

**LAGOS STATE SECURITY TRUST FUND
REPORT OF THE TRUSTEES
AUDITED ANNUAL FINANCIAL STATEMENTS
AND
OTHER NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2018**

LAGOS STATE SECURITY TRUST FUND

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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LAGOS STATE SECURITY TRUST FUND

LEGAL AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered Office

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

Board of Trustees

Mr. Oye Hassan -Odukale, MFR	Chairman
Mr. Herbert Wigwe	Member
Mr. Adeyemi Idowu	Member
Mr. Opeyemi Agbaje	Member
Mr. Philips Oduoza	Member
D.I.G Isreal O. Ajao, OON	Member
Mr. Gbolahan Lawal	Member
Prof. Ademola Abass	Member
Mr. Kenedy Uzoka	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 Plc Opebi Road, Ikeja, Lagos
Guaranty Trust Bank Plc 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 Plot 724 Adetokunbo Ademola Street Victoria Island Lagos
Fidelity Bank Plc 84, Ladipo Street Matori, Lagos	Coronation Merchant Bank 10, Amodu Ojikutu Street Victoria Island, Lagos

LAGOS STATE SECURITY TRUST FUND

LEGAL AND ADMINISTRATIVE INFORMATION - Continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Bankers (continued)

Diamond Bank Plc
The Palms Branch
Victoria Island, Lagos

Wema Bank Plc
54, Marina
Lagos

Auditors

Ernst & Young
10th & 13th Floors
57, Marina
Lagos

LAGOS STATE SECURITY TRUST FUND

REPORT OF TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2018

The Trustees submit their report together with the audited financial statements for the year ended 31 December 2018, 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 surplus for the year of ₦299.5 million (2017: ₦37 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. Oye Hassan -Odukale, MFR	Chairman
Mr. Herbert Wigwe	Member
Mr. Adeyemi Idowu	Member
Mr. Opeyemi Agbaje	Member
Mr. Philips Oduoza	Member
D.I.G Isreal O. Ajao, OON	Member
Mr. Gbolahan Lawal	Member
Prof. Ademola Abass	Member
Mr. Kenedy Uzoka	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 2018

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

8 May 2019

LAGOS STATE SECURITY TRUST FUND

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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 surplus or 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 presents fairly, in all material respects the financial position and the financial performance of the Fund as of and for the year ended 31 December 2018. 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. Oye Hassan -Odukale, MFR
Chairman
FRC/2013/IODN/00000001963



Dr. Abdurrazaq Balogun
Executive Secretary/CEO
FRC/2018/MDCN/00000015952

8 May 2019



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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Lagos State Security Trust Fund ("The Fund") set out on pages 11 to 54 which includes the statement of financial position as at 31 December 2018, 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 financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, 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' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Lagos State Security Trust Fund. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Lagos State Security Trust Fund.

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 Report of the Trustees, the Statement of Value Added and the Five-Year Financial Summary as required by the Financial Reporting Council of Nigeria which we obtained prior to the date of this report. Other information does not include the financial statements and our Auditors' 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 auditors' 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.



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INDEPENDENT AUDITORS' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.



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

Auditors' Responsibilities for the Audit of the Financial Statements - Continued

- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund's audit. We remain solely responsible for our audit opinion.

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

15 May 2019



LAGOS STATE SECURITY TRUST FUND
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦	2017 ₦
Income			
Donations in cash:			
From public officers and government agencies	6a	500,000	400,000
From private bodies	6b	555,745,584	480,635,220
		<u>556,245,584</u>	<u>481,035,220</u>
Donations in kind:			
From public officers and government agencies	7a	441,000,000	-
From private bodies	7b	25,000,000	-
Direct donations to security agencies	7c	1,680,732,000	1,663,527,200
		<u>2,146,732,000</u>	<u>1,663,527,200</u>
Other income	8	48,663,211	35,656,052
Interest income calculated using the effective interest method	9	45,097,603	-
Interest income	9	-	35,335,434
		<u>93,760,814</u>	<u>70,991,486</u>
Gross income		<u>2,796,738,398</u>	<u>2,215,553,906</u>
Expenditure			
Credit loss expense	10	(1,289,204)	-
Support to security agencies	11	(2,421,420,332)	(2,169,187,491)
Employee benefits expense	12	(23,156,030)	(17,012,400)
Rent expenses	13	(5,759,194)	(6,000,436)
Other operating expenses	14	(35,067,447)	(49,003,003)
Depreciation of property and equipment	16	(10,392,121)	(11,116,949)
Amortization of intangible asset	17	(148,500)	(148,500)
Total expenses		<u>2,497,232,828</u>	<u>(2,252,468,779)</u>
Surplus/ (deficit) for the year		<u>299,505,570</u>	<u>(36,914,873)</u>
		=====	=====

The notes on pages 15 to 54 form part of these financial statements

LAGOS STATE SECURITY TRUST FUND


STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2018

	Note	2018 ₦	2017 ₦
Assets			
Non-current assets			
Property, plant and equipment	16	47,095,231	23,792,352
Intangible assets	17	29,250	177,750
Current assets			
Inventories	18	43,460,500	-
Account receivables	19	2,500,000	16,350,000
Financial investments:			
Investment securities - held to maturity	20.1	-	56,476,571
Debt instruments at amortised cost	20.2	137,212,718	-
Other assets	21	10,363,811	14,777,477
Cash and short-term deposits	22	678,011,559	582,165,684
Total assets		918,673,069	693,739,834
Equity and liabilities			
Equity and liabilities			
Accumulated Fund		890,720,624	591,861,976
Total equity		890,720,624	591,861,976
Liabilities			
Non-current liabilities			
Deferred income	24	3,077,602	12,121,654
Current liabilities			
Account payables	23	15,830,791	80,712,152
Deferred income	24	9,044,052	9,044,052
Total liabilities		27,952,445	101,877,858
Total equity and liabilities		918,673,069	693,739,834

The notes on pages 15 to 54 form part of these financial statements

The financial statements on pages 11 to 54 were approved and authorised for issue by the Board of Trustees on 8 May 2019 and were signed on its behalf by


Mr. Oye Hassan -Odukale, MFR
Chairman
FRC/2013/IODN/00000001963


Dr. Abdurrazaq Balogun
Executive Secretary/CEO
FRC/2018/MDCN/00000015952

LAGOS STATE SECURITY TRUST FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 DECEMBER 2018

	₦
For the year ended 31 December 2018	
Fund at 1 January 2018	591,861,976
Impact of adopting IFRS 9	(646,922)

Restated opening balance under IFRS 9	591,215,054
Surplus for the year	299,505,570

At 31 December 2018	890,720,624
	=====

	₦
For the year ended 31 December 2017	
Fund at 1 January 2017	628,776,849
Deficit for the year	(36,914,873)

At 31 December 2017	591,861,976
	=====

LAGOS STATE SECURITY TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦	2017 ₦
Surplus/ (deficit) for the year		299,505,570	(36,914,873)
Non-cash adjustment to reconcile surplus to net cash flows			
Depreciation of property and equipment	16	10,392,121	11,116,949
Amortization of intangible asset	17	148,500	148,500
Credit loss expense	10	1,289,204	-
Credit loss reversal on cash balances		(85,609)	
Working capital adjustments:			
(Increase)/ decrease in inventories		(43,460,500)	144,900,000
Decrease in accounts receivable		13,850,000	53,650,000
Decrease/ (increase) in other assets		4,413,666	(8,367,738)
(Decrease)/ Increase in accounts payable		(64,881,361)	23,577,553
(Decrease) in deferred income		(9,044,052)	(9,044,052)
Cash generated from operations		212,127,539	143,730,904
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(33,695,000)	(285,000)
Purchase of treasury bills		(82,586,662)	(56,476,571)
Cash used in investing activities		(116,281,664)	(21,426,137)
Increase in cash and cash equivalents		95,845,875	122,304,767
Cash and cash equivalents at 1 January		582,165,684	459,860,917
Cash and cash equivalents at 31 December	22	678,011,559	582,165,684

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 2018 were authorised for issue in accordance with a resolution of the Board of Trustees on 8 May 2019.

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 Changes in accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 9 and IFRS 7R and IFRS 15 effective for annual periods beginning on or after 1 January 2018, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Changes in accounting policies and disclosures - continued

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in accumulated fund.

Changes to classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Fund's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Fund's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Fund. The Fund continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Fund's financial assets:

Cash and short-term deposits classified as Loans and receivables and Held-to-maturity investments as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

The Fund has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Fund's financial liabilities. In summary, upon the adoption of IFRS 9, the Fund had the following required or elected reclassifications as at 1 January 2018.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Fund's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Fund recognised additional impairment on the Fund's treasury bills and short-term deposits, respectively, which resulted in a decrease in accumulated fund of N634,477 as at 1 January 2018.

IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 (Financial Instruments) and IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 Financial Instruments: Disclosures were updated and the Company has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 5, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3 (note on significant estimates) and Note 28 to the financial statements.

Reconciliations from opening to closing ECL allowances are presented in Note 5 (Transitional disclosures).

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

The Fund's income arising from donations received or receivable and interest income earned on short-term investment is scoped out of IFRS 15 because donations received provides no consideration directly in return to the donor and there is no contract between the Fund and the donors, hence, the donors are not seen as customers.

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.

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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

b) Intangible assets - continued

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 un- redeemed 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.

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

Policy applicable before 1 January 2018

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.

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

Prior to the adoption of IFRS 9, the Fund designates financial assets to the following IAS 39 categories: Cash and short-term deposits, Account receivables and Held to maturity investments.

Initial recognition and subsequent measurement

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The measurement of financial assets depends on their classification.

Account receivables

Account receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. The losses arising from impairment are recognised in the statement of income or expenditure as part of other operating expenses. The Funds account receivables are pledges made at town hall meeting redeemed before the financial statements are authorized for issue by the board.

Held-to-maturity financial investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the EIR, less impairment. The EIR amortization is included in interest income in profit or loss. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortization process.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the following two years.

Held to maturity financial assets in the Company is investment in treasury bills issued by Federal Government of Nigeria with tenor of more than three months.

(ii) Financial liabilities

Initial recognition and measurement

Prior to the adoption of IFRS 9, financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities include Account payables.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

e) Financial Instrument - continued

Subsequent measurement

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

Account payables

Account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payables 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.

Policy applicable with effect from 1 January 2018

(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 market place (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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

e) Financial Instrument - continued

The Fund's financial assets at amortised cost includes cash and short-term deposits and Investments in Treasury bills.

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 28

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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

e) Financial Instrument - continued

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.

(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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

e) Financial Instrument - continued

(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.

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) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Fund as a lessee

Operating lease payments are recognised as an operating expense in the statement of income & expenditure on a straight-line basis over the lease term.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

h) 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:

- ▶ 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.

i). 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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 Summary of significant accounting policies - continued

i). Inventories - continued

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.

j) 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.

k) Employee benefits

(a) 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.

(b) 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:

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

3. Significant Accounting judgments, estimates and assumptions - continued

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:

- 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, plant and equipment

The Fund carries its property, plant 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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

4. New and amended standards and interpretations issued but not yet effective including IFRS update

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 16 - Leases

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessee will also be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company has performed a detailed assessment of the impact of IFRS 16. In summary, the adoption of IFRS 16 will give rise to a reclassification of amount prepaid in respect of rent recognised as prepayment to right of use asset which will be depreciated over the lease period.

(ii) IFRS 17 Insurance Contracts

In May 2018, 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:

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

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

(ii) IFRS 17 Insurance Contracts - continued

- ▶ 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 2021, 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.

(iii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2018, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

(iv) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Fund.

(v) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments have no impact on the financial statements of the Fund.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

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

(vi) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- ▶ Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- ▶ Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will not apply to the Fund as it does not have any employee benefit that include future plan amendments, curtailments, or settlements.

(vii) Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Fund does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

(i) IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

NOTES TO THE FINANCIAL STATEMENTS - continued

LAGOS STATE SECURITY TRUST FUND

Annual Improvements 2015-2017 Cycle - continued

(i) IFRS 3 Business Combinations - continued

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will not have an impact on the Fund's financial statements.

(ii) IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Fund but may apply to future transactions.

(iii) IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Fund is not liable for tax, the Fund does not expect any effect on its financial statements.

(iv) IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Fund's does not have any borrowing, the Fund does not expect any effect on its financial statements.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

5. Transition disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

	Notes	IAS 39 measurement		Re-classification	Re-measurement		IFRS 9	
		Category	Amount		ECL	Other	Amount	Category
		₦		₦		₦		
Financial assets								
Cash and cash equivalents:								
Cash in banks and on hand	A,B	Loans and receivables	185,095,631	-	-	-	185,095,631	Amortised cost
Cash and cash equivalents:								
Short-term deposits	A,B	Loans and receivables	397,070,053	-	(65,371)	-	397,004,681	Amortised cost
Debt instruments at amortised cost	A	N/A	-	56,476,571	(581,551)	-	55,895,020	Amortised cost
<i>From: Financial investments</i>	B	Held-to-maturity	56,476,571	(56,476,571)			-	
			<u>638,642,255</u>	-	<u>(646,922)</u>	-	<u>637,995,333</u>	
Financial liabilities								
Account payables		Other financial liabilities	15,830,791	-	-	-	15,830,791	Amortised cost
			<u>15,830,791</u>	-	-	-	<u>15,830,791</u>	

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

5. Transition disclosures - continued

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Accumulated Fund N 000
Accumulated Fund	
Closing balance under IAS 39 (31 December 2017)	-
Recognition of IFRS 9 ECLs (see below)	646,922
Opening balance under IFRS 9 (1 January 2018)	<u>646,922</u>
Total change in equity due to adoption of IFRS 9	<u>646,922</u>

The following table reconciles the aggregate opening allowance for impairment under IAS 39- Financial instruments:

	Allowance for impairment under IAS 39 at 31 December 2017 N 000	Re- measur- ement N 000	ECLs under IFRS 9 at 1 January 2018 N 000
Impairment allowance for:			
Loans and receivables per IAS 39/ Financial assets at amortised cost under IFRS 9:			
Short term deposits	-	65,371	65,371
Held-to-maturity debt investment securities per IAS 39/Debt instruments at amortised cost under IFRS 9	-	581,551	581,551
Total	<u>-</u>	<u>646,922</u>	<u>646,922</u>

The following explains how the application of the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Fund as detailed below:

A. ECL computation on financial assets under IFRS 9

Upon adoption of IFRS 9, the Fund recognised additional impairment on the Fund's treasury bills and short-term deposits, which resulted in a decrease in accumulated fund of N646,922 as at 1 January 2018.

B. As of 1 January 2018, the Company did not have any debt instruments that did not meet the SPPI criterion within its held-to-maturity and loans and receivables portfolio. Therefore, it elected to classify all of these instruments at debt instruments measured at amortised cost.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

6	Donations in cash		
6a	Donations from public officers and government agencies:		
		2018	2017
	Donors	₦	₦
	Council of Obas & White Caps Chiefs of Lagos State	500,000	-
	Senator Gbenga Ashafa	-	250,000
	Elizabeth Oduwole (PS Audit Service Commission)	-	100,000
	Lagos State Aids Control Agency	-	50,000
		-----	-----
		500,000	400,000
		=====	=====
6b	Donations in cash from private bodies:		
	Donors		
	Zenith Bank Plc	250,000,000	-
	Access Bank Plc	100,000,000	50,000,000
	First City Monument Bank	50,000,000	50,000,000
	Fidelity Bank Plc	50,000,000	50,000,000
	Sterling Bank Plc	25,000,000	50,000,000
	Stanbic IBTC Bank	25,000,000	25,000,000
	A.G Ferrero & Co Ltd	15,000,000	-
	LASACO Assurance Company	10,000,000	-
	Mr Femi Otedola	5,000,000	5,000,000
	Leadway Assurance Limited	5,000,000	5,000,000
	Providus Bank Ltd	5,000,000	-
	STB Building Society Limited	5,000,000	5,000,000
	Phillips Projects Centre Ltd	2,000,000	-
	Seplat Petroleum Development Plc	2,000,000	2,000,000
	Jubaili Bros Engineering Company Ltd	1,500,000	1,500,000
	11 PLC (Formerly Mobil Oil)	1,000,000	-
	Arksego Nigeria Limited	1,000,000	1,000,000
	Ikoyi Club	500,000	-
	Intergrated System & Development Ltd	500,000	-
	Ashaka Security Company Ltd	300,000	-
	Haggai Mortgage Bank Ltd	250,000	250,000
	Dr. Jemilade Alonge	225,000	-
	Mr. Erich Deissel	150,000	-
	Anonymous Donor	121,584	-
	Ayinde Rhoda Olubusola	100,000	-
	Chris Ogunbanjo Foundation	100,000	100,000
	HRM Oba Kabiru Shotobi	100,000	-
	Lekki Phase 1 residence association	100,000	200,000
	Sachlight Limited	100,000	-
	Slice Media Solutions Ltd (Khadijah Okunnu)	100,000	-
	Adeyemi Idowu	65,000	-
	IBILE Oil & Gas Corporation	50,000	-
	Mr Paul Harney	50,000	-
	Mrs Bandele Fadipe	50,000	-
	Pure Flour Mill Limited	50,000	-
	Stefan Pedersen	50,000	-
	Trans-Atlantic Shipping Agency	50,000	-
	Truth Seeker Fellowship	50,000	-
	Mrs. Yetunde Akinluyi	50,000	50,000
	Habib Haruna	25,000	-
	Abraham Orekoya	20,000	-

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

6b Donations in cash from private bodies - continued	2018 ₦	2017 ₦
Erondu John	20,000	-
Mrs Ayo Shotonwa	20,000	-
Puma Eye Securities	20,000	-
ACP Chioma Ajunwa Oparah	10,000	-
Angle90 Digital concept	5,000	-
Funmi Adeogun	5,000	-
Gberebie Andrew	5,000	-
Adaobi Vivian Nwankwo	2,000	-
Temitope Odebode	2,000	-
United Bank for Africa	-	50,000,000
Coronation Bank Plc	-	50,000,000
Guaranty Trust Bank	-	50,000,000
Technology Distribution Ltd	-	25,000,000
Unity Bank Plc	-	20,000,000
Northwest Petroleum & Gas	-	10,000,000
Wema Bank Plc	-	10,000,000
Planets Projects Limited	-	6,000,000
Allied Dominion Oil Field & Ship	-	5,000,000
Palmyra Construction Nigeria Limited	-	2,000,000
Erisco Foods Limited	-	1,500,000
Moala Enterprises	-	1,500,000
Akintola Williams Deloitte & Touche	-	1,000,000
Irowa Farm Estate Limited	-	1,000,000
KSquare Multi Limited	-	500,000
The Redeemed Evangelical Mission	-	300,000
Halogen Security Fund Limited	-	250,000
OGR Investment	-	250,000
Abdulateef Ahmood Alomar	-	200,000
Lekki Phase 1 residence association	-	200,000
Patrick Keku	-	200,000
Accion Microfinance Bank Ltd	-	100,000
Hon. Justice I.A Olorunnimbe OON	-	100,000
HRM Oba Shotobi Kabiru	-	100,000
Kassim Waheed Olusegun	-	100,000
Lagos Lawn Tennis	-	100,000
Oba Kamorudeen Oloja	-	100,000
Association of Private Educators of Nigeria	-	100,000
Fattarelli O & Isimijola	-	80,000
Mr. Samir Maalouf	-	50,000
Mrs. Yetunde Akinluyi	-	50,000
Risk Control Serv. Nig Ltd	-	50,000
Mrs Awala Olufunmilayo	-	30,000
Anonymous	-	15,100
Mr. O. O Saheed	-	4,000
Abideen Moshood Omogbolahan	-	2,000
Mr. Emmanuel Agumã SAN	-	2,000
Mr. Segun	-	1,620
Falokun Olaolu	-	500
	555,745,584	480,635,220
	=====	=====

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

7	Donations in kind				
7a	Donations from public officers and government agencies:				
		2018	2017		
		₦	₦		
	Lagos State Government				
	30 R1200 RT BMW Powerbikes	441,000,000	-		
	10 Specialised Sinoki Supra motorbikes	-	6,000,000		
		-----	-----		
		441,000,000	1,663,527,200		
		=====	=====		
7b	Donations from private bodies:				
	Total E&P Nigeria Limited - 2 Mitsubishi Vans	25,000,000	-		
		-----	-----		
		25,000,000	-		
		=====	=====		
7c	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:				
		2018	2017		
		₦	₦		
	Supply of 7.6m litres (2017: 7.6m litres) of Premium Motor Spirit (PMS)	1,138,320,000	1,138,320,000		
	Supply of 2.1m litres (2017: 2.1m litres) of Automated Gasoline Oil (AGO)	542,190,000	516,615,000		
	Supply of 3 drums (2017: 20 drums) of Lubricants	222,000	2,592,200		
		-----	-----		
		1,680,732,000	1,663,527,200		
		=====	=====		
8	Other income				
	Grants from Lagos State Government	9,044,052	9,044,052		
	Gain on sale of scraps	89,500	1,377,000		
	Registration fee	750,000	1,535,000		
	Refund of WHT previously deducted	1,926,379	-		
	Security tips and signages	-	12,500,000		
	Town hall meeting sponsorship	9,500,000	11,200,000		
	Others	27,353,280	-		
		-----	-----		
		48,663,211	35,656,052		
		=====	=====		
	Others represent provisions made in previous years that are no longer required.				
9	Interest income calculated using effective interest method				
	Interest from fixed deposit	34,291,256	28,847,193		
	Interest from treasury bills	-	6,488,241		
	Interest earned on debt instruments at amortised cost	10,806,347	-		
		-----	-----		
		45,097,603	35,335,434		
		=====	=====		
10	Credit loss expense				
	The table below shows the ECL charge on income and expenditure on financial instruments for the year:				
	31 December 2018				
		Stage 1	Stage 2	Stage 3	Total
		Individual	Individual	Individual	Total
		₦	₦	₦	₦
	Short-term deposit (Note 22)	85,608	-	-	85,608
	Reversal of prior year's ECL on short term deposit	(65,371)	-	-	(65,371)
	Debt instrument at amortised cost: Treasury bills (Note 20.2)	1,850,518	-	-	1,850,518
	Reversal of prior year's ECL on debt instrument at amortised cost	(581,551)	-	-	(581,551)
		-----	-----	-----	-----
		1,289,204	-	-	1,289,204
		=====	=====	=====	=====

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

	2018	2017
	₦	₦
11 Support to security agencies		
Donated vehicles, equipment and other supplies issued to security agencies (Note 11a)	2,121,732,000	1,663,527,200
Purchased vehicles, equipment and other supplies issued to security agencies (Note 11b)	209,920,710	394,788,900
Repairs and branding (Note 11c)	87,767,622	110,871,391
RRS running cost	2,000,000	-
	-----	-----
	2,421,420,332	2,169,187,491
	=====	=====
11a Donated vehicles, equipment and other supplies issued to security agencies		
Beneficiaries	2018	2017
	₦	₦
RRS, LASTMA, LASEMA, Lagos Police command		
Supply of 7.6m litres (2017: 7.6m litres) of Premium Motor Spirit (PMS)	1,138,320,000	1,138,320,000
Supply of 2.1m litres (2017: 2.1m litres) of Automated Gasoline Oil (AGO)	542,190,000	516,615,000
Supply of 3 drums (2017: 20 drums) of Lubricants	222,000	2,592,200
Lagos State Rapid Response Squad (RRS)		
10 R1200 RT BMW Power bikes	147,000,000	-
10 Specialised Sinoki Supra Superbikes		6,000,000
Governor's Office		
5 R1200 RT BMW Power bikes	73,500,000	-
Lagos State Traffic Management Authority (LASTMA)		
5 R1200 RT BMW Power bikes	73,500,000	-
LRU-Avangade		
5 R1200 RT BMW Power bikes	73,500,000	-
Lagos State Emergency Management Agency (LASEMA)		
4 R1200 RT BMW Power bikes	58,800,000	-
Lagos Police Command		
1 R1200 RT BMW Power bikes	14,700,000	-
	-----	-----
	2,121,732,000	1,663,527,200
	=====	=====
11b Purchased vehicles, equipment and other supplies issued to security agencies		
Beneficiaries		2018
		₦
Lagos State Rapid Response Squad (RRS)		
100 units of Motorola (GM140) base radio		25,000,000
200 batteries (75A & 100A) and 240 units of tyres		17,873,000
115 sets of riders gear		9,717,500
Fabrication & construction of 1 security stand booth/ kiosk		1,500,000
200 units of rain coats		1,020,000
200 units of caution tapes		900,000
1 unit of Parrot Anafi 4k portable drone		750,000
200 units of Rain boots		610,000
Repairs & servicing of Ford F550		430,000

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11b Purchased vehicles, equipment and other supplies issued to security agencies - continued

Beneficiaries - continued

	2018
	₦
Lagos State Rapid Response Squad (RRS) - continued	
8 units of tyres	328,000
Construction of 2 sets of back cabins with seats on two Mitsubishi pickup vans	300,000
30 units of batteries for bikes	180,000
Parts & lubricants for 3 units of vehicles	162,210
4 units of tyre for Ford Escape jeep attached to RRS commander	132,000
2 units of 75Ah battery	46,000
Operation MESA: Airforce	
12,420 litres of Premium Motor Spirit (PMS)	3,600,000
Marine Police	
84,000 litres of Automated Gasoline Oil (AGO)	18,620,000
44 units of 100Amps 12V batteries	2,002,000
Procurement of battery charging equipment	350,000
Naval Base	
36,000 litres of Automated Gasoline Oil (AGO)	8,115,000
Lagos State Police Command	
5 Nissan Pick-up vans GMT	51,975,000
2 units of Nissan pick-up vans	20,790,000
25 sets of riders gear	2,112,500
5 sets of revolving bar light & mobile base radios	1,475,000
Branding of 5 Nissan pick-up NP300 patrol vehicles	1,250,000
Construction and installation of back cabin on 5 Nissan pick-up NP300 patrol vehicles	750,000
2 sets of Amber lights & mobile base radios	590,000
Registration of 5 units of newly acquired vehicles	175,000
Police Hospital Falomo	
1 ambulance equipped with basics	19,275,000
100KVA Generator	6,993,000
Lagos State Traffic Management (LASTMA)	
7 sets of riders gear	591,500
Lagos state Emergency Management Agency (LASEMA)	
7 sets of riders gear	591,500
Governor's Office	
1 Nissan Pick-up vans GMT	10,395,000
7 sets of riders gear	591,500
1 sets of revolving bar light & mobile base radios	295,000
Branding of 1 Nissan pick-up NP300 patrol vehicles	250,000
Construction and installation of back cabin on 1 Nissan pick-up NP300 patrol vehicles	150,000
Registration of 1 units of newly acquired vehicles	35,000

	209,920,710
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LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11b Purchased vehicles, equipment and other supplies issued to security agencies	
Beneficiaries - continued	2017 ₦
Lagos State Rapid Response Squad (RRS)	
20 Nissan Almera Cars	144,900,000
106 units of tyres	15,671,000
112 rolls of charcoal black fabrics	9,520,000
Spare parts for routine service of fleets for quarter 1	8,633,800
Service parts for 204 vehicles for routine service	7,472,100
20 revolving light with siren & radio base sets for the new Nissan Almera saloon car	5,800,000
120 motor bike tyres	3,204,000
250 pairs of operational boots	3,000,000
Computer systems & office tools for Decoy & media team of RRS	2,750,000
2 sets of vulcanizing & battery charging equipment	960,000
Accessories for 20 Nissan Almera vehicles purchased	210,000
250w MK-1000DZ wireless public address system	160,000
8 fire extinguishers & one medium sized ladder	138,000
10 fire extinguishers	105,000
Operation MESA: Airforce	
12,420 litres of Premium Motor Spirit (PMS)	1,800,000
Marine Police	
3 Yamaha outboard engines for Marine Police	19,860,000
90,000 litres of Automated Gasoline Oil (AGO)	17,660,000
20 units of 100amps batteries	900,000
Naval Base	
30,000 litres of Automated Gasoline Oil (AGO)	6,060,000
Lagos State Police Command	
8 Nissan pick-up NP300 2.4L double cabin 4wd	83,160,000
120 units of 5KVA generators	24,360,000
Installation of 120 units of 5KVA generators	12,000,000
8 Sets of revolving bar light & mobile base radio on the 8 Nissan pick-up purchased	2,440,000
Construction & installation of back cabins on 7 patrol vehicles (Nissan Pick-up)	1,500,000
Cash award for gallantry to selected officers	750,000
Registration of number plates for 8 Nissan Patrol vehicles	204,000
Senior Special Adviser to the Governor on Special Services	
2 Nissan pick-up NP300 2.4L double cabin 4wd	20,790,000
Supply & Installation of 2 sets each siren amber lights & Motorola GM140 base radios	610,000
Registration of number plates for 2 Nissan Patrol vehicles	51,000
Governor's office	
6 stun batons/gun	120,000

	394,788,900
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LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11c Repairs and branding Beneficiaries	2018 N
Lagos State Rapid Response Squad (RRS)	
Parts for service of 164 patrol vehicles	6,295,600
Service parts for 151 patrol vehicles	5,924,500
Refurbishment of 8 Isuzu troop carrier trucks	5,880,000
Refurbishment of 4 vehicles	3,123,000
Repair & service of Toyota corolla RRS 106 LA	1,343,000
Repair of Toyota corolla RRS 181 LA	915,000
Repair & servicing of 4 vehicles 075, 339, 043 & DL 395 ABJ	750,000
Re-enforcement of 50 Sinoki bikes chassis	700,000
Repairs of 5 vehicles for the RRS 071, 070, 046, 003 & 063	676,875
Repair & service of APC SWAT 12, SWAT 13, SWAT 36 & SWAT 38	650,000
Parts for the service of the RRS APC for the 1st quarter 2018	638,050
Routine service of RRS Motor bikes	615,000
Repair & servicing of APC (SWAT17) Toyota Land Cruiser & APC (SWAT 14)	580,000
Labour charge for routine service of 56 RRS patrol vehicles	560,000
Servicing of 74 RRS motorbikes for the RRS for 3rd quarter of 2018	555,000
Routine service of 74 Sinoki bikes for 2nd quarter in 2018	555,000
Labour charge for routine service of 51 RRS patrol vehicles	510,000
Refurbishment of 1 Hilux official vehicle attached to the Fund	500,000
Repair & service of Nissan Almera RRS405LA	451,000
Routine service of 60 RRS Motorbikes	450,000
Parts for routine service of 12 APC for the RRS operatives	442,200
Repair of 1 BMW motorbike with call sign RRS 430 LA	412,397
Service of the RRS Armoured Personnel Carriers for the 1st quarter 2018	400,000
Routine service of 40 RRS patrol vehicles for the 1st quarter 2018	400,000
Repair & Servicing of RRs vehicle Nos 392, 189 & 028	380,000
Repair & service of 4 units of 250HP Sinoki bikes	379,368
Routine service of 19 Nissan Almera patrol vehicles for the RRS operatives	368,600
Parts for routine service of 9 APC for the RRS-SWAT 36,23,24,10,31,17,16,12	357,100
Routine service of 32 RRS patrol vehicles for the 1st quarter 2018 & replacement of clutch disc	350,000
Routine service of 17 Nissan Almera vehicle and repair of RRS392LA, RRS386LA, RRS405	328,600
Replacement of tie rod & damper in RRS APC SWAT 041	285,000
Repairs & servicing of Ford F550 (APC SWAT 43) located at Adeniji Adele	250,000
Renewal of RRS website (www.rslagos.gov.ng) for 12 months	238,700
Repair of 3 Isuzu trucks for RRS; 02, 03, & 04	216,300
Labour charge for routine service of 21 RRS vehicles	210,000
Additional cost of repairs for Corolla RRS 045 LA	209,000
Labour charge for the routine service of 9 APCs for the RRS-SWAT 36, 23, 24, 10, 31, 1	200,000
Additional repairs on 5 RRS APCs	175,000
Labour charge for the routine service of 6 APC for the RRS	140,000
Labour charge for the routine service of 6 APC for the RRS	140,000
Replacement of clutch disc, clutch plate & release bearing on the RRS Carrier Trucks 06	130,000
Repair of 2 RRS patrol vehicles Nos RRS 349 LA & RRS 098 LA	124,000
Repair & servicing of Ford F550 (APC SWAT 41) located at Oshodi	110,000
Replacement of complete fuel distribution filter on SWAT 24 (Trinity) & SWAT 43	90,000
Replacement of engine pulley on Isuzu truck Carrier 05 for the RRS	85,000
Replacement of clutch disc & plate on Land cruiser RRS 110 LA	85,000
Replacement of engine pulley for 1 unit of Isuzu truck	85,000
Routine service of 8 RRS (Isuzu trucks) for the 1st Quarter	80,000
Servicing of 8 Isuzu Trucks troop carrier Nos 1-8	80,000
Repairs on 3 RRS vehicles RRS 019 LA, RRS 093 LA & RRS 189 LA	77,500

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11c Repairs and branding - continued

Beneficiaries - continued	2018 ₦
Lagos State Rapid Response Squad (RRS) - continued	
Financial assistance to PC Ofuani Michael (RRS Officer) for his swollen leg surgery	60,000
Replacement of Master down clutch/ release bearing on Toyota Corolla RRS 256 LA	55,000
Replacement of faulty clutch plate on RRS Carrier 01	55,000
Lagos State Neighbourhood Safety Corp (LNSC)	
Repairs of 19 operational vehicles in use by the LNSC	22,951,000
Service parts for 179(Nos) operational vehicles for LNSC	6,265,000
Marine Police	
Routine service of 34 Marine outboard engines (Gun boats) for 1 st and 2 nd quarters	7,208,000
Repair & service of 34 units of Marine Police Yamaha engine for 3 rd quarter	3,224,632
Routine service of 6 Yamaha inboard engines for gunboats used by Marine Police	1,420,400
3rd routine service of 6 Yamaha inboard engine for Marine Police	1,420,400
Repairs of inboard engine of Gun boat PC 05 for Marine Police	799,500
Servicing of turbo charger for patrol gunboat PC19	120,000
Lagos State Police Command	
Training on data analysis from mobile phone & networks/ information gathering enhancement	3,150,000
Body branding for 2 units of vehicles	250,000
Registration of 4 vehicles including Ambulance for Police Command	140,000
Re-issuance of cash reward to INSP. BAKAI	100,000
Others	
Financial support for youth security concert	500,000
Branding of 2 Mitsubishi pick-up vans donated by TOTAL E & P	500,000
Cash refunds by the Fund for minor expenditure incurred by the RRS	295,400
Branding of 154 rider's gear for security personnel	185,000
Financial support for security & safety seminar for children	150,000
Purchase of Fuel pump through direct labour	117,500
Additional parts for Ambulance (M.Benz) & Camry-LSR 74 DZ	50,000

	87,767,622
	=====
	2017 ₦
Nigeria Security and Civil Defence Corps	
Refurbishment of 10 vehicles	18,001,650
Lagos State Rapid Response Squad (RRS)	
Refurbishment of 3 Ford Rangers	3,738,750
General refurbishment of 27 units of Sinoki supra bikes	2,826,470
Servicing of 22 Armoured Personnel Carriers	2,800,000
Repair of (4) Armoured Personnel Carriers, 3 Izuzu trucks & 1 MAN diesel	2,674,000
Full refurbishment of 5 patrol vehicles	2,647,000
Full refurbishment of Toyota Hilux pick-up van with Reg No: RRS 352 LA	2,059,700
Full body branding of 20 newly purchased Nissan Almera cars	2,000,000
Refurbishment of 6 units of Toyota Hilux pick up vans	2,000,000
Refurbishment of Toyota Hilux RRS 330 LA	1,726,200

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11c Repairs and branding - continued

Beneficiaries - continued

2017

₦

Lagos State Rapid Response Squad (RRS) - continued

Repairs of Swat 21 Armoured Personnel Carriers	1,680,000
Repair of Toyota Hilux RRS333LA & RRS 327LA	1,237,000
Repair & replacement of parts on Toyota Corolla RRS 051 LA	1,124,000
Repair & replacement of parts on Toyota Corolla RRS 045 LA.	1,090,000
Destruction of worn sensitive security Items	1,300,000
Routine service of 87 vehicles for the 1st quarter	870,000
Routine service of 10 APC (Ford Brands) -SWAT 24,29,36,37,38,40,43,44,45,39	810,000
Repair of 5 Armoured Personnel Carriers	780,000
Routine service of 65 patrol vehicles	745,000
Repair & servicing of 4 pieces of RRS 250HP Suzuki out board engines for Marine boats	688,000
Servicing of 87 Sinoki bikes	652,500
Labour charge for Routine service of 65 patrol vehicles	650,000
Routine service for RRS vehicles	637,000
Repairs & rebranding of 4 decoy vehicles	631,000
Repairs of 6 Izuzu troop carriers	621,100
Repair of 8 Isuzu trucks	613,400
Repairs of Armoured Personnel Carriers Swat 042	600,000
Routine service of 79 sinoki motor bikes	592,500
Labour charge for routine service of 50 vehicles	550,000
Labour charge for routine service & cleaning of injector nozzles for 53 vehicles	530,000
Repair & servicing of Armoured Personnel Carriers 39 (Ikeja)	500,000
Repair & servicing of Armoured Personnel Carriers 35 (Fagba)	500,000
Servicing of 55 RRS fleets	451,000
Repair of faulty revolving lights & siren of 101 vehicles	450,000
Repair & servicing of 3 Armoured Personnel Carriers	405,000
Repair of Armoured Personnel Carrier Swat 33 located in Festac Town	399,500
Repair & servicing of Armoured Personnel Carriers SWAT 44 (Epe)	350,000
Repair of Swat 33 Iyana-Ipaja & Swat 13 Toyota B/S Ladipo	323,100
Repairs of RRS 060 LA and RRS 066 LA vehicles	293,288
Repair of Armoured Personnel Carrier Swat 45	290,000
Labour charge for the routine service of 29 vehicles	290,000
Repair of RRS 342 LA	250,000
Repairs on 3 Nissan Almeras	255,433
Repair of Armoured Personnel Carrier Swat 24 in Ejirin	190,000
Repair of 5 vehicles	100,000
Repair of Toyota Land cruiser Armoured Personnel Carrier Swat 32	95,000

Marine Police

Repairs of 34 Marine boat engines	3,509,000
Repairs/service of 30 gunboats	2,801,000
Repairs/servicing of 4 inboard engines gunboats	1,850,800
Service of 6 gun boats (PC05, PC19, PC32, PC36, PL05, PL12)	2,283,000
Replacement of hydraulic power steering hose with accompanied accessories	370,000
PL 05 Injector pump calibration	215,000

Operation MESA: Nigerian Army

Repair/refurbishment of 38 OP_MESA Patrol Vehicles	16,263,050
Refurbishment of 2 OP_MESA patrol vehicles	2,766,700
Refurbishment of Toyota Hilux	1,500,000
Refurbishment of an additional Hilux van	1,500,000

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

11c	Repairs and branding - continued		2017
	Beneficiaries - continued		₦
	Operation MESA: Nigerian Army - continued		
	Refurbishment of Nissan Pick-up		1,000,000
	Refurbishment of Toyota Hilux		1,000,000
	Repair of Peugeot 406 saloon car		425,000
	Operation MESA: Nigerian Navy		
	Refurbishment of 5 OP_MESA Patrol Vehicles		6,916,750
	Operation MESA: Nigerian Airforce		
	Refurbishment of 3 OP_MESA patrol vehicles		4,150,050
	Repair/refurbishment of 2 OP_MESA Patrol Vehicles		855,950
	Lagos State Police Command		
	Branding of 8 Nissan Nt300 pick up van		800,000
	Lagos State Neighbourhood Safety Corp (LNSC)		
	Repair of one damaged Ford ECOSPORT with reg no: AKD 349 EQ in use by the LNSC		647,500

			110,871,391
			=====
12	Employee benefits expense	2018	2017
		₦	₦
	Salaries and allowances	22,427,030	16,485,000
	Pension cost	729,000	527,400
		-----	-----
		23,156,030	17,012,400
		=====	=====
13	Rent expenses		
	Office rent	3,951,714	3,785,643
	Service charge	1,807,480	2,214,793
		-----	-----
		5,759,194	6,000,436
		=====	=====
14	Other operating expenses		
	Audit and other professional fees	10,000,000	10,000,000
	Bank charges	195,943	130,831
	General office expenses	6,222,504	5,857,619
	Insurance	2,894,231	1,724,803
	Mid-year and annual Town hall meeting on security	2,500,000	18,853,850
	Other office expenses	10,010,854	5,823,864
	Public enlightenment and awareness	1,303,915	1,588,816
	Antivirus ICT	-	122,220
	Security tips and signage cost	-	3,750,000
	Trustees' remuneration	1,940,000	1,150,000
		-----	-----
		35,067,447	49,002,003
		=====	=====
15	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

16 Property and equipment

	Office furniture & equipment ₦	Computer equipment ₦	Motor vehicles ₦	Leasehold Improvements	Total ₦
Cost					
As at 1 January 2017	13,950,092	4,549,317	26,000,000	2,343,375	46,842,784
Additions	-	285,000	-	-	285,000
As at 31 December 2017	13,950,092	4,834,317	26,000,000	2,343,375	47,127,784
Additions	500,000	-	33,195,000	-	33,695,000
As at 31 December 2018	14,450,092	4,834,317	59,195,000	2,343,375	80,822,784
Depreciation					
As at 1 January 2017	4,254,759	1,393,995	6,179,165	390,563	12,218,482
Charge for the year	3,184,263	1,411,927	6,052,084	468,675	11,116,949
As at 31 December 2017	7,439,022	2,805,922	12,231,249	859,239	23,335,432
Charge for the year	3,015,981	1,482,465	5,425,000	468,675	10,392,121
As at 31 December 2018	10,455,003	4,288,387	17,656,249	1,327,914	33,727,553
Net Book Value					
At 31 December 2018	3,995,089	545,930	41,538,751	1,015,461	47,095,231
At 31 December 2017	6,511,070	2,028,395	13,768,751	1,484,136	23,792,352

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

	2018	2017
	₦	₦
17 Intangible assets		
Cost		
At 1 January	450,000	450,000
Additions	-	-
At 31 December	----- 450,000	----- 450,000
	=====	=====
Accumulated amortisation and impairment		
At 1 January	272,250	123,750
Amortisation for the year	148,500	148,500
At 31 December	----- 420,750	----- 272,250
	=====	=====
Net book value		
At 31 December	29,250	177,750
	=====	=====

	2018	2017
	₦	₦
18 Inventories		
2 Mitsubishi vans	25,000,000	-
1 fully equipped Nissan Almera van	10,940,000	-
89 Riders boots	2,670,000	-
89 Helmet	2,314,000	-
89 Riders jacket	1,424,000	-
89 Riders kneel guard	667,500	-
89 Riders hand gloves	445,000	-
	-----	-----
	43,460,500	-
	=====	=====

Inventory represents items received from donors and/or purchased but not yet distributed to approved security agencies.

	2018	2017
	₦	₦
19 Account receivables		
Pledged donations	2,500,000	16,350,000
	-----	-----
	2,500,000	16,350,000
	=====	=====

20 Investment securities
20.1 Held to maturity

	2018	2017
	₦	₦
Treasury bills	-	56,476,571
	=====	=====

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

20.2 Debt instruments at amortised cost

	2018	2017
	N	N
Nigerian Treasury Bills	139,063,236	-
Allowance for expected credit losses	(1,850,518)	-
	<u>137,212,718</u>	<u>-</u>
	=====	=====

Impairment allowance for debt instrument at amortised cost

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

Grade	Stage 1	Stage 2	Stage 3	Total
	High Grade			
	N	N	N	N
Gross carrying amount as at 1 January 2018	56,476,571	-	-	56,476,571
New asset purchased	290,402,475	-	-	290,402,475
Assets derecognised or repaid	(207,815,810)	-	-	(207,815,810)
At 31 December 2018	<u>139,063,236</u>	<u>-</u>	<u>-</u>	<u>139,063,236</u>

<i>Internal rating grade of "2" high grade</i>	Stage 1	Stage 2	Stage 3	Total
	N	N	N	N
ECL allowance as at 1 January 2018	581,551	-	-	581,551
New asset purchased	1,850,518	-	-	1,850,518
Assets derecognised or matured	(581,551)	-	-	(581,551)
At 31 December 2018	<u>1,850,518</u>	<u>-</u>	<u>-</u>	<u>1,850,518</u>

21	Other assets	2018	2017
		N	N
	Cash advance	-	12,675,000
	Prepaid insurance	1,044,087	348,558
	Prepaid office rent	8,750,000	1,376,714
	Prepaid others	569,724	377,205
		<u>10,363,811</u>	<u>14,777,477</u>
		=====	=====

22	Cash and short-term deposits	2018	2017
		N	N
	Cash on hand	414,140	14,535
	Cash at banks		
	Access Bank Plc	141,454,666	44,679,766
	Coronation Bank Plc	4,010,029	53,258,289
	Diamond Bank Plc	9,341,706	22,789,208
	Fidelity Bank Plc	48,697,839	66,393,863
	First Bank of Nigeria Plc	54,859,104	54,707,444
	Guaranty Trust Bank Plc	33,507,347	36,241,602
	Heritage Bank	842,232	578,990

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

22	Cash and short-term deposits - continued	2018	2017
		₦	₦
	Cash at banks - continued		
	Polaris Bank Limited	29,348,968	40,643,642
	Providus Bank Limited	8,238,783	-
	Stanbic IBTC	50,032,499	55,947,759
	Sterling Bank Plc	47,743,387	51,254,450
	United Bank of Africa Plc	47,380,917	73,881,120
	Wema Bank Plc	9,092,700	9,996,946
	Zenith Bank Plc	193,132,850	71,778,070
		-----	-----
		678,097,167	582,165,684
	Allowance for expected credit losses	(85,608)	-
		-----	-----
		678,011,559	582,165,684
		=====	=====

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

	2018	2017
	₦	₦
Cash on hand	414,140	14,535
Cash at bank	199,541,580	185,081,096
Short-term deposits	478,141,447	397,070,053
	-----	-----
	678,097,167	582,165,684
Less expected credit losses on short-term investments	(85,608)	-
	-----	-----
	678,011,559	582,165,684
	=====	=====

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

	Stage 1	Stage 2	Stage 3	Total
	₦	₦	₦	₦
Gross carrying amount as at 1 January 2018	397,070,053	-	-	397,070,053
New asset purchased	478,141,447	-	-	478,141,447
Assets derecognised or matured	(397,070,053)	-	-	(397,070,053)
At 31 December 2018	478,141,447	-	-	478,141,447

	Stage 1	Stage 2	Stage 3	Total
	₦	₦	₦	₦
<i>Internal rating grade of "1" high grade</i>				
ECL allowance as at 1 January 2018	65,371	-	-	65,371
New asset purchased	85,608	-	-	85,608
Assets derecognised	65,371	-	-	65,371
At 31 December 2018	85,608	-	-	85,608

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

	2018 ₦	2017 ₦
23 Accounts payable		
Audit fees	10,000,000	10,000,000
Other accrued expenses (Note 23.1)	5,830,791	70,712,152
	<u>15,830,791</u>	<u>80,712,152</u>
	=====	=====

23.1 Included in other accrued expenses as at 31 December are

	2018 ₦
Other accruals relate to unpaid portion of vendors' invoices	5,830,791
	=====
	2017 ₦
Total cost for repair and refurbishment of 50 OP_MESA patrol vehicles	30,952,500
Balance for repairs, servicing and refurbishment of RRS vehicles	15,104,530
Balance on repairs of 11 APCs for Police Command	6,500,000
Other accruals	5,564,472
Balance on repairs of vehicles for FRSC & Prisons Bus	4,535,500
Balance on installation of 120 nos of generators	3,600,000
Outstanding payment for security tips signages	1,750,000
Balance for refurbishment of 3 vehicles attached to OP-MESA Army	1,240,000
Balance on repairs of SSS patrol vehicles	1,465,150
	<u>70,712,152</u>
	=====

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

	2018 ₦	2017 ₦
24 Deferred income		
Government grant	10,027,904	17,396,956
Others	2,093,750	3,768,750
	<u>12,121,654</u>	<u>21,165,706</u>
	=====	=====

24.1 Classification of deferred income

	2018 ₦	2017 ₦
Current	9,044,052	9,044,052
Non-current	3,077,602	12,121,654
	<u>12,121,654</u>	<u>21,165,706</u>
	=====	=====

Government grants are items of property and equipment received from Lagos State Government for operational use of the Fund. There are no unfulfilled conditions or contingencies attached to these grants.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

24.2 Deferred income movement schedule

	Government grant N	Others N	Total N
At 1 January 2017	24,766,008	5,443,750	30,209,758
Released to statement of income and expenditure	(7,369,052)	(1,675,000)	(9,044,052)
At 31 December 2017	17,396,956	3,768,750	21,165,706
Released to statement of income and expenditure	7,369,052	1,675,000	(9,044,052)
At 31 December 2018	10,027,904	2,093,750	12,121,654

25 Employees' remuneration

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

	2018 Number	2017 Number
100,000 - 1,000,000	3	4
1,000,001 - 2,000,000	1	3
2,000,001 - 6,000,000	3	1
6,000,000 - 9,000,000	1	-
	8	8

The aggregate cost of these employees was:

	2018 N	2017 N
Salaries and wages	23,156,030	17,012,400

26 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.

	2018 N	2017 N
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	1,940,000	1,150,000

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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

27 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.

28 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 bank 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 treasury bills and 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.

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.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

28 Risk management - continued

Credit risk (IFRS7 Revised) - continued

Expected credit loss measurement - other financial assets - continued

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 1 January 2018 and 31 December 2018.

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.

31 December, 2018

Key drivers	Assigned Probabilities	ECL Scenario	2019	2020	2021	2022	2023	Subsequent years
GDP growth	10%	Upturn	0.26	0.29	0.32	0.35	0.38	0.41
	80%	Base	0.20	19.00	0.15	0.16	0.14	0.15
	10%	Downturn	0.14	0.11	0.08	0.05	0.02	-0.01
Oil Price %	10%	Upturn	56.00	59.00	62.00	65.00	68.00	71.00
	80%	Base	55.00	57.00	62.00	54.00	56.00	57.00
	10%	Downturn	44.00	41.00	38.00	35.00	32.00	29.00
Exchange rate %	10%	Upturn	180.00	175.00	170.00	165.00	160.00	155.00
	80%	Base	199.50	209.48	219.95	230.95	242.49	254.62
	10%	Downturn	204.75	214.99	225.74	237.02	248.87	261.32
Inflation rate %	10%	Upturn	26.00	24.00	22.00	20.00	18.00	16.00
	80%	Base	31.00	32.00	33.00	34.00	35.00	36.00
	10%	Downturn	34.00	36.00	38.00	40.00	42.00	44.00

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

28 Risk management - continued

Credit risk (IFRS7 Revised) - continued

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

1 January, 2018

Key drivers	Assigned Probabilities	ECL Scenario	2018	2019	2020	2021	2022	Subsequent years
GDP growth								
	11%	Upturn	0.23	0.26	0.29	0.32	0.35	0.38
	79%	Base	0.20	0.20	19.00	0.15	0.16	0.14
	10%	Downturn	0.17	0.14	0.11	0.08	0.05	0.02
Oil Price %								
	11%	Upturn	53.00	56.00	59.00	62.00	65.00	68.00
	79%	Base	50.00	55.00	57.00	62.00	54.00	56.00
	10%	Downturn	47.00	44.00	41.00	38.00	35.00	32.00
Exchange rate %								
	11%	Upturn	185.00	180.00	175.00	170.00	165.00	160.00
	79%	Base	190.00	199.50	209.48	219.95	230.95	242.49
	10%	Downturn	195.00	204.75	214.99	225.74	237.02	248.87
Inflation rate %								
	11%	Upturn	28.00	26.00	24.00	22.00	20.00	18.00
	79%	Base	30.00	31.00	32.00	33.00	34.00	35.00
	10%	Downturn	32.00	34.00	36.00	38.00	40.00	42.00

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., GDP growth 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

28 Risk management - continued

Credit risk (IFRS7 Revised) - continued

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

The table below shows the Fund's internal credit rating grades.

Internal rating grade	Internal rating description	12 month PD range	Implied S&P rating
1	High grade	0.00% - 0.58%	Very Good+
2	High grade	0.58% - 1.42%	Very Good
3	High grade	1.42% - 2.43%	Very Good-
4	Standard grade	2.43% - 16.3%	Good+
5	Standard grade	16.3% - 28.05%	Good
7	Sub-standard grade	28.05%-41.03%	Average+
8	Past due but not impaired	41.03% - 100	Bad
Non- performing			
9	Individually impaired	100%	Very Bad

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

31 December 2018	Short-term Investment	Treasury Bills	Total
	₦	₦	₦
Upside (10%)	8,561	185,052	193,613
Base (80%)	68,486	1,480,414	1,548,901
Downside (10%)	8,561	185,052	193,613
Total	85,608	1,850,518	1,936,126

1 January 2018	Short-term Investment	Treasury Bills	Total
	₦	₦	₦
Upside (11%)	7,191	63,971	71,161
Base (79%)	51,643	459,425	511,069
Downside (10%)	6,537	58,155	64,692
Total	65,371	581,551	646,922

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 23 for account payables and Note 19 and 22 for account receivables and cash and short term deposits.

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

28 Risk management- continued

Liquidity risk - continued

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.

	Carrying amount ₦	Contractual cashflow ₦	Less than 1 month ₦	1 - 3 months ₦
31 December 2018				
<i>Assets</i>				
Cash and cash equivalents	678,011,559	678,011,559	678,011,559	-
Account receivables	2,500,000	2,500,000	-	2,500,000
Debt instrument at amortised cost	137,212,718	137,212,718	-	137,212,718
	817,724,277	817,724,277	678,011,559	139,712,718
<i>Liabilities</i>				
Account payables	15,830,791	15,830,791	-	15,830,791
	15,830,791	15,830,791		15,830,791
Liquidity surplus	801,893,486	801,893,486	678,011,559	123,881,927
Cumulative liquidity surplus			678,011,559	801,893,486

	Carrying amount ₦	Contractual cashflow ₦	Less than 1 month ₦	1 - 3 months ₦
31 December 2017				
<i>Assets</i>				
Cash and cash equivalents	582,165,684	582,165,684	582,165,684	-
Account receivables	16,350,000	16,350,000	-	16,350,000
Financial assets held to maturity	56,476,571	56,476,571		56,476,571
	654,992,255	654,992,255	582,165,684	72,826,571
<i>Liabilities</i>				
Account payables	80,712,152	80,712,152	-	80,712,152
	80,712,152	80,712,152	-	80,712,152
Liquidity surplus	574,280,103	574,280,103	582,165,684	(7,885,581)
Cumulative liquidity surplus			582,165,684	574,208,103

LAGOS STATE SECURITY TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS - continued

28 Risk management- continued

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.

29 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 Dec 2018 ₦3,951,714 (2017: ₦3,785,643) 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 2018 (2017: nil).

30 Events after the reporting dates

Management has evaluated subsequent events up to the date of sign off of these financial statements, and there were no material events after the reporting date, which could have had material effects on the state of affairs of the Fund as at 31 December 2018.

31 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 2018 N		31 DECEMBER 2017 N	
Gross income	2,796,738,398		2,215,553,906	
Bought in goods & other services - local	(2,463,536,177)		(2,224,190,930)	
Value added/ (consumed)	<u>333,202,221</u>	<u>100%</u>	<u>(8,637,024)</u>	<u>100%</u>
Applied as follows:				
Employees:				
Employee benefit expense	23,156,030	7	17,012,400	197%
Retained for future expansion:				
Depreciation & amortization	10,540,621	3	11,265,449	(130)%
Surplus/ (deficit) for the year	299,505,570	90	(36,914,873)	427%
	<u>333,202,221</u>	<u>100%</u>	<u>(8,637,024)</u>	<u>100%</u>

The value added/ (consumed) represents the wealth generated/ (utilized) through the use of the Fund's assets by its employees.

LAGOS STATE SECURITY TRUST FUND

FIVE YEAR FINANCIAL SUMMARY

	IFRS				
	31 December 2018 ₦	31 December 2017 ₦	31 December 2016 ₦	31 December 2015 ₦	31 December 2014 ₦
Financial results					
Gross income	2,796,738,398	2,215,553,906	1,500,617,305	6,192,773,507	1,604,534,572
Total expenditure	(2,497,232,828)	(2,252,468,779)	(1,324,727,339)	(5,884,621,508)	(1,736,222,702)
Surplus/(deficit) for the year	299,505,570 =====	(36,914,873) =====	175,889,966 =====	308,151,999 =====	(131,688,130) =====
Financial position					
Accumulated funds	890,720,624 =====	591,861,974 =====	628,776,849 =====	452,886,883 =====	144,734,884 =====
Employment of funds					
Non-current assets	47,124,481	23,970,102	34,950,552	3,309,548	4,571,699
Current assets	871,548,588	669,769,730	681,170,654	482,496,630	197,603,298
Non-current liabilities	(3,077,602)	(12,121,654)	(21,165,706)	-	-
Current liabilities	(24,874,843)	(89,756,204)	(66,178,651)	(32,919,295)	(57,440,113)
	890,720,624 =====	591,861,974 =====	628,776,849 =====	452,886,883 =====	144,734,884 =====