N581.486 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 dedicated purposes. The corresponding liabilities for this amount are included in deposits (see Note 8).

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

(ii) Analysis by currency:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
United States Dollars	933,526	1,114,430
British Pounds Sterling	61,870	47,690
Euro	15,471	10,329
Japanese Yen	2,459	2,190
Others	<u>128</u>	<u>6,899</u>
	<b><u>1,013,454</u></b>	<b><u>1,181,538</u></b>

(iii) The market value of gold held as at 31 December, 2001 was ₦30.298 billion (2001 – N21.56 billion).

### 3. Federal Government Securities:

These comprise:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Nigerian treasury bonds	371,650	383,387
Nigerian treasury bills (see Note 3(i))	160,301	354,588
Nigerian development stocks	502	610
	<b><u>532,453</u></b>	<b><u>738,585</u></b>

(i) Included in Nigerian treasury bonds and bills is an amount of N49.061 billion (2001: N40.675 billion) being the face value of treasury bills sold under repurchase agreements. The related liability is disclosed in Note 12.

### 4. Rediscount and advances:

These comprise:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Nigerian treasury bills	2,582	1,403
Advances to Federal Mortgage Bank of Nigeria (Guaranteed by the Federal Government)	9	9
Overdrafts and advances (see Note 4 [i])	17,038	1,754
Long term loans (see Note 4 [ii])	<u>3,852</u>	<u>4,107</u>
	<b><u>23,481</u></b>	<b><u>7,273</u></b>

(i) Overdrafts and advances include accommodation to banks

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Distressed banks	7,458	3,602
Liquidated banks	11,607	11,054
Others	<u>17,246</u>	<u>1,771</u>
	<b><u>36,311</u></b>	<b><u>16,427</u></b>

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

Less: Provisions for doubtful debt		
Specific	(19,065)	(14,020)
a. Interest in suspense	(36)	(36)
b. General provision	<u>(172)</u>	<u>(17)</u>
	<u>17,038</u>	<u>1,754</u>

(ii) Long Term Loan

In 2001, Bank's management approved the reduction of the interest rate on loans to recapitalise banks from 13.5% to 3%, extended the moratorium period from one to two years and increase the repayment period to five years.

Movement on account during the year is as follows:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Balance brought forward	4,107	4,107
Repayment during the year	<u>(255)</u>	<u>-</u>
	<u>3,852</u>	<u>4,107</u>

**5. Other assets:**

These comprise:

Balances recoverable from Federal Government of Nigeria (see Note 5 (i))	1,525	2,131
Accrued interest receivable	20,326	20,961
Sundry assets (see Note 5(iii))	9,964	<u>11,555</u>
	<u>31,815</u>	<u>34,647</u>
Provision for doubtful balance	(225)	(225)
	<u>31,590</u>	<u>34,422</u>

(i) Balances recoverable from Federal Government of Nigeria

Net Loss on cancelled and redeemed Promissory notes (see Note 5[ii])	1,524	2,130
Refinancing charges	<u>1</u>	<u>1</u>
	<u>1,525</u>	<u>2,131</u>

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

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Balance, beginning of year	2,130	11,481
Repayment by FGN through surplus set off (see Note 12 [ii])	(2,130)	(11,481)
Exchange Loss		
- On principal repayment (see Note 7)	15,773	10,200
- On conversion (see Note 7)	2,081	2,997
	<u>17,854</u>	<u>13,197</u>
Repayment – FGN external creditors		
Funding account (see Note 10)	<u>(15,871)</u>	<u>(10,269)</u>
	1,983	2,928
DCC transaction commission	(42)	(57)
Discount on conversion	(417)	(741)
Balance, end of year	<u>1,524</u>	<u>2,130</u>
 (iii) Sundry assets include:		
CBN SME accounts (see Note 11)	5,573	6,618
Staff loans	2,230	3,149
IMF local currency subscription	622	622
Prepayments	67	68
Others	<u>1,472</u>	<u>1,098</u>
	<u>9,964</u>	<u>11,555</u>
 <b>6. Other securities:</b>		
These include:		
Equity investments (see Note 6(i))	6,040	5,040
Other investments (see Note 6(ii))	<u>1,300</u>	<u>1,300</u>
	7,340	6,340
Provision for diminution in value of other Securities	<u>(2,690)</u>	<u>(2,690)</u>
	<u>4,650</u>	<u>3,650</u>
 (i) Equity investments comprise investments in:		
	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
The Nigerian Bank for Commerce and Industry	240	240
Nigerian Industrial Development Bank Ltd	<u>542</u>	<u>542</u>



**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

<b>Now Bank of Industry (BOI)</b>	<b>782</b>	<b>782</b>
Abuja Commodity Exchange	408	408
Federal Mortgage Bank of Nigeria	60	60
Nigerian Deposit Insurance Corporation	1,380	1,380
Nigerian Agricultural and Cooperative Bank Ltd	400	400
Nigerian Export Import Bank	2,950	1,950
Nigerian Security Printing and Minting Company Ltd	<u>60</u>	<u>60</u>
	<u><b>6,040</b></u>	<u><b>5,040</b></u>

(ii) Other investments include:

Agricultural Credit Guarantee Scheme Fund	1,200	1,200
National Economic Reconstruction Fund	<u>100</u>	<u>100</u>
	<u><b>1,300</b></u>	<u><b>1,300</b></u>

**7. Exchange difference on promissory notes:**

Movement on this account during the year was

as follows:

Balance, beginning of year	109,813	119,642
Revaluation adjustment (see Note 10)	<u>12,400</u>	<u>3,368</u>
	122,213	123,010
Exchange loss:		
- On Principal Repayment (see Note 5 (ii))	(15,773)	(10,200)
- On Debts Conversion (see Note 5 (ii))	<u>(2,081)</u>	<u>(2,997)</u>
Balance, end of year	<u><b>104,359</b></u>	<u><b>109,813</b></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.

**8. Deposits:**

These comprise:

Governments	369,402	343,034
Banks	128,282	142,375
Others – dedicated accounts (see Note 2 (i) and Note 8 (i) below)	204,298	581,486
CBN Certificates (see Note 8 (ii) below)	<u>-</u>	<u>64,757</u>
	<u><b>701,982</b></u>	<u><b>1,131,652</b></u>

(i) Others – dedicated accounts include:

FGN PPT Naira funding account	74,977	288,167
Special reserve account	450	98,093
FGN excess crude oil proceeds (naira funding) account	5	120,263
Letters of credit consolidated account	51,232	33,386
FGN (external creditors) funding account	65,293	13,438

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

NAPIMS cash call account	6,353	6,353
Others	<u>5,988</u>	<u>21,786</u>
	<u>204,298</u>	<u>581,486</u>

(ii) CBN Certificates

CBN Certificates were offered for subscription to the public for either 180 or 360 days. The instrument was introduced by the CBN in April 2001 to complement monetary policy, and was discontinued during the year.

**9. Currency in Circulation:**

Currency in circulation comprises:

	<u>2002</u>	<u>2001</u>
Notes	423,264	363,949
Coins	<u>39,889</u>	<u>39,557</u>
	<u>463,153</u>	<u>403,506</u>

**10. Trade debts promissory notes:**

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

Balance, beginning of year	110,547	120,465
Revaluation adjustment (see Note 7)	<u>12,400</u>	<u>3,368</u>
	122,947	123,833
Principal Repayment (see Note 5 (ii))	(15,871)	(10,269)
Redeemed, through debt conversion	<u>(2,094)</u>	<u>(3,017)</u>
Balance, end of year	<u>104,982</u>	<u>110,547</u>

- (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 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. Accordingly, “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 exercise of debt reconciliation and negotiation is an on-going process, which is being handled by DMO and its external auditors.

- (ii) The total outstanding balance of Trade Debt Promissory Notes at 31 December, 2002 represents the Naira equivalent of promissory notes not yet redeemed, translated at the ruling

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

rate of N126.92 to the US dollar. The resulting exchange difference is recorded in Exchange difference on Promissory Notes account (Note 7) and is fully recoverable from the Federal Government of Nigeria. The total outstanding balance of trade debt Promissory Notes is also fully recoverable from the Federal Government of Nigeria, as the Bank is only acting as an intermediary on behalf of Government.

**11. Other foreign currency liabilities:**

These comprise:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
IBRD – SME Loan (see Note 5 (iii) )	5,573	6,618
Bank of Tokyo – Commodity Loan	<u>1</u>	<u>1</u>
	<u><b>5,574</b></u>	<u><b>6,619</b></u>

**12. Other liabilities:**

Other liabilities comprise:

Foreign currency revaluation suspense	262,701	216,073
Miscellaneous provisions (see Note 12(i))	29,348	30,709
Surplus available to the Federal Government (see note 12(ii))	28,605	50,998
IMF Allocation of Special Drawing Rights	1,132	1,132
Charges accrued due	6,455	3,124
Accrued pension fund deficit and restructuring Cost (see Note 15)	-	20,311
Sundries	9,691	15,826
Treasury bills on repurchase agreement (see Note 3 (i) )	49,061	40,675
Errors and Omissions	180	-
Uncleared effects	<u>3,709</u>	<u>6,696</u>
	<u><b>390,882</b></u>	<u><b>385,544</b></u>

(i) Miscellaneous provisions:

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

	<b>Balance at</b>	<b>Changed</b>	<b>Utilized</b>	<b>Balance at</b>
	<b>1 January</b>	<b>during the</b>	<b>During the</b>	<b>31 December</b>
	<u>2002</u>	<u>Year</u>	<u>Year</u>	<u>2002</u>
	<b>₦'Million</b>	<b>₦'Million</b>	<b>₦'Million</b>	<b>₦'Million</b>
Contingency	2,185	2000	(829)	3,356
Internal currency insurance	4,300	500	-	4,800
Capital project	13,635	6,800	(9,832)	10,603
Agricultural credit fund	340	-	-	340
Exchange rate fluctuation	<u>10,249</u>	<u>-</u>	<u>-</u>	<u>10,249</u>
	<u><b>30709</b></u>	<u><b>(9300)</b></u>	<u><b>(10,661)</b></u>	<u><b>29,348</b></u>

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

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

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Balance, beginning of year	50,998	40,448
Surplus for the year :	29,728	52,759
Transfer to balances recoverable from the Federal Government (see Note 5(ii))	(2,130)	(11,481)
Transfer to share capital (see Note 13)	-	(2,500)
Payments during the year	<u>(49,991)</u>	<u>(28,228)</u>
	<u>28,605</u>	<u>50,998</u>

**13. Share Capital**

Authorised share capital	<u>5,000</u>	<u>5,000</u>
Issued and fully paid		
Balance, beginning of year	3,000	500
Addition during the year	-	<u>2,500</u>
Balance, end of year	<u>3,000</u>	<u>3,000</u>

The authorised share capital was increased from ₦1 billion to ₦ 5 billion and the issued and fully paid up capital was increased from ₦500 million to ₦3 billion. The increase in issued and fully paid up share capital was met from the surplus available to the Federal Government in accordance with the Board of Directors resolution of 27 February, 2001.

**14. General reserve:**

The movement in the account during the year was as follows:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Balance, beginning of year	34,527	23,975
Transfer from appropriation account	<u>5,946</u>	<u>10,552</u>
Balance, end of year	<u>40,473</u>	<u>34,527</u>

**15. Exceptional Items**

These comprise:

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
Actuarial deficiency in pension fund (see Note 15(i))	-	11,511
Re-structuring costs – provision for early retirement (see Note 15 (ii))	-	8,800
	<u>-</u>	<u>20,311</u>

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

- (i) Messrs Ajibola Ogunshola & Co. (Actuaries, Pension and Investment Consultants) carried out actuarial valuation of the CBN staff pension fund as at 31 December 2000. The valuation revealed a deficiency of N11.511 billion subject to the maintenance of the currently enhanced contribution rate of 50%. Full provision was made for this amount in the 2001 financial statements.
- (ii) Management introduced an “Early Retirement Incentive Scheme” to all members of staff of Central Bank of Nigeria with defined qualification criteria. The estimated cost of the scheme was about N8.8 billion and was charged to the income and expenditure account in the 2001 financial statements.

To enable the Bank absorb the above amounts in full, an equivalent amount was released from miscellaneous provisions. The corresponding liability for these exceptional items is included in other liabilities (see note 12).

**16. Contingent liability:**

- (a) The directors advise that the Bank faces litigation, the resolution of which is uncertain, which has arisen in the ordinary course of business. Such litigation, seeks to recover amounts, which could, if awarded, be significant. The directors advise that they have taken appropriate legal advice and, have provided amounts which they consider to be a realistic appraisal of ultimate likely cost of these various claims. The provisions are subject to periodic review in light of facts known from time to time.

	<u>2002</u>	<u>2001</u>
	<b>₦'Million</b>	<b>₦'Million</b>
(b) These comprise:		
Pending litigation	55,933	21,816

This amount represents the estimated claims in respect of litigation pending against the Bank. In the opinion of directors, the various actions being contested will not result in any material loss to the Bank.

**17 Capital Commitment**

At 31 December 2002, the amount of capital expenditure authorised by the Board and still unspent was N 6.761 billion (2001: N 3.723 billion)

**18. Related party transactions:**

Related parties to the Bank are the Federal Government of Nigeria and the Nigerian Security Printing and Minting Company Limited (NSPMC). The Bank acts as the banker and financial adviser to the Federal Government of Nigeria and as its agent in promoting monetary stability. The Majority of the new notes issued by the Bank are printed by the

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

NSMPC. During the year, the Bank paid NSPMC ₦17.689 billion (2001 – N13.176 billion) as currency issue expenses.

**19. Taxation:**

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

**20. Prior year comparatives:**

Certain prior year balances have been reclassified to conform with current year classifications.

**21. Approval of accounts**

In accordance with the Central Bank of Nigeria Decree 24 of 1991 (as amended), the Board of the Bank met and considered accounts for the year ended 31 December, 2002, on 27 February, 2003.

**Table 2.7 (Cont'd)**  
**Notes on The Financial Statements – 31<sup>st</sup> December, 2002**

**AUDITORS' REPORT**

We have audited the balance sheet of Central Bank of Nigeria (the "Bank") as at 31 December, 2002 and the related income and expenditure account and statement of cash flows for the year then ended, set out on pages -- to -- and prepared on the basis of the accounting policies set out in the financial statements.

**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 accounts 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, on the basis of accounting policies, give a true and fair view of the state of affairs of the Bank as of 31st December, 2002, and its surplus and of its cash flows for the year then ended, and comply with the Central Bank of Nigeria Act 24 of 1991 (as amended).

**Chartered Accountants**  
**27th February, 2003**  
**Abuja, Nigeria**

**Akintola Williams**  
**Deloitte & Touche**