

LAGOS STATE SECURITY TRUST FUND  
REPORT OF THE TRUSTEES  
AUDITED ANNUAL FINANCIAL STATEMENTS  
AND  
OTHER NATIONAL DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2022

LAGOS STATE SECURITY TRUST FUND

REPORT OF THE TRUSTEES, AUDITED FINANCIAL STATEMENTS AND OTHER NATIONAL  
DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2022

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LAGOS STATE SECURITY TRUST FUND  
LEGAL AND ADMINISTRATIVE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2022

Registered Office  
Governor's Office  
Lagos House  
Secretariat, Alausa, Ikeja  
Lagos, Nigeria

Board of Trustees

Mr. Kehinde Durosinmi-Etti  
Mr. Segun Agbaje  
Mr. Ebenezer Onyeagwu  
Dr. Adesola Kareem Adeduntan  
Mr. Emeka Onwuka, OON  
Mr. Tayo Akinmade Ayinde  
Engr. Omotayo Bamgbose-Martins  
DIG Agboola Oshodi-Glover (Rtd)  
Otunba Niyi Adewunmi  
Dr. Ayodele Ogunsan

Chairman  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

Executive Secretary/Chief Executive Officer  
Dr Abdurrazaq Mobolaji Balogun

Bankers

Polaris Bank Limited  
Alausa Secretariat Branch  
Alausa, Ikeja, Lagos

Zenith Bank Plc  
Alausa Secretariat Branch  
Alausa, Ikeja, Lagos

First Bank of Nigeria Limited  
Acme Road, Ikeja, Lagos

Sterling Bank Limited  
Opebi Road, Ikeja, Lagos

Guaranty Trust Bank Limited  
Alausa Secretariat Branch  
Ikeja, Lagos

Access Bank Plc  
183 Obafemi Awolowo Way  
Ikeja, Lagos

Heritage Bank Plc  
7 Ashabi Cole Street,  
Central Business District, Ikeja, Lagos

United Bank for Africa Plc  
15, Industrial Avenue  
Ilupeju

Stanbic IBTC Bank Plc  
Ikeja City Mall Branch  
Shoprite  
Alausa, Lagos

Providus Bank Plc  
Plot 724 Adetokunbo Ademola Street  
Victoria Island  
Lagos

Fidelity Bank Plc  
84, Ladipo Street  
Matori, Lagos

Coronation Merchant Bank Limited  
10, Amodu Ojikutu Street  
Victoria Island, Lagos

LAGOS STATE SECURITY TRUST FUND

LEGAL AND ADMINISTRATIVE INFORMATION - Continued

FOR THE YEAR ENDED 31 DECEMBER 2022

Bankers (continued)

First City Monument Bank  
Motorway Building  
Opposite Seven-Up Bottling Company  
Ikeja, Lagos

Wema Bank Plc  
4 Omatsola Mall Keffi Street  
Alausa, Ikeja  
Lagos

Auditors  
Ernst & Young  
10<sup>th</sup> & 13<sup>th</sup> Floors  
57, Marina  
Lagos

## LAGOS STATE SECURITY TRUST FUND

### REPORT OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2022

The Trustees submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Lagos State Security Trust Fund (the Fund).

#### Incorporation and address

The Fund was established in 2007 by a law of the Lagos State House of Assembly. The address of its registered office is:

Governor's Office  
Lagos House  
Secretariat, Alausa, Ikeja  
Lagos, Nigeria

#### Principal activities

The principal activity of the Fund is to raise donations both in cash and in kind and coordinate the application of donations received. This is aimed at ensuring that equipment that are required to enhance the operational capacity of security agencies operating in the state are readily available as at when due. Equipment in this regard include human, material and financial resources as shall be found necessary for the effective functioning of all Federal, State and Local Government and other security agencies operating in the State.

#### Results

The Fund's results for the year are set out on page 11. The deficit for the year of N100.5 million (2021: ~~N~~218.2 million deficit) has been transferred to accumulated fund.

#### Trustees

The Trustees who held office during the year and to the date of this report were:

Mr. Kehinde Durosinmi-Etti	Chairman
Mr. Segun Agbaje	Member
Mr. Ebenezer Onyeagwu	Member
Dr. Adesola Kareem Adeduntan	Member
Mr. Emeka Onwuka, OON	Member
Mr. Tayo Akinmade Ayinde	Member
Engr. Omotayo Bamgbose-Martins	Member
DIG Agboola Oshodi-Glover (Rtd)	Member
Otunba Niyi Adewunmi	Member
Dr. Ayodele Ogunsan	Member

#### Employment of disabled persons

The Fund has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Fund's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

#### Employee health, safety and welfare

The Fund enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly.

LAGOS STATE SECURITY TRUST FUND

REPORT OF TRUSTEES - Continued

FOR THE YEAR ENDED 31 DECEMBER 2022

Employee training and involvement

The trustees maintain regular communication and consultation with the employees.

Auditors

Ernst & Young have expressed their willingness to continue in office as the Fund's auditors in accordance with Section 13(2) of the Lagos State Security Trust Fund Law.

By order of the Board of Trustees

Dr. Abdurrazaq Balogun  
Executive Secretary/CEO

Lagos, Nigeria

15 September 2023

## LAGOS STATE SECURITY TRUST FUND

### STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

The Lagos State Security Trust Fund Law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Fund at the end of the year and of its deficit. This responsibility includes:

- a) ensuring that the Fund keeps proper accounting records that disclose with reasonable accuracy the financial position of the Fund and comply with the requirements of the Lagos State Security Trust Fund Law.
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c) preparing the Fund's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent estimates, in conformity with International Financial Reporting Standards issued by the International Accounting Standards Board, the requirements of the Lagos State Security Trust Fund Law and the Financial Reporting Council of Nigeria Act no. 6 2011.

The Trustees are of the opinion that the financial statements present fairly, in all material respects the financial position and the financial performance of the Fund as of and for the year ended 31 December 2022. The Trustees further accept 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 financial control.

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

Mr. Kehinde Durosinmi-Etti  
Chairman  
FRC/2013/CIBN/00000001737

Dr. Abdurrazaq Balogun  
Executive Secretary/CEO  
FRC/2017/MDCN/00000015952

15 September 2023

INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEES OF LAGOS STATE SECURITY TRUST FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lagos State Security Trust Fund ("The Fund") which includes the statement of financial position as at 31 December 2022, and the statement of income and expenditure, the statement of changes in net asset value and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Lagos State Security Trust Fund Law and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and other independence requirements applicable to performing audits of Lagos State Security Trust Fund. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the document titled "Lagos State Security Trust Fund Annual Financial Statements for the year ended 31 December 2022", which includes the Report of the Trustees, the Value Added Statement and the Five-Year Financial Summary, which we obtained prior to the date of this report. Other information does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEES OF LAGOS STATE SECURITY TRUST FUND -Continued

Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Lagos State Security Trust Fund Law and the Financial Reporting Council Act No. 6, 2011, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sayo Elumaro, FCA  
FRC/2012/ICAN/00000000139  
For: Ernst & Young  
Lagos, Nigeria

September 2023

LAGOS STATE SECURITY TRUST FUND  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 ₦	2021 ₦
Income			
Donations in cash:			
From public officers and government agencies	5a	75,010,000	106,575,000
From private bodies	5b	181,036,799	935,512,407
		-----	-----
		256,046,799	1,042,087,407
		-----	-----
Donations in kind:			
Direct donations to security agencies	6a	1,846,872,500	1,908,116,000
		-----	-----
		1,846,872,500	1,908,116,000
		-----	-----
Other income	7	36,711,483	16,423,773
Interest income calculated using the effective interest method	8	826,023	497,336
		-----	-----
		37,537,506	16,921,109
		-----	-----
Gross income		2,140,456,805	2,967,124,516
		-----	-----
Expenditure			
Support to security agencies	9	(2,103,918,366)	(3,057,831,945)
Employee benefits expense	10	(34,594,856)	(34,463,400)
Other operating expenses	11	(79,189,452)	(74,456,128)
Depreciation of property and equipment	13	(19,058,028)	(14,917,316)
Depreciation of right of use assets	14	(4,200,000)	(3,700,000)
		-----	-----
Total expenses		(2,240,960,702)	(3,185,368,789)
		-----	-----
Deficit for the year		(100,503,897)	(218,244,273)
		=====	=====

The notes on pages 15 to 43 form part of these financial statements.

## LAGOS STATE SECURITY TRUST FUND

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 ₦	2021 ₦
Assets			
Non-current assets			
Property and equipment	13	16,873,219	19,306,247
Right of use assets	14	5,950,000	10,150,000
Current assets			
Inventories	15	152,372,877	156,122,877
Account receivables	16	10,100,000	195,999
Other assets	17	3,026,352	4,190,764
Cash and short-term deposits	18	521,437,387	681,817,606
Total assets		709,759,835	871,783,493
Equity and liabilities			
Accumulated Fund		689,597,452	790,101,349
Total equity		689,597,452	790,101,349
Liabilities			
Current liabilities			
Account payables	19	20,162,383	81,682,144
Deferred income	20	-	-
Total liabilities		20,162,383	81,682,144
Total equity and liabilities		709,759,835	871,783,493

The notes on pages 15 to 43 form part of these financial statements

The financial statements on pages 11 to 43 were approved and authorized for issue by the Board of Trustees on 15 September 2023 and were signed on its behalf by:

Mr. Kehinde Durosinmi-Etti  
Chairman  
FRC/2013/CIBN/00000001737

Dr. Abdurrazaq Balogun  
Executive Secretary/CEO  
FRC/2017/MDCN/00000015952

LAGOS STATE SECURITY TRUST FUND  
 STATEMENT OF CHANGES IN NET ASSET VALUE  
 FOR THE YEAR ENDED 31 DECEMBER 2022

	₦
For the year ended 31 December 2022	
Fund at 1 January 2022	790,101,349
Deficit for the year	(100,503,897)
	-----
At 31 December 2022	689,597,452
	=====

	₦
For the year ended 31 December 2021	
Fund at 1 January 2021	1,008,345,622
Deficit for the year	(218,244,273)
	-----
At 31 December 2021	790,101,349
	=====

LAGOS STATE SECURITY TRUST FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 ₦	2021 ₦
Deficit for the year		(100,503,897)	(218,244,273)
Non-cash adjustment to reconcile surplus to net cash flows			
Depreciation of property and equipment	13	19,058,028	14,917,316
Depreciation of ROU assets	17	4,200,000	3,700,000
Gain on disposal of scrap items	7	-	(295,000)
Working capital adjustments:			
Decrease in inventories		3,750,000	91,388,284
Increase in accounts receivable		(9,904,001)	(150,100)
(Increase)/decrease in other assets		1,164,412	(1,924,942)
(Decrease)/increase in accounts payable		(61,519,761)	64,474,028
Decrease in deferred income		-	(78,773)
		-----	-----
Cash used in operations		(143,755,219)	(46,213,460)
		-----	-----
Cash flow from investing activities			
Purchase of property and equipment	13	(16,625,000)	(3,120,000)
Acquisition of Right of Use Asset	17	-	(12,600,000)
Proceed on disposal of scrap items		-	295,000
		-----	-----
Cash used in investing activities		(16,625,000)	(15,425,000)
		-----	-----
Decrease in cash and cash equivalents		(160,380,219)	(61,638,460)
Cash and cash equivalents at 1 January		681,817,606	743,456,066
		-----	-----
Cash and cash equivalents at 31 December	18	521,437,387	681,817,606
		=====	=====

# LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Corporate information

The financial statements of the Lagos State Security Trust Fund (LSSTF) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Trustees on September 2023.

LSSTF is a trust fund established in 2007 by a law of the Lagos State House of Assembly domiciled in Nigeria. The registered office is located at Governor's Office, Lagos House, Secretariat, Ikeja, Lagos.

The principal activity of the Fund is to raise donations both in cash and in kind and coordinate the application of donations received. This is aimed at ensuring that equipment that are required to enhance the operational capacity of security agencies operating in the state are readily available as at when due. Equipment in this regard include human, material and financial resources as shall be found necessary for the effective functioning of all Federal, State and Local Government and other security agencies operating in the State.

### 2. Accounting Policies

#### 2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira (₦) and all values are rounded to the nearest Naira, except when otherwise stated.

#### 2.2 Basis of presentation

The Fund presents assets and liabilities in statement of financial position based on current and non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

#### 2.3 Summary of significant accounting policies

##### a) Property and equipment

Property and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The cost of equipment comprises their purchase cost and any incidental costs of acquisition. For assets donated to the Fund, acquisition cost represents fair value of donated assets.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives.

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS – continued

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

##### a) Property and equipment - continued

The estimated annual rates of depreciation are as follows:

	%
Office furniture and equipment	25
Motor vehicles	25
Computer equipment	33
Leasehold improvements	20

The residual values, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income or expenditure when the asset is derecognised.

##### b) Intangible assets

Software acquired by the Fund is stated at cost less accumulated amortisation and accumulated impairment.

Software acquired by the Fund is stated at cost less accumulated amortisation and accumulated impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years. Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

##### c) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding taxes.

The specific recognition criteria described below must also be met before revenue is recognized.

##### *Donations*

Donation is recognised as income when it is received. Donation is also recognized when it becomes receivable. i.e. when pledges are made and are redeemed up till the financial statements are authorized for issue. Assets donated are recognised at their estimated fair value at the date of the donation. A significant portion of donations are received through transfers into the Fund's bank account and/or via cheques while some are received in cash at the town hall meeting. The Board of Directors have decided to write off all unredeemed pledges up to the time the Financial Statements are to be authorized for issue.

##### *Interest Income calculated using the effective interest method*

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or liability.



## LAGOS STATE SECURITY TRUST FUND

### 2.3 Summary of significant accounting policies – continued

#### d) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Fund receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the statement of income and expenditure over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### e) Financial Instrument

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

#### (i) *Financial Assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### *Subsequent Measurement*

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

##### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost includes cash and short-term deposits

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

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

##### e) Financial Instrument - continued

##### (i) *Financial Assets - continued*

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

The rights to receive cash flows from the asset have expired or:

The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

###### *Impairment of financial assets*

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Disclosure for significant assumptions Note 23

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For short-term deposits and investments in treasury bills, the Fund applies the general approach in calculating ECLs. It is the Fund's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund.

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

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

##### e) Financial Instrument - continued

###### (i) *Financial Assets - continued*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

###### (ii) *Financial Liabilities*

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of trade and other payables, net of directly attributable transaction costs. The Fund's financial liabilities include accounts payable.

###### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of income and expenditure.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at fair value through profit or loss. "

###### *Accounts payable*

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Account payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

###### *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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income and expenditure.

###### (iii) *Offsetting of financial instruments*

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

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

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

##### f) Impairment of non-financial assets

Under IAS 39, the Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the statement of income & expenditure in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income or expenditure.

##### g) Fair value measurement

The Fund does not measure any assets or liabilities at fair value at each reporting date. However, fair values of financial instruments measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

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

##### g) Fair value measurement - continued

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

##### h). Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory held for distribution at no or minimal consideration is measured at the lower of cost and current replacement cost.

If inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition with a corresponding adjustment to revenue. Cost is determined on a first in, first out basis.

The amount of any write-down of inventories to net realisable value (current replacement cost) and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.

##### i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank, cash in hand and short-term deposits that are subject to an insignificant risk of changes in value with a maturity of three months or less.

##### j) Leases

The Fund applies a single recognition and measurement approach for its lease. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payment, the Fund uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

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

##### k) Employee benefits

###### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Fund operates a defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8% respectively of the qualifying employee's salary. Obligations in respect of the Fund's contributions to the scheme are recognized as an expense in the profit or loss on an annual basis.

###### (ii) Short-term benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

#### 3. Significant Accounting judgments, estimates and assumptions

The preparation of the Fund's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas where judgment and estimates are significant are as below:

##### Judgments

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating lease commitments - Fund as lessee*

The Fund leased the office space where it operates. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these office space and accounts for the contracts as operating leases.

##### Estimates and assumptions

##### Financial Instruments

##### *Impairment losses on other financial assets*

The measurement of impairment losses under IFRS 9 requires that estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS – continued

#### Significant Accounting judgments, estimates and assumptions – continued

#### Estimates and assumptions - continued

#### *Impairment losses on other financial assets - continued*

- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, Gross Domestic Products (GDP) and inflation rate, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

#### *Property and equipment*

The Fund carries its property and equipment at cost in the Statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Fund's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. For more details refer Note 16".

#### *Going concern*

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### IFRS 16 Leases

##### As a lessee

At contract inception the Fund assesses whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Fund recognises a right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Fund by the end of the lease term or the cost of the right-of-use asset reflects that the Fund will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Fund determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS – continued

#### Significant Accounting judgments, estimates and assumptions – continued

##### Estimates and assumptions - continued

Lease payments included in the measurement of the lease liability are fixed payments, including in-substance fixed payments relating to the lease. The lease liability is measured at amortised cost using the effective interest method.

The Fund presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### 4. New and amended standards and interpretations issued but not yet effective

The standards and interpretations issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these standards, if applicable, when they become effective.

##### (i) IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Fund.

##### (ii) Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. The aspect of the definition was retained by the Board.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies or errors. The amendment is not expected to have a significant impact on the Fund's financial statements.



## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS – continued

4. New and amended standards and interpretations issued but not yet effective - continued
- (iii) Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and liabilities with Covenants  
In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current and non-current. The amendments clarify:
- What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability does not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment is not expected to have a significant impact on the Fund's financial statements.

- (iv) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies  
In February 2021, the Board issued amendments to IAS 1 and IFRS Practise Statement 2 Making Materiality Judgements in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information' and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 require that if an entity decides to disclose accounting policy information that is not material, it needs to ensure that this immaterial information does not obscure material information. The amendment is not expected to have a significant impact on the Fund's financial statements.

- (iv) Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities from a Single Transaction  
In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively and the Fund is not expected to be affected.

- (v) Amendments to IFRS 16: Lease liability in a Sale and Leaseback  
In September 2022, the Board issued Lease Liability in a Sale and Leaseback. The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

NOTES TO THE FINANCIAL STATEMENTS – continued

4. New and amended standards and interpretations issued but not yet effective - continued

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The amendment is effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The amendments are not expected to have an impact on the Fund.

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

5	Donations in cash		
5a	Donations from public officers and government agencies:		
		2022	2021
	Donors	₦	₦
	Lagos State Lotteries & Gaming Authority	75,000,000	106,575,000
	Zainab Oluwatoyin Oke-Osanyintolu	10,000	-
		-----	-----
		75,010,000	106,575,000
		=====	=====
5b	Donations in cash from private bodies:		
	Zenith Bank Plc	75,000,000	500,000,000
	KC Gaming Net	-	200,000,000
	Winners Golden Chance	-	100,000,000
	Adeyemi Idowu	-	50,000,000
	First City Monumental Bank	30,000,000	30,000,000
	Prince Ebeano	20,000,000	-
	Council of Obas and Chief	-	20,000,000
	Chief Leonard Nnamdi	-	15,000,000
	Sterling Bank	15,000,000	-
	Nigeria Ports Authority	10,000,000	-
	WEMA Bank	-	10,000,000
	Governors Advisory Committee	5,000,000	-
	Leadway Assurance Limited	5,000,000	5,000,000
	Jeebati Enterprises	5,000,000	-
	Jubaili Bros Engineering Company Limited	3,000,000	-
	Ports & Cargo Handlings Service Company	2,000,000	2,500,000
	Abdul-Hakeem Abiodun Smith	2,000,000	-
	Metropolitan Construction	2,000,000	-
	Iron Products Industries	2,000,000	-
	Ikoyi Club 1928	2,000,000	-
	Nigeria Stockbrokers Limited	1,500,000	-
	Mega Chicken Nest Limited	1,000,000	-
	OBA Transport Limited	1,000,000	-
	Orange Island Development Company Limited	1,000,000	-
	Relchem Limited	1,000,000	-
	STL Trustees	-	1,000,000
	Emadeb Energy Services	-	1,000,000
	Integrated System & Development	500,000	-
	GAS Security Services	500,000	-
	Leapsoft Limited	500,000	-
	Ashaka Energy Services	-	500,000
	IAL Nigeria Limited	250,000	-
	Baobab Microfinance Bank	250,000	-
	ALPSN-Association of Licensed Private Security of Nigeria	-	250,000
	Khpdor Jamal El-Ammouri	-	150,000
	Waheed O Kazeem	100,000	-
	Opeyemi Olukayode Agbaje	100,000	-
	S.B Daranijo	100,000	-
	Sarsoli Industrial Company Limited	100,000	-
	HRM Oba Shotobi Kabiru	-	100,000
	Olubodun Tinubu & Sons	30,000	-
	Anonymous donor	53,799	12,407
		-----	-----
		181,036,799	935,512,407
		=====	=====

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 6 Donations in kind

## 6a Direct donations to security agencies:

Lagos State Government supports the security agencies directly, by providing drums and litres of lubricants and PMS/AGO respectively for the efficient operation of the agencies. The details are as shown below:

	2022	2021
	₦	₦
Supply of 7.6m litres (2021: 7.6m litres) of Premium Motor Spirit (PMS)	1,328,040,000	1,252,152,000
Supply of 0.93m litres (2021: 2.05m litres) of Automotive Gas Oil (AGO)	325,500,000	654,720,000
Procurement of Teargas and its gun for Police Command, RRS and Task Force	192,962,500	-
Supply of 5 drums (2021: 6 drums) of Lubricants	370,000	444,000
Donation of 100 life jackets by Lagferry	-	800,000
	-----	-----
	1,846,872,500	1,908,116,000
	=====	=====
<b>7 Other income</b>		
Town hall meeting sponsorship	32,500,000	14,000,000
Others	3,911,483	-
Vendors' registration fee	300,000	2,128,773
Gain on disposal of PPE	-	295,000
	-----	-----
	36,711,483	16,423,773
	=====	=====
<b>8 Interest income calculated using effective interest method</b>		
Interest from fixed deposit	826,023	497,336
	-----	-----
	838,023	497,336
	=====	=====
	2022	2021
	₦	₦
<b>9 Support to security agencies</b>		
Donated vehicles, equipment and other supplies issued to security agencies (Note 9a)	1,850,622,500	2,045,816,000
Repairs and branding (Note 9c)	162,745,054	246,567,640
Purchased vehicles, equipment and other supplies issued to security agencies (Note 9b)	90,550,812	765,448,305
	-----	-----
	2,103,918,366	3,057,831,945
	=====	=====
<b>9a Donated vehicles, equipment and other supplies issued to security agencies</b>		
Beneficiaries	2022	2021
	₦	₦
RRS, LASTMA, LASEMA, Lagos Police command, LNSC, etc.		
Supply of 7.6m litres (2021: 7.6m litres) of Premium Motor Spirit (PMS)	1,328,040,000	1,252,152,000
Supply of 0.93m litres (2021: 2.05m litres) of Automated Gasoline Oil (AGO)	325,500,000	654,720,000
Procurement of Teargas and its gun for Police Command, RRS and Task Force	192,962,500	-
Supply of 5 drums (2021: 6 drums) of Lubricants	370,000	444,000

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS - continued

9	Donated vehicles, equipment and other supplies issued to security agencies	2022 ₦	2021 ₦
	Lagos State Rapid Response Squad (RRS)		
	20 GAC saloon cars	-	134,000,000
	Lagos Federal Road Safety Corps		
	Supply of 5 Sonlink motorbikes (2021: 6 motorbikes)	3,750,000	4,500,000
		-----	-----
		1,850,622,500	2,045,816,000
		=====	=====
9b	Purchased vehicles, equipment and other supplies issued to security agencies Beneficiaries		2022 ₦
	Marine Police		
	Supply of 42,000 litres of Automotive Gas Oil for patrol of the waterways		28,260,000
	Supply of four (4) drums of SAE40 for the two stroke engines		800,775
	Rapid Response Squad (RRS)		
	Car wash services		18,182,234
	Supply of service parts for 89 (nos) vehicle		5,343,500
	Replacement of magnetic door and maintenance charge		2,340,000
	Replacement of faulty communication gadgets for RRS Operational use		984,000
	Supply of two (2) drums of SAE 40 lubricant for operational use		800,775
	Annual renewal of the tracking devices for 51 RRS Vehicles		459,000
	Naval Base		
	Supply of 3000 litres of AGO @440 to the Naval Base Apapa for patrol of the seaways		1,320,000
	OP-MESA: Airforce		
	Fueling of patrol vehicle for OP MESA (Airforce)		4,260,000
	Others		
	Supply of motor vehicle tyres of different sizes and vehicle batteries		12,540,500
	500 Pieces of raincoat @ N12,000 and 200 pairs of rain boots @ N8,000 for the use of security		7,660,000
	Renewal of the annual subscription for 141 POC devices		5,456,700
	Supply of 24 (nos) Tyre 205/55/R16, 12 (nos) Tyre 245/70/R16 and 9 (nos) Battery 75Amps		2,031,762
	Sponsorship of 10th Anniversary of Lagos Traffic Radio		500,000
	Additional service parts for RRS 093 LA, RRS 409 LA and RRS 001 LA		111,250
			-----
			90,550,812
			=====
	Lagos State Rapid Response Squad (RRS)		2021 ₦
	Supply of fragmentation vests (RRS, Taskforce, GMT)		169,000,000
	Cost of car wash services		24,734,094
	Supply of Thirty (30) Sonlink motorbikes		22,500,000
	Supply of 392 tyres of various specifications		21,074,003

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS – continued

9b	Purchased vehicles, equipment and other supplies issued to security agencies-continued Beneficiaries	2021 ₦
	Supply of 250 units each of; SWAT vests with printing, Knee and elbow guards, Hand gloves	13,000,000
	Supply of 250 units of protective gears	12,500,000
	Supply of 107 batteries of various specifications -75Amp Battery (76),100Amp Battery	5,778,138
	Supply of one ballistic windscreen for Armoured Toyota Hilux	5,063,000
	18 Sets Of Riders Gear (Jacket, Helmet, Gloves, Boots, Kneel Guard)	1,521,000
	Installation of tracking devices on the 20(nos) GA4 Saloon Cars	1,397,500
	Supply of 80pieces of front motor bikes tyres and 40 of 12 volts/7amp batteries	1,380,000
	Compensation to the families of underlisted slain police officers	
	Kazeem.S. Abonde	10,000,000
	Gabriel Maduka Igwe	5,000,000
	Operation MESA: Marine Police	
	72,000 litres of AGO to Marine police	19,470,000
	Supply of 20(units)100AMPS Batteries and 8 drums of SAE-40 stroke engine oil	2,856,161
	Operation MESA: Naval Base	
	Supply of 24,000 litres of AGO to the Naval Base	7,110,000
	Operation MESA: Airforce	
	Fueling for the year	4,574,000
	Nigerian Police Command	
	Supply of ballistic/fragmentation vests (500units)	169,000,000
	100 Sonlink motorbikes donated to Police Command from 200 nos. purchased by the Fund	75,000,000
	52 rolls of fabrics issued from inventory to Police (Aguda Division, Shasha Div,etc.)	4,652,284
	Others	
	Supply and installation of push to talk POC	89,520,625
	Construction of back cabins with seats on 100(nos) vehicles purchased by the state	30,000,000
	Mobilization for supply and installation of 100(nos) mobile base radio sets	25,000,000
	Supply and installation of 100(nos) security Bar lights with siren	19,000,000
	Construction of 34 (nos) back cabins with seats	10,200,000
	Installation of tracking device on 100(nos)vehicles purchased by the LASG	6,987,500
	Supply and installation of 34(nos) amber lights	6,460,000
	Installation of tracking device on 34 (nos) vehicles	2,210,000
	Donation to Miss Security Nigeria Beauty Pageant	500,000
		-----
		765,448,305
		=====

## LAGOS STATE SECURITY TRUST FUND

9c	Repairs and branding Beneficiaries	2022 ₦
	Lagos State Rapid Response Squad (RRS)	
	Repairs, refurbishment & engine overhaul of RRS vehicles	113,794,114
	Full engine servicing of twenty-five (25) RRS Operational vehicles	5,583,100
	Purchase of Tyres for fourteen (14) RRS Patrol vehicles	1,974,800
	Full engine servicing of eleven (11) RRS vehicles	1,036,000
	Engine overhaul & mechanical work on RRS Isuzu Truck Carrier 06	880,000
	Purchase of fourteen (14) batteries for fourteen (14) RRS Patrol vehicles	604,000
	Production of (5) car cover for RRS Vehicles and inscription of LSSTF	432,500
	OP MESA	
	Mobilisation for refurbishment and replacement of engine for OP MESA Airforce patrol vehicle	5,624,000
	Purchase of ten tyres and two batteries for 2 (nos) Airforce vehicles being repaired /refurbish	515,000
	Marine Police	
	Routine Service of 78 units of Marine Police Yamaha engine and sixteen (16) units of RRS 250HP Suzuki	18,222,500
	Routine service of eighteen (18) Gunboats used by Marine Police	6,515,000
	Supply of 4500 liters of Automotive Gas Oil to the Marine Police	3,487,500
	Others	
	Repairs of five (5) JAC Motors	1,761,540
	Refurbishment of Toyota Hilux Swat 037 with chasis	1,000,000
	Construction and Mounting of cabin cover for the Mikano pick up vehicle with registration numb	750,000
	Repair of pick-up vans	492,000
	Routine service of Official vehicle -RAV4 (AAA 992 FN)	73,000
		-----
		162,745,054
		=====
		2021
	Lagos State Rapid Response Squad (RRS)	₦
	Refurbishment and mobilization of service parts	126,628,000
	Repair of patrol vehicles	9,767,573
	Labour charge repair of patrol vehicles	7,829,257
	Routine service for RRS vehicles	4,124,260
	Construction of 2Nos.mini Blackmaria with front and both sides glass shield Burglary guard	2,360,000
	Supply of patrol vehicles replacements	1,487,800
	Branding and painting of 10 RRS Operation motor bikes	500,000
	Branding of two of the mini trucks donated by Chief Diana Chen Foundation	240,000
	Branding of (100) pieces of raincoat, (15) pieces Guide, (15) pieces rain boot, (15) pieces helm	125,000
	OP MESA	
	Refurbishment of six (6) OP MESA Army patrol vehicle	31,021,000
	Mobilisation for the repair of seven (7) OP MESA Navy vehicles	20,370,000
	Refurbishment of one OP MESA Airforce patrol vehicle-REG.NO.MUS 232 DQ	937,000
	Lagos State Neighborhood Safety Corps (LNSC)	
	Refurbishment of seven LNSC Vehicles from 2022 GRANT	17,319,500
	Payment for servicing of 150 operational vehicles	9,302,000
	2nd outline Service of (151 nos) one hundred and fifty-one patrol vehicles	9,226,000

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

9c	Repairs and branding-continued		2021
	Beneficiaries		₦
	Repairs of one vehicle for the LNSC		115,000
	Routine service of 6(six)LNSC TVS motor bikes for LNSC Operational fleet		90,000
	Marine Police		
	Routine service of sixty (60) units of Yamaha outboard engines and eight (8) units of 250HP Suzuki outboard		14,412,700
	Routine service of twelve (12nos.) of Gunboats for the Marine Police (inboard engines)		3,440,000
	Lagos State Task Force		
	Repair of one JAC Patrol van for the taskforce (MUS83GA)		517,250
	Fixing, repair and servicing of three (3) trucks for the Lagos State Task Force		50,000
	Others		
	Branding of 134 (nos) vehicles purchased by the LASG		33,500,000
	Spraying and branding of five (5) JAC GA4 Pick-up vehicles		925,000
			-----
			246,567,640
			=====

10	Employee benefits expense	2022	2021
		₦	₦
	Salaries and allowances	33,563,529	33,343,400
	Pension cost	1,031,327	1,120,000
		-----	-----
		34,594,856	34,463,400
		=====	=====

11	Other operating expenses	2022	2021
		₦	₦
	Mid-year and annual Town hall meeting on security	35,254,468	30,107,447
	Other office expenses	10,683,426	12,186,345
	Audit and other professional fees	10,000,000	10,000,000
	General office expenses	8,475,602	8,894,360
	Insurance	4,923,691	3,407,188
	Rent service charge	3,062,935	2,089,202
	Trustees' remuneration	2,750,000	3,850,000
	Advertisement & Publicity	1,615,200	2,089,202
	Other allowances	1,635,000	-
	Sponsorship of 10 <sup>th</sup> year anniversary of Lagos Traffic Radio	500,000	-
	Advertisement and publicity	180,000	3,849,255
	Bank charges	22,470	72,331
	Impairment of financial asset	88,660	-
		-----	-----
		77,554,452	74,456,128
		=====	=====

12	Taxation	
	The income of LSSTF is exempted from income tax in accordance with Section 15 of the Lagos State Security Trust Fund Law.	



## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 13 Property and equipment

	Office furniture & equipment ₦	Computer equipment ₦	Motor vehicles ₦	Leasehold Improvements	Total ₦
Cost					
As at 1 January 2021	14,193,912	6,110,342	78,352,500	2,343,375	101,000,129
Additions	3,120,000	-	-	-	3,120,000
As at 31 December 2021	17,313,912	6,110,342	78,352,500	2,343,375	104,120,129
Additions	1,440,000	1,210,000	13,975,000	-	16,625,000
As at 31 December 2022	18,753,912	7,320,342	92,327,500	2,343,375	120,745,129
Depreciation					
As at 1 January 2021	14,026,555	5,044,611	48,560,136	2,265,264	69,896,566
Charge for the year	255,000	421,088	14,163,125	78,103	14,917,316
As at 31 December 2021	14,281,555	5,465,699	62,723,261	2,343,367	84,813,882
Charge for the year	821,657	579,488	17,656,875	8	19,058,028
As at 31 December 2022	15,103,212	6,045,187	80,380,136	2,343,375	103,871,910
Net Book Value					
At 31 December 2022	3,650,700	1,275,155	11,947,364	-	16,873,219
At 31 December 2021	3,032,357	644,643	15,629,239	8	19,306,247

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

14	Right of use assets	2022	2021
		₦	₦
	Office space		
	Cost		
	Balance at the beginning of the year	21,350,000	8,750,000
	Additions	-	12,600,000
		-----	-----
		21,350,000	21,350,000
		-----	-----
	Accumulated depreciation		
	Balance at beginning of year	(11,200,000)	(7,500,000)
	Depreciation for the year	(4,200,000)	(3,700,000)
		-----	-----
	Balance at the end of the year	(15,400,000)	(11,200,000)
		-----	-----
	Carrying amount	5,950,000	10,150,000
		=====	=====
		2022	2021
		₦	₦
15	Inventories		
	10 GAC saloon cars	67,000,000	67,000,000
	59 200CC Sonlink Motorbikes (2021: 64 units)	44,250,000	48,000,000
	3 GS4 SUVs	33,000,000	33,000,000
	Police accoutrements	3,109,005	3,109,005
	156 Intel handsets (with sim cards)	2,340,000	2,340,000
	Police uniform fabric material (in rolls)	1,789,372	1,789,372
	100 Life jackets	800,000	800,000
	1 Riders boots	30,000	30,000
	1 Helmet	26,000	26,000
	1 Riders jacket	16,000	16,000
	1 Riders kneel guard	7,500	7,500
	1 Riders hand gloves	5,000	-
		-----	-----
		152,372,877	156,122,877
		=====	=====
	Inventory represents items received from donors and/or purchased but not yet distributed to approved security agencies.		
16	Account receivables	2022	2021
		₦	₦
	Pledged donations	10,100,000	195,999
		-----	-----
		10,100,000	195,999
		=====	=====
17	Other assets	2022	2021
		₦	₦
	Prepaid insurance	2,945,686	3,180,764
	Prepaid others	80,666	-
	Cash advance	-	1,010,000
		-----	-----
		3,026,352	4,190,764
		=====	=====

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS - continued

18	Cash and short-term deposits	2022	2021
		₦	₦
	Cash on hand	131,420	552,445
	Cash at Banks		
	Access Bank Plc	22,939,764	33,873,278
	Coronation Merchant Bank Limited	21,432,793	21,579,546
	Fidelity Bank Plc	30,651,130	33,147,347
	First City Monument Bank	44,404,859	65,902,915
	First Bank of Nigeria Limited	90,735,932	147,357,311
	Guaranty Trust Bank Limited	23,998,700	35,696,378
	Heritage Bank Plc	758,536	759,037
	Polaris Bank Limited	20,832,937	30,444,891
	Providus Bank Limited	33,598,136	40,207,767
	Stanbic IBTC	31,093,155	37,476,678
	Sterling Bank Limited	49,172,893	59,643,752
	United Bank of Africa Plc	9,872,691	12,593,499
	Wema Bank Plc	34,220,321	45,122,022
	Zenith Bank Plc	107,708,293	117,488,252
		-----	-----
		521,551,560	681,845,118
	Allowance for expected credit losses	(114,173)	(27,512)
		-----	-----
		521,437,387	681,817,606
		=====	=====

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2022	2021
	₦	₦
Cash on hand	131,420	552,445
Cash at bank	480,614,838	641,313,393
Short-term deposits	40,805,302	39,979,280
	-----	-----
	521,551,560	681,845,118
Less expected credit losses on short-term investments	(114,173)	(27,512)
	-----	-----
	521,437,387	681,817,606
	=====	=====

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

2022

	Stage 1	Stage 2	Stage 3	Total
	₦	₦	₦	₦
Gross carrying amount as at 1 January	39,893,994	-	-	39,481,945
Interest accrued	911,308	-	-	911,308
At 31 December	40,805,302	-	-	40,805,302

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

Cash and short-term deposits - continued

	Stage 1 ₦	Stage 2 ₦	Stage 3 ₦	Total ₦
<i>Internal rating grade of "1" high grade</i>				
ECL allowance as at 1 January	27,512	-	-	27,512
Additional impairment charged	88,661	-	-	88,661
<b>At 31 December</b>	<b>114,173</b>	<b>-</b>	<b>-</b>	<b>114,173</b>

2021

	Stage 1 ₦	Stage 2 ₦	Stage 3 ₦	Total ₦
Gross carrying amount as at 1 January	39,481,945	-	-	39,481,945
New asset purchased	39,893,994	-	-	39,893,994
Assets derecognised or matured	(39,481,945)	-	-	(39,481,945)
<b>At 31 December</b>	<b>39,893,994</b>	<b>-</b>	<b>-</b>	<b>39,893,994</b>

	Stage 1 ₦	Stage 2 ₦	Stage 3 ₦	Total ₦
<i>Internal rating grade of "1" high grade</i>				
ECL allowance as at 1 January	27,512	-	-	27,512
New asset purchased	27,512	-	-	27,512
Assets derecognised	(27,512)	-	-	(27,512)
<b>At 31 December</b>	<b>27,512</b>	<b>-</b>	<b>-</b>	<b>27,512</b>

	2022 ₦	2021 ₦
19 Accounts payable		
Audit fees	10,000,000	10,000,000
Other accrued expenses (Note 19.1)	10,162,383	20,982,144
Equipment & Protective Application International Limited	-	50,700,000
	-----	-----
	20,162,383	81,682,144
	=====	=====

19.1 Included in other accrued expenses as at 31 December are

	2022 ₦
Services/Repairs & Branding	7,635,000
Other accruals	2,527,383
	-----
	10,162,383
	=====

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS – continued

19.1 Accounts payable - continued

	2021
	₦
70% mobilisation for the repair of seven (7) OP MESA Navy vehicles	6,111,000
75% mobilisation for the full refurbishment of eleven (11) RRS patrol vehicles	5,947,125
Other accruals	5,014,838
Repairs of 59(nos) RRS vehicles	2,734,781
Upgrade of Toyota Hilux-RRS 343 LA and RRS 01B LA	865,000
30% payment (mobilisation) for the repair	309,400
	-----
	20,982,144
	=====

Account payables are non-interest bearing and normally settled on 30 to 90-day terms.

20 Employees' remuneration

The numbers of employees of the Fund, in receipt of emoluments within the following ranges were:

	2022	2021
	Number	Number
100,000 - 1,000,000	2	2
1,000,001 - 2,000,000	2	2
2,000,001 - 6,000,000	2	3
6,000,001 - 15,000,000	1	1
	-----	-----
	7	8
	===	===

The aggregate cost of these employees was:

	2022	2021
	₦	₦
Salaries and wages	34,594,856	34,463,400
	=====	=====

21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions or one other party controls both. This definition includes key management personnel as well. The Fund is related to Lagos state Government through its involvement in the appointment of the chairman and other members of the board.

The Fund has applied the exemption granted by IAS 24 relating to the disclosure requirements in relation to related party transactions and outstanding balances.

# LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 21 Related party transactions - continued

	2022	2021
	₦	₦
Compensation of key management personnel of the Fund		
The key management personnel have been identified as the Board of Trustees of the Fund		
Short-term employee benefits	2,750,000	3,850,000
	-----	-----
	2,750,000	3,850,000
	=====	=====

The above represents remuneration paid to the Trustees of the Fund. Some of the members of the Board of Trustees waived their rights to receive remuneration from the Fund during the year.

### 22 Fair value of financial assets and liabilities

Other than items that are measured at fair value upon initial recognition, no assets or liabilities are subsequently measured at fair value in the financial statements. In addition, the fair value of financial assets and liabilities subsequently measured at amortised cost approximate their carrying value at the end of the reporting period. Hence, no fair value disclosure is provided in the financial statements.

### 23 Risk management

#### a. Overview

The Fund's principal financial liabilities are its account payables. The Fund's financial assets include its account receivables, and bank balances.

The Fund is likely exposed to the following risks from its financial instruments held:

- Credit Risk
- Liquidity Risk
- Market Risk

The Fund's senior management oversees the management of these risks. The Board of Trustees reviews policies for managing each of these risks.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

Further quantitative disclosures are included throughout these financial statements.

#### Credit risk (IFRS7 Revised)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This is the risk that a third party will default on its obligation to the Fund, causing the Fund to incur a loss. Financial instruments which may subject the Fund to credit risk consist of Fund balances and treasury bills. The maximum exposure to credit risk at the reporting date is the carrying amount of those instruments.

#### Expected credit loss measurement - other financial assets

The Fund applied the general approach in computing expected credit losses (ECL) for short-term deposits. The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

23 Risk management- continued

Credit risk (IFRS7 Revised) – continued

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and lifetime PDs are derived by mapping the internal rating grade of the obligor to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3e Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Fund obtains the data used from third party sources (e.g. Standards and Poor's) and a team of expert verifies the accuracy of inputs to the Fund's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Fund's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2021 and 31 December 2022.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS – continued

23 Risk management- continued

Credit risk (IFRS7 Revised) – continued

31 December 2022

Key drivers	Assigned probabilities	ECL scenarios	2022	2023	2024
Oil Price	37%	Upturn	100.93	96.02	105.78
	40%	Base	97.39	84.00	94.34
	23%	Downturn	84.76	71.98	82.90
Unemployment rate	37%	Upturn	0.28	0.37	0.36
	40%	Base	0.33	0.43	0.43
	23%	Downturn	0.36	0.51	0.49
Inflation rate	37%	Upturn	0.17	0.21	0.21
	40%	Base	0.19	0.23	0.2324
	23%	Downturn	0.21	0.25	0.2526

31 December 2021

Key drivers	Assigned probabilities	ECL scenarios	2021	2022	2023
Oil Price	10%	Upturn	49.90	57.07	57.07
	80%	Base	44.16	54.96	54.96
	10%	Downturn	40.91	52.64	52.64
Unemployment rate	10%	Upturn	0.27	0.26	0.26
	80%	Base	0.31	0.34	0.34
	10%	Downturn	0.33	0.36	0.36
Inflation rate	10%	Upturn	0.13	0.13	0.13
	80%	Base	0.12	0.12	0.12
	10%	Downturn	0.13	0.11	0.11

Analysis of inputs to the ECL model under multiple economic scenarios – continued

In assessing the Fund's internal rating process, the Fund's customers and counter parties are assessed based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Any publicly available information on the Fund's customers and counter parties from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.
- Any macro-economic or geopolitical information, e.g., inflation rate relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Fund's performance.



LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS – continued

23 Risk management- continued

Credit risk (IFRS7 Revised) – continued

The following tables outline the impact of multiple scenarios on the allowance:

31 December 2022	Short-term Investment	Treasury Bills	Total
	₦	₦	₦
Upside	44,743	-	44,743
Base	25,250	-	25,250
Downside	44,180	-	44,180
Total	114,173	-	114,173

31 December 2021	Short-term Investment	Treasury Bills	Total
	₦	₦	₦
Upside	3,026	-	3,026
Base	21,866	-	21,866
Downside	2,620	-	2,620
Total	27,512	-	27,512

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This is risk that the Fund will encounter difficulty raising liquid funds to meet commitments as they fall due.

The Fund has ongoing commitments to pay account payables. The Fund pays account payables when they fall due. The Fund has cash and other short-term deposits that it can use to meet its ongoing payment obligations. Refer to Note 19 for account payables and Note 16 and 18 for account receivables and cash and short-term deposits.

All account payable matures within 12 months.

*Contractual maturities of assets and liabilities*

The table below shows the cash flows on the Fund's assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual cash flow on the Fund's liability or commitment.

## LAGOS STATE SECURITY TRUST FUND

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 23 Risk management- continued

## Liquidity risk- continued

	Carrying amount ₦	Contractual cashflow ₦	Less than 1 month ₦	1 - 3 months ₦
31 December 2022				
<i>Assets</i>				
Cash and cash equivalents	521,437,387	521,437,387	521,437,387	-
Account receivables	10,100,000	10,010,000	-	10,100,000
	-----	-----	-----	-----
	531,537,387	531,537,387	521,437,387	10,100,000
	-----	-----	-----	-----
<i>Liabilities</i>				
Account payables	20,012,383	20,012,383	-	20,012,383
	-----	-----	-----	-----
	20,012,383	20,012,383	-	20,012,383
	-----	-----	-----	-----
Liquidity surplus	511,525,004	511,525,004	521,437,387	(9,912,383)
	-----	-----	-----	-----
Cumulative liquidity surplus			521,437,387	511,525,004
			=====	=====
31 December 2021				
<i>Assets</i>				
Cash and cash equivalents	681,817,606	681,817,606	681,817,606	-
Account receivables	195,999	195,999	-	195,999
	-----	-----	-----	-----
	682,013,605	682,013,605	681,817,606	195,999
	-----	-----	-----	-----
<i>Liabilities</i>				
Account payables	81,626,522	81,626,522	-	81,626,522
	-----	-----	-----	-----
	81,626,522	81,626,522	-	81,626,522
	-----	-----	-----	-----
Liquidity surplus	600,387,083	600,387,083	681,817,606	(17,762,217)
	-----	-----	-----	-----
Cumulative liquidity surplus			681,817,606	600,387,083
			=====	=====

## Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market variables such as interest rates, foreign exchange rate and equity prices. The Fund is not exposed to any market risk because the fund only has placement in short term placement which has a fixed interest rate between the periods the placement is made and when it matures.

## LAGOS STATE SECURITY TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS - continued

#### 24 Commitments and Contingencies

##### Operating lease commitments:

The Fund currently leases office space under a 3-years lease agreement. Rental was prepaid at the time of the lease execution. The lease arrangement is not a non-cancellable lease. The contract is subject to advance withdrawal and renegotiation on annual renewal date. During the year ended 31 December 2022 ~~₦4,200,000~~ (2021: ~~₦3,700,000~~) was expensed in the statement of income or expenditure in respect of the operating lease.

##### Contingencies

There were no contingencies as at year ended 31 December 2022 (2021: nil).

#### 25 Events after the reporting dates

The Trustees are of the opinion that there were no events after the reporting date that could have a significant effect on the financial statements of the Fund that had not been adequately provided for or disclosed in these financial statements.

#### 26 Capital Management

The Fund has its equity, being the net assets represented by accumulated funds. The primary objective of the Fund's capital management policy is to ensure healthy accumulated funds are maintained in order to support its activities. The Fund 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.

## LAGOS STATE SECURITY TRUST FUND

## STATEMENT OF VALUE ADDED

	31 December 2022 N		31 December 2021 N	
Gross income	2,140,456,805		2,967,124,516	
Bought in goods & other services - local	(2,183,107,818)		(3,132,288,073)	
	-----		-----	
Value lost	(42,651,013)	100%	(165,163,557)	100%
	=====	=====	=====	=====
Applied as follows:				
Employees:				
Employee benefit expense	34,594,856	(81%)	34,463,400	(21%)
Retained for future expansion:				
Depreciation & amortization	23,258,028	(55%)	18,617,316	(11%)
Deficit for the year	(100,600,147)	236%	(218,244,273)	132%
	-----		-----	
	(42,651,013)	100%	(165,163,557)	100%
	=====	=====	=====	=====

The value lost represents the wealth lost through the use of the Fund's assets by its employees and wealth gained through donations from public and private bodies.

## LAGOS STATE SECURITY TRUST FUND

## FIVE YEAR FINANCIAL SUMMARY

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Financial results	₦	₦	₦	₦	₦
Gross income	2,140,456,805	2,967,124,516	2,326,756,335	4,215,497,528	2,796,738,398
Total expenditure	(2,241,056,952)	(3,185,368,789)	(2,852,404,742)	(3,572,314,124)	(2,497,232,828)
(Deficit)/surplus for the year	(100,503,897)	(218,244,273)	(525,648,407)	643,183,404	299,505,570
Financial position					
Accumulated funds	689,597,452	790,101,349	1,008,345,622	1,533,904,028	890,720,624
Employment of funds					
Non-current assets	22,823,219	19,306,247	31,103,563	48,500,374	47,124,481
Current assets	686,936,616	852,477,246	994,528,948	1,516,342,949	871,548,588
Non-current liabilities	-	-	-	-	(3,077,602)
Current liabilities	(20,162,383)	(81,682,144)	(17,286,889)	(30,939,295)	(24,874,843)
	689,597,452	790,101,349	1,008,345,622	1,533,904,028	890,720,624