

# 2016 Annual Report



EMPOWERING BUSINESSES  
**CREATING JOBS**

[www.lsetf.ng](http://www.lsetf.ng)

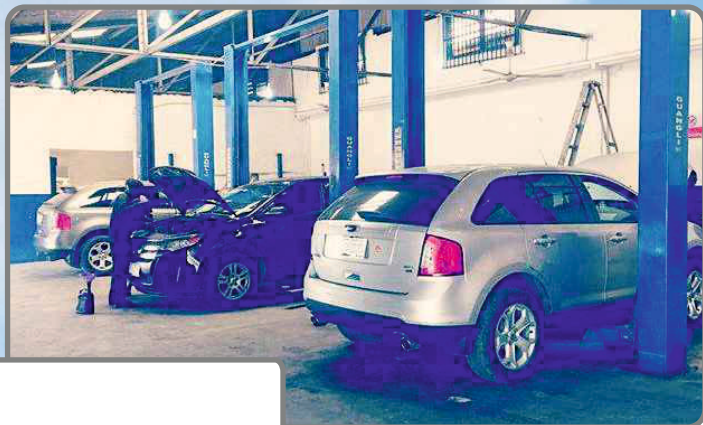


**LSETF**  
LAGOS STATE EMPLOYMENT TRUST FUND

# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



**W**e learnt about the Lagos State Employment Trust Fund from FATE Foundation. It was at a time when we really needed to acquire an automobile workshop for our operations. Prior to that, our model had been to go to our customer and leverage on partner workshops to carry out auto repair services. But that model was not going to work for our prospective corporate clients as most organization want to visit and ascertain the level of equipment and safety of their vehicular asset and personnel.

Been an alumni of FATE Foundation (also our customer), we got the information that the Lagos state government is set to support MSMEs with very low interest loan and other business support services through the LSETF.

We applied for the fund with lots of doubts but to our surprise, we got a call for an interview a few weeks later, and the fund was disbursed as promised. In this respect, the Lagos state government truly runs a public sector system that is different from the norm in our immediately society. Since receiving the funds, we have expanded our operations by getting a well-equipped automobile workshop that has repositioned us to serve more corporate clients.

We have also benefitted from business support services in form of training services on various business aspects. When compared to the previous year, our corporate clientele base has doubled and our revenue has increased significantly with more business visibility. Very importantly also, the loan application process, though simple and straightforward, also helped improve our internal structure. Since receiving the funds about 3months ago, we have engaged new full-time and contract staff for our operations. The LSETF fund has repositioned our business to cater for more individual and corporate clients, improved our operations, expanded our team and given us more visibility.

We invite you to join us.

### Here is how you can support us

#### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

#### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

#### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: **0906000022**, or email: **akintunde.oyebode@lsetf.ng**

Follow/engage us on     /Lsetf  
[www.lsetf.ng](http://www.lsetf.ng)



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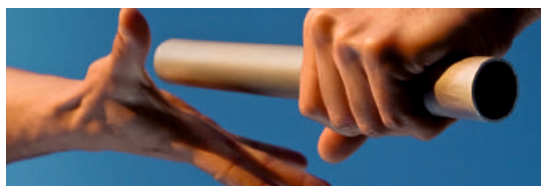


## Vision



Creating employment and entrepreneurship opportunities for all Lagos residents.

## Mission



Enabling Lagos residents realize their aspirations by providing leverage & access to finance

### CoreValues

# TRAcE III

#### Transparency

To be open, fair and equitable

#### Results-oriented

Focused on delivery and desired outcomes. Always having the end in mind

#### Accountability

Periodically inform and give updates to our stakeholders

#### Enabling

Catalyst for a conducive environment to make businesses thrive and unleash potential

#### Integrity

Principled, ethical and honest in our dealings

#### Inclusive

Nobody left behind

#### Innovation

Questioning the status-quo, always striving to be better than we are. Continuous learning and improvement

# The LSETF

### What is LSETF?

LSETF stands for Lagos State Employment Trust Fund. It is a Lagos State Government Initiative created as part of its commitment to boost the Lagos economy through job creation, leverage and access to finance for micro, small, medium Enterprises (MSMEs) operating in the State.

It is aimed at supporting at least 100,000 MSMEs; create at least 300,000 direct & up to 600,000 indirect jobs by 2019.

Its mandate also includes, training for the unemployed and job placements for the employable; mentorship and support for SME owners and improvement of the policy environment to ensure a conducive operational environment for small businesses in the state.

### How does it benefit you?

If you own a micro-business e.g. Petty Trading, you can get a loan of up to ₦500,000 at 5% interest rate per annum.

In the same vein, if you run a small-business, you can get a loan of up to ₦5,000,000 at 5% interest rate per annum.

If you are a Tech start-up, you will go through a rigorous process of incubation, which includes access to facilities, training, mentorship and finance.

### Who is qualified to get this Fund?

All Lagos residents, irrespective of ethnicity, creed, religion or gender, who is registered with Lagos State Residents Registration Agency (LASRRA), has a legitimate business that is registered with Corporate Affairs Commission (CAC) and has a Bank Verification Number (BVN) enabled bank account. The business or its Board of Directors must be registered with the Lagos State tax agency - Lagos State Inland Revenue Service (LIRS).

### How and when can you apply?

Visit our website [www.LSEFT.ng](http://www.LSEFT.ng) or our liaison offices in any of the 20 Local Government Areas.

**300,000** Direct & up to **600,000** Indirect jobs to be created & sustained by 2019

Provide loans to at least **100,000 MSMEs** by 2019



Add over **200,000 new tax payers** to the tax register by 2019



Achieve sustainable funding by ensuring non-LASG sources contribute at least

**50% of total funding** by 2019

## Corporate Information



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### Board of Trustees

Ifueko M. Omoigui Okauru, MFR  
Akintunde Oyebode  
Ayodele Martins  
Tunde Bank-Anthony  
Bilikiss Adebisi-Abiola  
Otto Orondaam  
Funmi Dawodu, FCA  
Michael Popoola Ajayi  
Akinyemi Ashade  
Babatunde Durosinmi-Etti

Chairman  
Executive Secretary  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

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### Registered office:

16 Billings Way  
Oregun  
Lagos, Nigeria

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### Auditor:

KPMG Professional Services  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island, Lagos

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### Banker:

Access Bank of Nigeria  
183, Obafemi Awolowo Way,  
Alausa

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“The Employment Trust Fund was set up with a budget of N25billion to enable residents of the state access to capital that they need to start their dreams or expand their business. Since inception, we have funded over 4000 entrepreneurs who have gone on to hire over 3,000 people.”

— Akinwunmi Ambode —



**Mr. Akinwunmi Ambode**

Governor, Lagos State

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# MEET THE BOARD OF TRUSTEES





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## Board of Trustees

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**Ifueko M. Omoigui Okauru, MFR**  
Chairman

Ifueko M. Omoigui Okauru is the Chairman, Board of Trustees, Lagos State Employment Trust Fund. She is the Managing Partner of Compliance Professionals PLC. Other board engagements include: Independent Director on the Boards of Central Securities Clearing System PLC, Nigerian Breweries PLC and Seplat Petroleum Development Company as well as member of the Board of Trustees of DAGOMO Foundation Nigeria Ltd/Gte. Ifueko is a Fellow of the Institute of Chartered Accountants (ICAN) and Chartered Institute of Taxation of Nigeria (CITN)."



**Akintunde Oyebode**  
Executive Secretary

Akintunde Oyebode is the Executive Secretary of the Lagos State Employment Trust Fund and a trained Economist. Prior to his being appointed, he spent over a decade in various banking roles with First City Monument Bank and Stanbic IBTC Bank and also worked as a Research Assistant at the Lagos Business School.



**Ayodele Martins**  
Member

Dele Martins is the Managing Director of HFP Engineering (Nig) Limited and President of the Methodist Boys High School Lagos Old Boys Association. Prior to his appointment as a Member of the LSETF Board, he was the immediate past Chairman of Yoruba Tennis Club, is a trained lawyer, enrolled as a Solicitor and Advocate of the Supreme Court of Nigeria.

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## Board of Trustees

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**Tunde Bank-Anthony**  
Member

Tunde Bank-Anthony is the immediate past Executive Secretary of the Lagos State Sports Endowment Fund, a public affairs commentator and sports enthusiast. He has more than twenty years experience across public and private sector roles in Nigeria and the United Kingdom.



**Bilikiss Adebisi-Abiola**  
Member

Bilikiss Adebisi-Abiola is the General Manager of the Lagos State Parks and Gardens Agency (LASPARK). She is also the Co-Founder of Wecyclers. Bilikiss is a graduate of Fisk University, Vanderbilt University and MIT's Sloan School of Management. Bilikiss worked as a Software Engineer at IBM and was a Legatum Fellow at MIT's Legatum Center for Development and Entrepreneurship.



**Otto Orondaam**  
Member

Otto Orondaam is the founder of Slum2School Africa. He is a member of the Human Capital Development Commission of the Nigerian Economic Summit Group (NESG), The Education Reform Team and also an Ambassador for Junior Achievement Nigeria. Otto is a Social Innovator Fellow and a 2016 Mandela Washington Fellow.

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## Board of Trustees

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**Funmi Dawodu**  
Member

Funmi Dawodu is the CEO and Managing Partner of Funmi Dawodu & Co, an accounting, audit and management consultancy firm. Funmi is also a Fellow, Institute of Chartered Accountants of Nigeria (ICAN) and a member, Institute of Chartered Management Accountants UK (ICMA).



**Michael Popoola Ajayi**  
Member

Micheal Popoola is the CEO of Vital Heritage Renaissance Enterprise and an Executive Director at Centre for Democracy and Socio-Economic Rights, which are both platforms for the promotion of social and economic values of individuals, government and corporate entities. He has spent almost three decades participating in civil society activities in Nigeria.



**Tunde Durosinmi-Etti**  
Member

Tunde Durosinmi-Etti is the Lagos State Commissioner of Wealth Creation & Employment. He has over thirty years experience in both public and private sector roles. Prior to his appointment, Mr. Durosinmi-Etti was the Managing Director of Ibile Holdings, and Special Adviser to the National Assembly on Economic Policy.



**Akinyemi Ashade**  
Member

Akinyemi Ashade is the Honourable Commissioner, Ministry of Finance/ Economic Planning and Budget. Prior to his appointment, Mr. Ashade was a Partner at KPMG Professional Services, with specialization in audit, tax and advisory services. He has a combined experience of over twenty years across private and public sector institutions.



Mandisa Mashologun, Deputy Country Director, Programme, UNDP and Akin Oyeboode, Executive Secretary, LSETF at the signing of Memorandum of Understanding (MoU) between UNDP/LSETF on the Lagos State Employability Support Project

## Results at a glance

for the period ended 31 December 2016

	<b>31-Dec-16</b>
<b><i>In thousands of Naira</i></b>	
Gross income	<b>245,577</b>
Total expenses	<b>(377,878)</b>
Deficit from operations	<b>(132,301)</b>
Gain from available-for-sale securities	<b>31,950</b>
<b>Deficit for the period</b>	<b>(100,351)</b>
Total assets	<b>6,440,674</b>
Total liabilities	<b>(141,025)</b>
<b>Net assets/equity</b>	<b>6,299,649</b>

# Trustees' Report

for the period ended 31 December 2016



It gives us great joy to present the first set of financial statements of the Lagos State Employment Trust Fund. As we present the financial statements and reports for the financial year ended 31 December 2016, permit us to highlight some of the key events in our operating environment.

## The 2016 Macro-Economic and Business Operating Environment

The year 2016 presented a very challenging operating environment with an economic recession, double digit inflation, devaluation of the Naira and security challenges. It was a tough year for businesses as many shut down due to increasing costs of operations leading to job losses. Nigeria's economy shrunk by 1.5% year-on-year (YoY) in 2016 mainly due to weak oil output and challenges in various non-oil sectors.

The economy slid into recession mid-2016, with consecutive negative growth rates of -0.36% and -2.06% in the first and second quarter respectively. GDP growth weakened to -2.24%. In addition, the harsh impact of lower government revenues and export earnings which had persisted since the fall in oil prices in 2014, put significant pressure on the Naira, leading to a rapid loss of value compared to globally tradeable currencies.

All these factors meant unemployment rose to 14%, while underemployment rose to 19%. It means LSETF started its operations at a period when Nigeria's economy was at its weakest, since 1991, the last time the economy was in a recession.

## Unemployment in Nigeria

As mentioned earlier, Nigeria's unemployment rate rose for the seventh straight quarter to 13.9% in the third quarter of 2016 from 13.3% in the previous period, while underemployment rose to 19.7%. This means one-third of the labour force are either unemployed or underemployed, a worrying trend for Nigeria's huge population. When disaggregated for youth unemployment, 49.7% of all workers between the ages of 15 and 35 are either unemployed or underemployed. This means 18.3 million out of 40.2 million youths in the workforce are not gainfully employed.

While the data is not currently available for Lagos State, the trend across Nigeria suggests that unemployment, especially youth

# Trustees' Report

for the period ended 31 December 2016

employment, is Nigeria's biggest socio-economic problem. The rising youth unemployment is a driver of increased crime, insurgency and inter-ethnic clashes.

Despite the huge unemployment rate in the country, companies find it difficult to get employable graduates though many possess the required certification. Over the years, employers have had difficulty getting competent employees to the extent that many foreign companies source their manpower requirements from countries like Togo and Benin Republic, leaving the Nigerian graduates, artisans and craftsmen jobless.

These challenges informed the decision of Governor Akinwunmi Ambode to create an Employment Trust Fund to reduce unemployment in Lagos State.

## Inauguration of Lagos State Employment Trust Fund and Board of Trustees:

The LSETF was established by The Lagos State Employment Trust Fund Law 2016 to provide financial support to residents of Lagos State, for job, wealth creation and to tackle unemployment.

On March 3 2016, the Governor of Lagos State, Mr. Akinwunmi Ambode, inaugurated the Lagos State Employment Trust Fund and its Board of Trustees, with a mandate to help Lagos residents grow and scale their Micro, Small and Medium Enterprises ("MSMEs"); and acquire skills to get better jobs. LSETF focuses on promoting entrepreneurship by improving access to finance, strengthening the institutional capacity of MSMEs, improving employability of residents via skill acquisition and job placement programs, and formulating policies designed to improve the business environment in Lagos State.

The loans will be provided at single digit interest rate of 5% per annum and the Fund will also provide training and capacity building support to the businesses financed, giving them the necessary support to drive growth and job creation.

LSETF expects to create 300,000 (Three Hundred Thousand) direct and 600,000 (Six Hundred Thousand) indirect jobs by the year 2019, by supporting at least 100,000 (One Hundred Thousand) MSMEs. To also ensure its sustainability, the Fund aims to raise a minimum of N25 billion from domestic and international donors, to support the seed funding provided by the Lagos State Government.

## Approval of Operating Guidelines/Regulations:

The Lagos State House of Assembly approved the Regulations guiding LSETF's interventions on November 15, 2016. With this approval, the Fund commenced the pilot selection and disbursement process of its MSME loan schemes.

## Our Strategic Framework:

The LSETF is charged with supporting Lagos residents in the following ways:

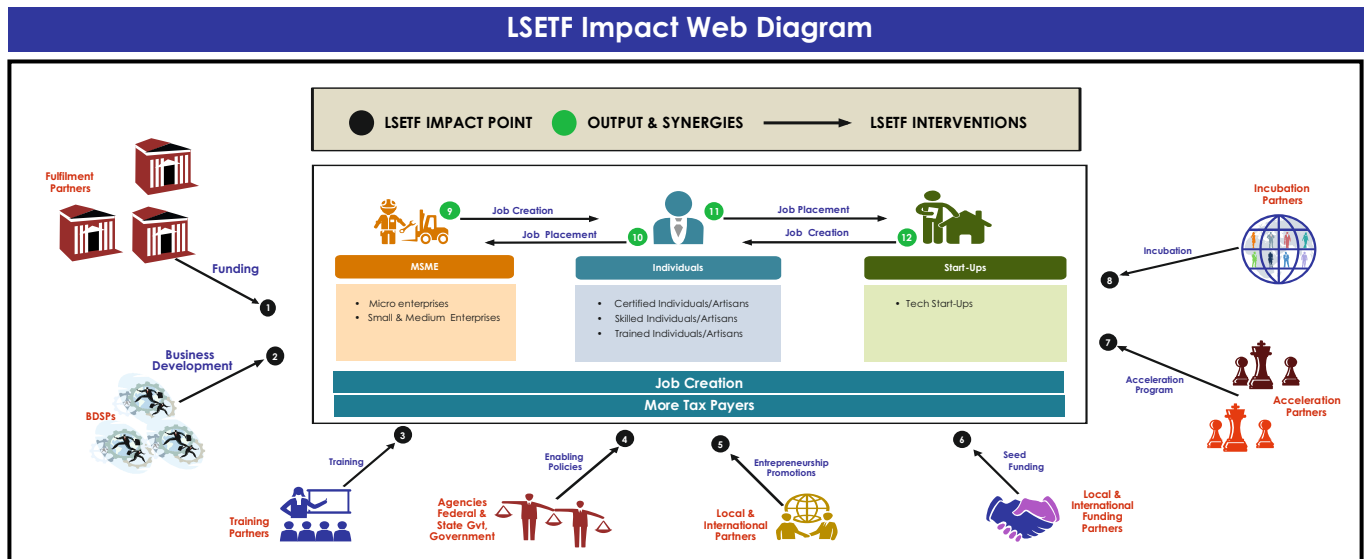
- 1. Entrepreneurship:** Provide relevant support to entrepreneurs to create tangible jobs across the State
- 2. Employability:** Facilitate individuals' employability through up-skilling and job placements
- 3. Interventions:** Facilitate the enhancement of the operating environment and market conditions of MSMEs in Lagos State
- 4. Promotion:** Promote entrepreneurship in Lagos to International and domestic Stakeholders

Our overall approach is underpinned by an indirect delivery model, which leverages financial and non-financial partners to deliver our interventions. It recognizes the need to leverage existing knowledge, albeit refined for our purpose, to deliver the expected outcomes to Lagos residents.

# Trustees' Report

for the period ended 31 December 2016

The integrated approach illustrated below uses various mechanisms to boost job creation and ensure unemployment is reduced in Lagos State.



## Our key enablers are:

- **Sustainable funding** - LSETF faces funding gaps from 2017 onwards; therefore, there is a need to secure complementary and sustainable funding to achieve the Fund's objectives and targets.
- **Effective partnerships** - The Fund will form partnerships with credible individuals/organizations for mutual benefit.
- **Proactive stakeholder engagement & communication** - LSETF engages the relevant stakeholders to enhance policy and regulatory environment for micro and small enterprises to thrive. Also, we regularly engage strategic information and critical milestones.

## ACTIVITIES OF THE BOARD

From its inauguration in March, the Board of Trustees held 14 meetings in 2016. In addition, to effectively provide oversight, the Board set up the following committees that also met as stated below:

1. Audit and Risk Committee (4 meetings)
2. Credit and Investment Committee (7 meetings)
3. Governance Committee (12 meetings)
4. Stakeholders Committee (5 meetings)

Overall, while 2016 was a challenging year for Nigerians, we are hopeful that the work being done by LSETF and the Ministry of Wealth

Creation & Employment will create a foundation for MSME growth in Lagos State and ensure more Lagos residents are put to work in the short to medium term.

## Auditors

KPMG Professional Services were appointed on the 15th of March 2017 and have expressed their willingness to act in office as the Fund's auditors in accordance with Section 23(2b) of the Lagos State Employment Trust Fund Law.

By order of the Board of Trustees

**Ifueko M. Omoigui Okauru, MFR**  
Chairman  
FRC/2017/ICAN/00000014169  
25th July, 2017.

**Akintunde Oyebo**  
Executive Secretary  
FRC/2017/CIANG/00000016499  
25th July, 2017.



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## Statement of trustees' responsibilities in relation to the preparation of financial statements for the period ended 31 December 2016

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The trustees accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Financial Reporting Council (FRC) of Nigeria Act, 2011.

The trustees further accept responsibility for maintaining adequate accounting records as required by the Lagos State Public Finance Management Laws, Laws of the Federation of Nigeria, 2004 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.

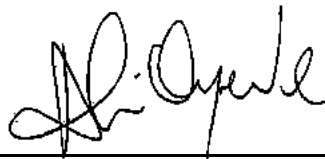
The financial statements have been prepared on a going concern basis as the Board of Trustees have made an assessment and are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF TRUSTEES BY:



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**Ifueko M. Omoigui Okauru, MFR**  
Chairman  
**FRC/2017/ICAN/00000014169**  
25th July, 2017.



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**Akintunde Oyebo**  
Executive Secretary  
**FRC/2017/CIANG/00000016499**  
25th July, 2017.

## Community Outreach for Stakeholders Across 20 LGAs in Lagos State



Akin Oyebo, Executive Secretary of LSETF addressing stakeholders



Stakeholders Engagement



Drama Skit at a stakeholders engagement session

# Board Audit and Risk Committee Report

for the period ended 31 December 2016



The Audit and Risk Committee of the Lagos State Employment Trust Fund (LSETF) Board of Trustees is pleased to present its report together with the audited financial statements for the period ended 31st December 2016, which disclose the state of affairs of LSETF.

## Functions and responsibilities

The principal functions and responsibilities of the Audit and Risk Committee include the following:

- i. Overseeing the integrity of the financial statements and financial reporting process;
- ii. Monitoring choice of accounting policies and principles;
- iii. Overseeing the activities, hiring, performance and independence of the external and internal audit function;
- iv. Overseeing the effectiveness of the system of internal controls, accounting and operating procedures;
- v. Establishing policy standards and guidelines for risk assessment and management;
- vi. Ensuring compliance with legal and regulatory requirements, including completeness of disclosures; and
- vii. Overseeing ethics, and whistle-blower hotlines.

## Composition

Prior to the reconstitution of the Board Committees on 18th July, 2016, there existed an Audit Committee of the Board as well as a Risk Committee. The aforesaid Committees were merged on 18th July, 2016, and the Audit and Risk Committee was thereby formed, with the following members:

- i. Funmi Dawodu (Chairman);
- ii. Tunde Bank-Anthony;
- iii. Michael Popoola Ajayi; and
- iv. Babatunde Durosinmi-Etti, Hon. Commissioner, Lagos State Ministry of Wealth Creation and Employment.

## Meetings

The Audit and Risk Committee held the following meetings during the period under review:

- i. Inaugural meeting held on 26th August, 2016;
- ii. 2nd (Second) meeting held on 30th September, 2016;
- iii. 3rd (Third) meeting held on 17th October, 2016; and
- iv. 4th (Fourth) meeting held on 15th December, 2016.

# Board Audit and Risk Committee Report

for the period ended 31 December 2016



## Activities

Presented below is a summary of the significant matters considered by the Audit and Risk Committee, at the above-listed meetings:

### i. Definition of the term “single transaction”

The Committee noted that there existed transaction approvals limits for officers of the Fund, and it was therefore pertinent to prescribe a definition for the term “single transaction” in order to prevent cases of contract or transaction splitting.

The Committee resolved that a single transaction be looked at from the prism of completion. It involves a process which when taken together completes a cycle. These processes will include initiation, approvals and recording. Thus, it would be appropriate to set the rules such that a recourse to splitting won't be the practice.

### ii. Security of personnel and property of LSETF

The Committee considered and deliberated on the personal and physical safety of the LSETF personnel and property. Sequel to this, the Committee made a recommendation to the Board for employment of temporary front desk staff, engagement of mobile policemen to guard the premises, and the procurement of closed-circuit TV monitors, and security access doors.

### iii. Review of the Fund's Operating Expenses and Account of Take-off Funding Received from the Office of the Lagos State Governor

Prior to the establishment of an internal audit unit for the Fund, the Committee reviewed the Fund's operating expenses and the account of take-off grant which was advanced to LSETF by the Governor at inception of the Fund. The Committee's findings were presented to the Board.

### iv. Consideration of the External Auditors' Audit Plan/Time-Table for the year ended 31st December, 2016

The Committee reviewed the external auditors' audit plan for the year ended 31st December, 2016, and the said audit plan was presented to the Board for approval afterwards.

### v. Compliance with Requirements of Statutory Deductions by the State Government Agencies

The Committee considered and informed the Board of the statutory deductions which LSETF was required to impose on its vendors as required by the Lagos State Government. The Committee also directed Management to make all necessary inquiry and comply with all taxes, statutory deductions and the public procurement regulations applicable to LSETF.

### vi. Consideration of Whistle Blowing Framework

The Committee considered the whistle blowing framework presented by Management and recommended to the Board, the appointment of KPMG Professional Services as the Fund's whistle-blower vendor.

Signed on behalf of the Audit and Risk Committee



**Funmi Dawodu, FCA**  
Chairman  
**FRC/2017/ICAN/00000016687**  
25th July, 2017.

# Board Credit and Investment Committee Report

for the period ended 31 December 2016

The Credit and Investment Committee of the Lagos State Employment Trust Fund (LSETF) Board of Trustees is pleased to present its report, together with the audited financial statements for the period ended 31st December 2016.



## Functions and responsibilities

The principal functions and responsibilities of the Credit and Investment Committee include the following:

- i. Determining appropriate credit and investment policies and procedures;
- ii. Determining the extent to which Funds raised will be disbursed directly to beneficiaries as credit or through Fund Managers subject to the rules guiding funds raised or sourced;
- iii. Overseeing the Fund's credit and investment risks by ensuring that appropriate control environment and reporting process are in place to govern the management of credit investment risks;
- iv. Provide oversight for the Fund's investment activities and periodically review and evaluate the Fund's approval policy for investments;
- v. Oversee significant treasury matters such as capital structures, liquidity and

- fixed income;
- vi. Overseeing the management of the Funds' investment portfolio;
- vii. Recommend to the Board all viable credit and investment proposals and
- viii. Determine key performance indicators for the counterparty financial institutions that may be engaged by the Board for disbursement to ensure they meet the requisite standard.

## Composition

The Credit and Investment Committee consists of the following members:

- i. Bilikiss Adebisi-Abiola (Chairman);
- ii. Tunde Bank-Anthony;
- iii. Orondaam Otto; and
- iv. The Hon. Commissioner, Lagos State Ministry of Finance.

# Board Credit and Investment Committee Report

for the period ended 31 December 2016

## Meetings

The Credit and Investment Committee held the following meetings during the period under review:

- i. Inaugural meeting held on 21st March, 2016;
- ii. 2nd (Second) meeting held on 14th August, 2016;
- iii. 3rd (Third) meeting held on 29th September, 2016;
- iv. 4th (Fourth) meeting held on 24th October, 2016;
- v. 5th (Fifth) meeting held on 5th December, 2016;
- vi. 6th (Sixth) meeting held on 14th December, 2016; and
- vii. 7th (Seventh) meeting held on 23rd December, 2016.

## Activities

Presented below is a summary of the significant matters considered by the Credit and Investment Committee, at the above-listed meetings:

### I. The Fund's Investment Strategy

The Committee deliberated with respect to developing an investment strategy for the LSETF, and the Committee made recommendations to the Board as appropriate.

### ii. Review of the Fund's Investment Portfolio

The Committee reviewed the Fund's investment positions and portfolio from time to time, and made recommendations to the Board as appropriate. The Committee made recommendations to the Board with respect to LSETF's funds managed by commercial banks and discount houses. The Committee also made recommendations to the Board with respect to the cost/benefit analysis of available investment instruments such as FGN Treasury Bills and Fixed Deposit Accounts.

### iii. Review of the Fund's RFP for Engagement of Fulfillment Partners

Prior to the publication of the Fund's Request for Proposals (RFP) on 4th October, 2016, in respect of the Fund's loan programs fulfillment partners, the Committee reviewed and made useful suggestions to the RFP sought to be published.

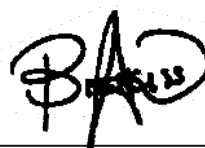
### iv. Selection of Beneficiaries for the Pilot Disbursement Scheme

The Committee had the responsibility of reviewing all SME and ME loan applications under the pilot disbursement scheme, which commenced in Q4, 2016. The Committee made recommendations to the Board for approval or rejection of loan applicants. Committee reviews were carried out after applications had been marked by the Fund's beneficiary selection partner; PwC, and further screened by Management, as well as the Fund's business development support partners.

### v. Review of the Fund's online loan application portal

The Committee invited the Fund's beneficiary selection partner, Finatech Software Solutions Limited to make a presentation of the online loan application portal, prior to launch of the portal to the general public. The Committee reviewed and made useful suggestions with respect to essential features of the application portal.

Signed on behalf of the Credit and Investment Committee



**Bilikiss Adebisi-Abiola**

Chairman  
25th July, 2017

# Board Governance Committee Report

for the period ended 31 December 2016

The Governance Committee of the Lagos State Employment Trust Fund (LSETF) Board of Trustees is pleased to present its report for the period ended 31st December 2016, which summarizes its activities from March to December 2016.

## Functions and responsibilities

The principal functions and responsibilities of the Governance Committee include the following:

- i. Developing and maintaining an appropriate corporate governance framework for the Fund;
- ii. Developing the ecosystem within which the Fund will operate;
- iii. Recommending proposals for the remuneration of the Board for presentation to the Governor;
- iv. Reviewing and making recommendations to the Board for the overall remuneration and benefits policy for employees of the Fund;
- v. Assisting the Board to ensure the proper reporting and disclosure of the state of affairs of the Board to the Governor, Accountant-General and other stakeholders;
- vi. Developing strategic frameworks and plans for the Fund;
- vii. Overseeing the finance and human resource management functions;
- viii. Overseeing the financial strategies and objectives of the Fund regarding financial performance and compliance with applicable financial regulatory requirements; and
- ix. Ensuring optimal performance of the Board towards achieving its mandate as enshrined in the laws governing the operation of the Fund.

## Composition

The Governance Committee consists of the following members:

- i. Ayodele Martins (Chairman);
- ii. Funmi Dawodu;
- iii. Bilikiss Adebisi-Abiola; and
- iv. The Hon. Commissioner, Lagos State Ministry of Finance.

## Meetings

The Governance Committee held the following meetings during the period under review:

- i. Inaugural meeting held on 14th March, 2016;
- ii. 2nd (Second) meeting held on 18th March, 2016;
- iii. 3rd (Third) meeting held on 24th March, 2016;
- iv. 4th (Fourth) meeting held on 25th April, 2016;
- v. 5th (Fifth) meeting held on 19th May, 2016;
- vi. 6th (Sixth) meeting held on 18th June, 2016;
- vii. 7th (Seventh) meeting held on 23rd June, 2016;
- viii. 8th (Eight) meeting held on 23rd August, 2016;
- ix. 9th (Ninth) meeting held on 24th October, 2016;
- x. 10th (Tenth) meeting held on 28th October, 2016;
- xi. 11th (Eleventh) meeting held on 10th November, 2016; and
- xii. 12th (Twelfth) meeting held on 15th December, 2016.

## Activities

Presented below is a summary of the significant matters considered by the Governance Committee, at the above-listed meetings:

### i. Selection of Consultants

The Committee at various meetings, conducted interviews for candidates for certain consultancy roles, and subsequently made recommendations to the Board for appointment of the preferred candidates as consultants to the Fund. Those roles include those of the strategy consultant, brand and communications consultant, human resource consultant, and IT consultant.

The Committee also reviewed terms of engagement and negotiated remuneration for consultants that had been approved by the Board such as the board secretaries, the governance consultants, and the digital media consultants.

# Board Governance Committee Report

for the period ended 31 December 2016

## ii. Consideration of the Fund's Budget

The Committee reviewed and recommended to the Board, budgets presented by the Executive Secretary from time to time, particularly the Fund's 2016 FY budget and the 2017 FY budget.

## iii. Temporary Guidelines for the Fund's Expenditure

Prior to the adoption of a standard and comprehensive Payment Approval Authority and Process for the Fund, there were temporary guidelines for the Fund's expenditure. These guidelines were reviewed by the Governance Committee and subsequently recommended to the Board for approval.

## iv. Review of the Fund's Strategic Plan and Operating Guidelines

The Committee carried out a review of the Fund's strategic plan and operating guidelines, and consequently presented the said documents as amended to the Board for approval.

## v. Consideration of the Fund's Compensation and Benefits Policy as well as the Organization Structure

The Committee carried out a review and subsequently made a recommendation to the Board for approval of the Compensation and Benefits Policy of the Fund, as drafted by the Fund's human resource consultant.

The Committee also reviewed the initial and amended organization structure proposed for the Fund, and made recommendations to the Board accordingly.

## vi. Recruitment of Senior Management Staff

The Committee considered the profiles and qualifications of persons who were recommended by the Interview Panel constituted for that purpose as preferred candidates after the Fund's human resource

consultant had conducted its shortlisting processes in respect of the said candidates. The candidates were subsequently recommended to the Board for employment.

## vii. Establishment of Liaison Offices

The Committee considered and recommended to the Board for approval, the proposal to establish LSETF liaison offices across all local governments in Lagos State. The Committee also reviewed and recommended to the Board for approval, the budget for setting up and maintaining the liaison offices, as well as the compensation packages for the liaison officers.

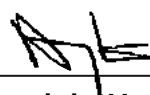
## viii. Engagement of Fulfilment Partners

The Committee superintended and reviewed the outcome of the process for selection of LSETF loan program partners namely the beneficiary selection and verification partners, the fulfilment partners, the IT infrastructure partners, the business development support partners, the training and skill certification partners, and the institutional corporate off-takers.

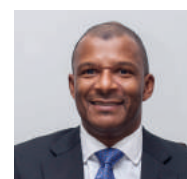
## ix. Development of Key Performance Indices (KPIs) for LSETF staff and Executive Secretary

The Committee carried out extensive review and made recommendations to the Board with respect to the development of key performance indices (KPIs) for LSETF staff and Executive Secretary.

Signed on behalf of the Governance Committee



**Ayodele Martins**  
Chairman  
25th July, 2017.





# Board Stakeholders Committee Report

for the period ended 31 December 2016



The Stakeholders Committee of the Lagos State Employment Trust Fund (LSETF) Board of Trustees is pleased to present its report, together with the audited financial statements for the period ended 31st December 2016.

## Functions and responsibilities

The principal functions and responsibilities of the Stakeholders Committee include the following:

- i. Identification, engagement and management of stakeholders and stakeholder groups relevant to the Fund;
- ii. Determining how stakeholder/media enquiries are to be handled and maintaining a broad overview of strategic issues that may be of interest to specific stakeholders;

- iii. Building credibility, inspiring commitment and creating stakeholder support for the Fund;
- iv. Developing strategy for advocacy and interaction within Lagos State and relationships with other States and the Federal Government;
- v. Determining the quantum, nature and source of funds to be raised to meet the Funds mandate, as input into the overall strategic plan of the Fund;
- vi. Raising of Funds from stakeholders; and
- vii. Redressing stakeholders and donor complaints.

## Composition

The Stakeholders Committee consists of the following members:

- i. Michael Popoola Ajayi (Chairman);

# Board Stakeholders Committee Report

for the period ended 31 December 2016

- ii. Ayodele Martins;
- iii. Orondaam Otto; and
- iv. The Hon. Commissioner, Lagos State Ministry of Wealth Creation and Employment.

## Meetings

The Stakeholders Committee held the following meetings during the period under review:

- i. Inaugural meeting held on 22nd March, 2016;
- ii. 2nd (Second) meeting held on 6th May, 2016;
- iii. 3rd (Third) meeting held on 4th July, 2016;
- iv. 4th (Fourth) meeting held on 31st August, 2016; and
- v. 5th (Fifth) meeting held on 10th October, 2016.

## Activities

Presented below is a summary of the significant matters considered by the Stakeholders Committee, at the above-listed meetings:

### i. The Fund's Brand Identity

The Committee reviewed, made amendments as appropriate, and thereafter recommended to the Board for approval, the Fund's logo and brand identity manual which was developed by the Modion Communications, the Fund's brands and communications consultant.

### ii. Consideration of Dipstick Market Research Reports

The Committee considered the reports submitted by companies that had been commissioned by the Fund to conduct high level market research and assessment of the

business environment and employment situation in each of the 3 Senatorial districts in Lagos state. These reports were subsequently presented to the Board.

### iii. Report from the Stakeholder Engagement Sessions

The Committee considered the reports of the stakeholder sessions held with different stakeholder groups before said reports were presented to the Board.

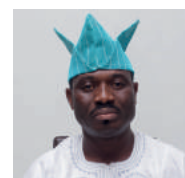
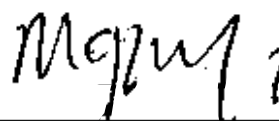
### iv. Consideration of Fund's Communications Plan

The Committee reviewed, made amendments as appropriate, and thereafter recommended to the Board for approval, the Fund's Communications Plan which was developed by the Modion Communications, the Fund's brands and communications consultant.

### v. Consideration of Public Service Engagement

The Committee deliberated on the proposal of organizing a public service engagement retreat whereby certain Lagos State Ministries, Departments and Agencies (MDAs) would be invited for the purpose of introducing them to the LSETF strategy, engaging them to learn about their activities, and exploring avenues where could work with them. This proposal was recommended to the Board accordingly.

Signed on behalf of the Stakeholders Committee



**Michael Popoola Ajayi**  
Chairman  
25th July, 2017.

# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



 cirano impressions

I applied for the LSETF funding to expand my business, as there was a high rise of fake and contaminated cosmetic products in the market and the best way to curb this was to buy in large quantities.

Before the loan, we bought in retail quantity, but now we have registered with top cosmetic brands like Zaron, Milani and Classic, which has given us

an edge from the retail we were buying before, to the large quantity we are now buying at a discounted rate.

I had initial doubts just like any other Nigerian. When election is about to start, when politicians are campaigning, there are a lot of promises made. To God be the glory, I never knew Governor Ambode's promise to empower Lagosians would come to pass. But as it stands, it is now history, history in the sense that what was promised has come to pass in my own life.

I thank God for the fund and I must use this opportunity to thank the Lagos State Governor, Akinwunmi Ambode for this kind gesture.

We invite you to join us.

### Here is how you can support us

#### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

#### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

#### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: **09060000022**, or email: **akintunde.oyebode@lself.ng**

Follow/engage us on     /Lself  
[www.lself.ng](http://www.lself.ng)



**LSETF**  
LAGOS STATE EMPLOYMENT TRUST FUND

# Independent Auditor's Report

To the Board of Trustees of the Lagos State Employment Trust Fund



## Opinion

We have audited the financial statements of Lagos State Employment Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December, 2016, and the statement of financial performance, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 25.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2016, and of its financial performance and its cash flows for the period ended in accordance with International Public Sector Accounting Standards (IPSAS) and Financial Reporting Council (FRC) of Nigeria Act, 2011.

## Basis for 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) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our

other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

The Board of Trustees is responsible for the other information. The other information comprises the trustees' report, statement of trustees' responsibilities and other national disclosures but does not include the financial statements.

Our opinion on the financial statements does not cover the other information and we do not express 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, 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.

## Responsibilities of the Board of Trustees for the Financial Statements

The Board of Trustees is responsible for the preparation of financial statements that give a true and fair view in accordance with IPSAS and in the manner required by the Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the Board of 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 Board of Trustees is 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

# Independent Auditor's Report

To the Board of Trustees of the Lagos State Employment Trust Fund

basis of accounting unless the Board of Trustees either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

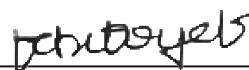
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Board of Trustees.

- Conclude on the appropriateness of Board of Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

Signed:



**Oluwafemi O. Awotoye, FCA**  
**FRC/2013/ICAN/0000001182**

For: KPMG Professional Services  
Chartered Accountants  
25th July, 2017.  
Lagos, Nigeria

PRESENTATION CEREMONY  
FOR THE BENEFICIARIES OF THE



Lagos State Governor, Akinwunmi Ambode with the beneficiaries of LSETF loan scheme at the cheque presentation ceremony.

# Financial Statements

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# Statement of Financial Position

for the period ended 31 December 2016

31-Dec-16

*In thousands of Naira*

## ASSETS

Cash and cash equivalents	1,881,904
Investment securities	4,062,301
Prepayments	38,232
Other current assets	38,943
Intangible assets	108,135
Property and equipment	311,159

**Total assets** **6,440,674**

## LIABILITIES

Other payables	141,025
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**Total liabilities** **141,025**

## EQUITY

Capital contribution:	6,400,000
Deficit from operations	(132,301)
Other reserves	31,950

**TOTAL EQUITY** **6,299,649**

**Total liabilities & equity** **6,440,674**

The financial statements were approved by the Board of Trustees on 25th July, 2017 and signed on their behalf by:



**Ifueko M. Omoigui Okauru, MFR**  
Chairman, Board of Trustees  
FRC/2017/ICAN/00000014169



**Akintunde Oyeboade**  
Executive Secretary  
FRC/2017/CIANG/00000016499



**Olaniyi Balogun**  
Head of Finance  
FRC/2013/ICAN/00000000881

The accompanying notes are an integral part of these financial statements.



# Statement of Financial Performance

for the period ended 31 December 2016

31-Dec-16

*In thousands of Naira*

## Revenue

Interest income	245,572
Other income	5

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<b>Total revenue</b>	<b>245,577</b>
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## Expenses

Amortisation of intangible assets	-
Depreciation	(20,594)
Direct expenses	(5,948)
Personnel expenses	(34,074)
Other expenses	(317,262)

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<b>Total operating expenses</b>	<b>(377,878)</b>
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<b>Deficit from operations</b>	<b>(132,301)</b>
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Gain from available-for-sale securities	31,950
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<b>Performance for the period</b>	<b>(100,351)</b>
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The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Net Assets/Equity

for the period ended 31 December 2016

In thousands of Naira	Capital contribution	Other reserves	Accumulated Deficit	Total equity
<b>Balance as at 05 January, 2016</b>	-	-	-	-
Capital contribution - Lagos State Government	6,250,000	-	-	6,250,000
Takeoff grant - Lagos State Government	150,000	-	-	150,000
Valuation gain on available-for-sale securities	-	31,950	-	31,950
Deficit from operations	-	-	(132,301)	(132,301)
<b>Balance as at 31 December, 2016</b>	<b>6,400,000</b>	<b>31,950</b>	<b>(132,301)</b>	<b>6,299,649</b>

The accompanying notes are an integral part of these financial statements.

# Cash Flow Statement

for the period ended 31 December 2016

<i>In thousands of Naira</i>	<b>31 December 2016</b>
<b>Cash flows from operating activities</b>	
Deficit from operations	(132,301)
Adjustments for:	
Amortization	-
Depreciation	20,594
Gain from available-for-sale securities	31,950
Interest income on investments	(245,572)
	(325,329)
Changes in prepayments	(38,232)
Changes in trade and other receivables	(38,943)
Changes in other liabilities	141,025
	(261,479)
<b>Net cash from operating activities</b>	<b>(261,479)</b>
<b>Cash flows from investing activities</b>	
Acquisition of investment securities	(17,024,782)
Redemption of investment securities	13,047,875
Acquisition of intangible assets	(108,135)
Acquisition of property and equipment	(331,753)
Interest received	160,178
<b>Net cash from investing activities</b>	<b>(4,256,617)</b>
<b>Cash flows from financing activities</b>	
Capital contribution	6,400,000
<b>Net cash used in financing activities</b>	<b>6,400,000</b>
<b>Net increase in cash and cash equivalents</b>	
Cash and cash equivalents at beginning of period	-
Net increase in cash and cash equivalents	1,881,904
<b>Cash and cash equivalents at 31 December</b>	<b>1,881,904</b>

The accompanying notes are an integral part of these financial statements.

# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



We realised this hindered some business owners and really needed more bikes. The @lsetf opportunity came along, we applied and hoped for the best. We were later called back for an interview and a few months down the line we received the funds we applied for.

Part of the funds have made this growth possible. We are now able to offer same day delivery services at various times during the day. Our #Gidi2Gidi operations have been radically changed by the increase in capacity. We also opened up operations in Abuja and Port Harcourt.

**S**o this happened! #Jand2Gidi Worldwide has added to its fleet. We started off with 0 bikes, bought one, then another and two others. We had been doing deliveries all over Lagos with four bikes. Due to the volume of work we started offering #Gidi2Gidi services on a next day basis. 'Book today, for tomorrow'. Annoying right?

Jand2Gidi  
WORLDWIDE

We invite you to join us.

### Here is how you can support us

#### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

#### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

#### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: **09060000022**, or email: **akintunde.oyebode@lsetf.ng**

Follow/engage us on     /Lsetf  
[www.lsetf.ng](http://www.lsetf.ng)



**LSETF**  
LAGOS STATE EMPLOYMENT TRUST FUND

# Notes to the Financial Statements

For the period ended December 31, 2016

## 1. Reporting entity

The Lagos State Employment Trust Fund ("LSETF" or "the Fund"), was established by The Lagos State Employment Trust Fund Law 2016 to provide financial support to residents of Lagos State, for job, wealth creation and to tackle unemployment. LSETF serves as an instrument to inspire the creative and innovative energies of all Lagos residents and reduce unemployment across the State. The Fund has the mandate to directly invest N25Billion in helping Lagos residents grow and scale their Micro Small and Medium Enterprises ("MSMEs") or acquire skills to get better jobs. LSETF will focus on promoting entrepreneurship by improving access to finance, strengthening the institutional capacity of MSMEs and formulating policies designed to improve the business environment in Lagos State.

The financial statements of the Lagos State Employment Trust Fund (LSETF) for the period ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Trustees on 25th July 2017. LSETF is a trust fund established in 2016 by a law of the Lagos State House of Assembly domiciled in Nigeria. The registered office is located at 16, Billings Way, Oregun Ikeja, Lagos.

## 2. Basis of preparation and statement of compliance with International Public Sector Accounting Standards

### (a) Basis of preparation

These financial statements have complied with the International Public Sector Accounting Standards (IPSAS) for accrual basis of accounting issued by International Public Sector Accounting Standards Boards (IPSAB) and Financial Reporting Council (FRC) of Nigeria Act, 2011. The measurement base applied is historical cost basis.

The financial statements have been prepared on a going concern basis and the accounting policies have been consistently applied throughout the period.

The financial statements were approved by the Board of Trustees on the 25th of July 2017.

### (b) Functional and presentation currency

The financial statements are presented in Nigerian currency (Naira) which is the Fund's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

### (c) Going concern

The Fund's Trustees have made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, Trustees are 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 have been prepared on the going concern basis.

### (d) Use of estimates and judgments

The preparation of the Fund's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of income,

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# Notes to the Financial Statements

For the period ended December 31, 2016

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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.

## 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 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.

## 3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. They have been applied consistently for similar transactions, other events and conditions unless otherwise stated.

### 3.1 Property and equipment

#### (i) Recognition and measurement

Property, plant and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant 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 acquired through non-exchange (e.g. donations to the Fund) the cost represents the fair value of the acquired items.

# Notes to the Financial Statements

For the period ended December 31, 2016

## (ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

## (iii) Depreciation

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:

	<b>Percentage (%)</b>
Furniture and equipment	20
Office equipment	25
Motor vehicles	25
Computer equipment	25
Leasehold improvements	Over the term of the lease

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, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## (iv) Derecognition

An item of property, plant 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.

## (v) Leasehold improvements

The Fund recognises leasehold improvements as property, plant and equipment. The improvements are measured at cost on initial recognition, when it is probable that economic benefits will flow to the entity and the resources will be used for more than one financial period. Subsequent to initial recognition the asset is measured at cost less accumulated depreciation and amortisation in the same policy as other items of property, plant and equipment.

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, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

# Notes to the Financial Statements

For the period ended December 31, 2016

## **(iv) Derecognition**

An item of property, plant 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.

## **(v) Leasehold improvements**

The Fund recognises leasehold improvements as property, plant and equipment. The improvements are measured at cost on initial recognition, when it is probable that economic benefits will flow to the entity and the resources will be used for more than one financial period. Subsequent to initial recognition the asset is measured at cost less accumulated depreciation and amortisation in the same policy as other items of property, plant and equipment.

## **3.5 Financial instruments**

### **(a) Classification**

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Fund's Investment securities are classified as financial assets - Available for sale.

The Fund's liabilities are classified as other financial liabilities. They include: Other payables and Tax payable.

Loans and receivables i.e. Cash: Cash comprise cash and bank balances and placements with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

### **(b) Recognition**

Financial instruments are initially recognised at fair value and on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised when the rights to receive cash flows from the financial instruments have expired or where the Fund has transferred substantially all risks and rewards of ownership.

### **Available for sale securities**

These financial assets are classified at initial recognition as available-for-sale. Available-for-sale financial assets are included in non-current assets unless LSETF intends to dispose of the investment within 12 months of the reporting date. Regular purchases and sales of financial assets are recognized at fair value on the trade-date and subsequently at fair value with any resultant fair value gains or losses recognised through the statement of changes net assets/equity. The fair values of quoted investments are based on current bid prices.

Realized gains and losses on sale of available-for-sale securities are recognized in the statement of financial performance as 'gains and losses from available-for-sale securities.'



# Notes to the Financial Statements

For the period ended December 31, 2016

Loans and receivables i.e. Cash are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

## **(c) Subsequent measurement Available for sale financial instruments**

Available for sale treasury bills are subsequently measured at their fair value, without any deduction for transaction costs it may incur on sale or other disposal.

Loans and receivables i.e. Cash are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

## **Other financial liabilities:**

Other financial liabilities are subsequently measured at amortised cost.

## **(d) Derecognition of financial instruments**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

The Fund may enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Fund neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Fund continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Any interest in transferred financial assets that is created or retained by the Fund is recognised as an interest income or interest expense in the surplus or deficit.

## **(e) Amortised cost measurement**

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

## **(f) 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

# Notes to the Financial Statements

For the period ended December 31, 2016

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 prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

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.

## 3.6 Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

# Notes to the Financial Statements

For the period ended December 31, 2016

The following factors are considered in assessing objective evidence of impairment:

- evidence of default of contractual payment terms;
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of the financial assets.

If there is objective evidence that an impairment loss on an account receivable has been incurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The amount of the loss is the difference between the receivable carrying amount and the present value of the estimated cash flows expected to be received. Estimates of changes in future cash flows for financial assets are reflected and directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Fund to reduce any differences between loss estimates and actual loss experience. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as the repayment of outstanding balance), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss under impairment charge for credit losses.

## 3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and placements with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

## 3.8 Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Fund from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Fund recognises any impairment loss on the assets associated with that contract.

## 3.9 Other current assets and prepayments

Other receivables are carried at amortised cost using the effective interest rate less accumulated impairment loss. Prepayments are carried at cost less accumulated amortisation and impairment losses.

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## Notes to the Financial Statements

For the period ended December 31, 2016

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### 3.10 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date on which the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognised in the surplus or deficit. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

### 3.11 Employee benefits

#### (a) Defined contribution plan

The Fund has a defined contribution plan.

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 Income and Expenditure 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 surplus or deficit 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 recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Fund has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

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## Notes to the Financial Statements

For the period ended December 31, 2016

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### 3.12 Expenditure

All expenses are accounted for on an accrual basis.

### 3.13 Contingent assets and liabilities

#### Contingent assets

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent assets are disclosed in the financial statements when they arise.

#### Contingent liabilities

Contingent liability is the probable obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Contingent liabilities are disclosed in the financial statements when they arise.

### 3.14 Taxation

The income of LSETFs is exempted from income tax based on the provisions of Section 23 (i) of the Companies' Income Tax Laws of Nigeria and the Section 26 of the Lagos State Employment Trust Fund Act/Bill.

### 3.15 Equity

Equity represents the sum of capital contribution and the deficit for the period transferred to equity.

# Notes to the Financial Statements

For the period ended December 31, 2016

<b>4. Cash and cash equivalents</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Petty Cash		3
Current account		851,901
Deposits with financial institutions (see "a" below)		1,030,000
		<b>1,881,904</b>
<b>Classified as:</b>		
Within one year		1,881,904
More than one year		-
		<b>1,881,904</b>
<b>4.(a) Deposit with financial institutions include:</b>		
<i>In thousands of Naira</i>		<b>31-Dec-16</b>
FSDH Merchant Bank		1,030,000
		<b>1,030,000</b>
<b>5. Investment securities (Fair value-AFS)</b>		
<i>In thousands of Naira</i>		<b>31-Dec-16</b>
Treasury bills measured at Fair value		4,062,301
		<b>4,062,301</b>
<b>Classified as:</b>		
Within one year		4,062,301
More than one year		-
		<b>4,062,301</b>
<b>(a) Movement in investment securities</b>		
<i>In thousands of Naira</i>		<b>31-Dec-16</b>
Balance at the beginning of year		-
Redemption of treasury bills		(13,047,875)
Acquisition of treasury bills		16,717,324
Interest income on treasury bills capitalised		275,508
Valuation gain on investment		31,950
Accrued interest		85,394
<b>Balance at end of year</b>		<b>4,062,301</b>
<b>6. Prepayments</b>		
<i>In thousands of Naira</i>		<b>31-Dec-16</b>
<b>Non financial Assets</b>		
Insurance		3,512
Rent		31,050
Other prepayments (see note "a")		3,670
		<b>38,232</b>
<b>Classified as:</b>		
Within one year		31,050
More than one year		7,182
		<b>38,232</b>
<b>6.(a)</b> Other prepayments represents prepaid service charge and prepaid subscription.		
<b>7. Other current assets</b>		
<i>In thousands of Naira</i>		<b>31-Dec-16</b>
<b>Financial Assets</b>		
Other receivables (see note "a")		38,943
		<b>38,943</b>
<b>Classified as:</b>		
Within one year		38,943
More than one year		-
		<b>38,943</b>
<b>7.(a)</b> Other receivables represents refund due from advertorial vendors. There was no impairment charge recognised on the receivables.		

## Notes to the Financial Statements

For the period ended December 31, 2016

### 8. Intangible assets

#### (a) 31 December 2016

<i>In thousands of Naira</i>	<b>Computer Software</b>	<b>Total</b>
<b>Cost:</b>		
Balance, beginning of period	-	-
Additions	108,135	108,135
Write-offs	-	-
<b>Balance, end of period</b>	<b>108,135</b>	<b>108,135</b>
<b>Amortization:</b>		
Balance, beginning of period	-	-
Additions	-	-
Write-offs	-	-
<b>Balance, end of period</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>		
<b>Balance at 31 December 2016</b>	<b>108,135</b>	<b>108,135</b>

- (i) No leased asset is included in the above accounts.
- (ii) There were no authorised or contracted capital commitments as at the reporting date.
- (iii) There were no impairment losses on intangible assets during the period
- (iv) Intangible assets represents development cost with respect to the computer software i.e. the beneficiary selection software for managing the loan beneficiaries' selection process.

No amortization was charged on the computer software it was not yet available for use as at period end.

## Notes to the Financial Statements

For the period ended December 31, 2016

### 9. Property and equipment

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

#### (A) 31 December 2016

<i>In thousands of Naira</i>	Motor vehicles	Computer Equipment	Office Equipment	Furniture & Equipment	Leasehold Improvements	Total
<b>Cost:</b>						
Balance, beginning of period	-	-	-	-	-	-
Additions	143,487	121,402	2,423	29,484	34,957	331,753
<b>Balance, end of period</b>	<b>143,487</b>	<b>121,402</b>	<b>2,423</b>	<b>29,484</b>	<b>34,957.00</b>	<b>331,753</b>
<b>Accumulated depreciation:</b>						
Balance, beginning of period	-	-	-	-	-	-
Additions	(8,406)	(3,275)	(35)	(2,192)	(6,686)	(20,594)
<b>Balance, end of period</b>	<b>(8,406)</b>	<b>(3,275)</b>	<b>(35)</b>	<b>(2,192)</b>	<b>(6,686)</b>	<b>(20,594)</b>
<b>Carrying amounts</b>						
<b>Balance at 31 December 2016</b>	<b>135,081</b>	<b>118,127</b>	<b>2,388</b>	<b>27,292</b>	<b>28,271</b>	<b>311,159</b>

- (i) No leased asset is included in the above property and equipment accounts.
- (ii) There were no authorised or contracted capital commitments as at the reporting date
- (iii) There were no impairment losses on any class of property and equipment during the period.
- (iv) There was no property and equipment pledged as security for borrowing as at 31 December 2016.
- (V) There are no capitalised borrowing costs related to the acquisition of property and equipment during the period.



# Notes to the Financial Statements

For the period ended December 31, 2016

## 10. Other liabilities

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
<b>Financial liabilities</b>	
Other payables (see note (a) below)	73,464
<b>Non financial liabilities</b>	
Other tax payable (see note (b) below)	67,561
	<b>141,025</b>
<b>Classified as:</b>	
Within one year	141,025
More than one year	-
	<b>141,025</b>

10.(a) Other payables is made up of IT infrastructure payable, consultancy fee payable amongst others.

10.(b) Other tax payable is made up of the following:

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
PAYE Payable	2,184
Withholding Tax Payable	37,579
Value Added Tax Payable	20,899
Development Levy Payable (see 10 "c" below)	6,899
	<b>67,561</b>

10.(c) Development levy is a 1% deduction made by all agencies and parastatals from all payments to suppliers and contractors as mandated by the Lagos State Government.

## 11. Capital contribution

This comprises:

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
Capital contribution from Lagos State Government (see note a)	6,250,000
Take-off fund (see note b)	150,000
	<b>6,400,000</b>

11.(a) LSETF received the sum of N6.25 billion as capital contribution from the Lagos State Government on the 7th of March 2016. The capital contribution is to be disbursed to the unemployed residents of Lagos State to start their businesses.

The office of the Governor, through the accountant-general of Lagos State has the responsibility of communicating to the relevant organizations, the information regarding the capital contribution.

11.(b) The take-off grant of N150 Million represents funds provided by the Lagos State Government to support the operational costs of setting up the Fund. The grant precludes the N6.25 billion capital contribution.

11.(c) Other reserves consists of the fair value changes on available-for-sale investments which represents the excess of the fair value of the treasury bills investment over the carrying amount. The fair value gain on securities as at period end is N31.95 million.

## Notes to the Financial Statements

For the period ended December 31, 2016

### 12. Analysis of personnel expense

#### Employees

(a) (i) Employee costs, including the executive secretary's remuneration amounted to:

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
Salaries	19,094
Staff allowances	13,568
Pension contribution	1,412
	<b>34,074</b>

(ii) Employees of the Fund, earning more than N60,000 other than the Board of Trustees, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits/allowances) in the following ranges:

	<b>31-Dec-16</b>
	Number
N500,001 - N1,500,000	10
N1,500,001 - N2,500,000	-
N2,500,001 - N3,500,000	4
N3,500,001 - N4,500,000	2
N4,500,001 - N5,500,000	-
N5,500,001 - N6,500,000	10
N6,500,001 - N7,500,000	-
N7,500,001 - N 8,500,000	2
N8,500,001 and above	2
	<b>30</b>

The Board of Trustees' emoluments comprise:

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
Trustees' sitting allowances	24,800
	<b>24,800</b>

The sitting allowances disclosed above include amounts paid to:

	<b>31-Dec-16</b>
The Chairman	736
The highest paid Director	<b>736</b>

There were no fees paid to the Trustees during the year.

### 13 Contingent liabilities, litigation and claims

The Fund was not involved in any suit in its ordinary course of business as at the reporting date. The directors of the Fund are not aware of any pending or threatened claims or litigations, which may be material to the financial statements. There were no other contingent liabilities requiring disclosure in the financial statements.

# Notes to the Financial Statements

For the period ended December 31, 2016

<b>14. Interest income</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Financial assets (Treasury bills)		113,365
Fixed deposits		125,280
Call deposit		6,927
		<b>245,572</b>
<b>15. Other income</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Other income		5
		<b>5</b>
<b>16. Direct expenses</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Employability program cost		5,948
		<b>5,948</b>

Employability program represents the program where the Lagos State Employment Trust Fund in partnership with the Ministry of Wealth Creation & Employment of Lagos State plans to bridge the skill gap among unemployed Lagos State residents to enable youths take up existing jobs in various sectors of the economy. The current year employability program cost is primarily made up of the cost of business set up amongst others for trained individuals. The LSETF operates in collaboration with the Ministry of Wealth Creation and Employment (MWC&E). Therefore, it is the Honourable Commissioner who sought approval for LSETF's operating guidelines at the Lagos State House of Assembly.

However, LSETF does not have independent transactions With MWC&E. LSETF routes its communications with various Ministries, Departments and Agencies (MDAs) through the MWC&E and the MWC&E arrange the appropriate meetings required with relevant MDAs.

LSETF also provides updates on its programmes and participate in the MWC&E's monthly update meetings. LSETF also synchronizes its programmes with the MWC&E where it is possible.

<b>17. Personnel expenses</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Wages and salaries		19,094
Staff allowances		13,568
Staff retirement scheme		1,412
		<b>34,074</b>
<b>18. Other operating expenses</b>		<b>31-Dec-16</b>
<i>In thousands of Naira</i>		
Rent & Service charge		20,229
Professional fees (see "a" below)		135,407
Trustees' sitting allowance		24,800
Pre-operational expenses		8,282
General and Administrative expenses (see "b" below)		52,063
Electricity & Power		2,500
Office repairs and maintenance		10,906
Printing and stationeries		3,649
Motor vehicles repairs and maintenance		2,286
Corporate gifts		15,925
Advert and publicity		34,793
Computer Accessories & Consumables		6,422
		<b>317,262</b>

**18.(a)** Professional fees includes the sum of N29.37 million paid to KPMG professional services for non-audit services and N3 million payable for audit services

**18.(b) General and Administrative expenses include;**

<i>In thousands of Naira</i>		<b>31-Dec-16</b>
Office and Secretarial expenses		37,810
Transportation costs		7,031
Bank charges		35
Security costs		7,187
		<b>52,063</b>

# Notes to the Financial Statements

For the period ended December 31, 2016

## 19. Taxation

The income of LSETF is exempted from income tax based on the provisions of Section 23 (i) of the Companies' Income Tax Laws of Nigeria and the Section 26 of the Lagos State Employment Trust Fund Act/Bill.

## 20. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes trustees and key management personnel, among others.

The Fund's related party is the Lagos State Government and the details of its transactions with the Fund is shown below;

	Name of related party	Nature of transactions	Due from/Due to		Receipt/Payment	
			31-Dec-16	31-Dec-16	31-Dec-16	31-Dec-16
	<b>In thousand of Naira</b>					
*	Lagos State Government	Capital contribution	-	-	6,250,000	-
*	Lagos State Government	Take off grant	-	-	150,000	-
**	Ministry of Wealth Creation & Employment	Collaborators	-	-	-	-

\* The Lagos State Government provided the sum of N6.25 Billion on the 7th of March 2016 as capital contribution to the Fund for onward disbursement to unemployed Lagos State residents who meet the relevant criteria. In addition to the N6.25 Billion Subvention, the Lagos State Government gave the Fund a take-off grant of N150 Million to support the Fund in setting up its operations.

\*\* The Lagos State Employment Trust Fund works jointly with the Ministry of Wealth Creation and Employment (MWC&E) in achieving its objectives by sharing ideas, information and knowledge that assists the process of reaching out to its target audience. The Ministry has footprints in virtually every district of Lagos State and is particularly familiar with the grassroots establishments that are major stakeholders of the programmes run by the LSETF.

LSETF also participates in the monthly update meetings organized by the MWC&E with a view to continuously leverage on the know-how and structure of the Ministry to assist its development of ideas to achieve its goals and aspirations.

### Key management compensation

Key management personnel of the Entity includes all Trustees and senior management. The summary of the compensation of key management personnel for the period is as follows:

<b>Key management compensation</b>	<b>31-Dec-16</b>
Salaries and other short-term employee benefits	6,160
Sitting allowances	24,800
<b>Total compensation of key management personnel</b>	<b>30,960</b>

## 21. Events occurring after reporting period

There were no events occurring after the end of the reporting period which could have a material effect on the financial position of the Fund as at 31 December 2016.

# Notes to the Financial Statements

For the period ended December 31, 2016

## 22. Financial Risk Management

### (a) Introduction and overview

The Fund has exposure to the following risks arising from financial instruments

- Credit risk;
- Liquidity risk;
- Market risk.

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

### Risk management framework

The Fund's risk management framework is designed in line with the Guidelines for Risk Management Framework for the Fund. The responsibility for oversight of risk management is vested in the Board of Trustees. The Board of Trustees has the responsibility for determining the strategic direction of the Fund and also for creating the enabling environment and structure for risk management processes to operate effectively.

The role of the Board of Trustees includes the following:

- Constitute the risk management committee as recommended in the Lagos State Employment Trust Fund Act.
- Determine the Fund's acceptable risk profile.
- Draw up risk assessment and measurement systems for the Fund.
- Monitor investment portfolio against risk tolerance limits.
- Ensure compliance with established policy through periodic review of reports provided by management.
- Establish a risk management department.
- Evaluate the risk management process of the Fund on a periodic basis to accommodate major changes in internal or external factors.
- Oversee how management monitors compliance with the Fund's risk management policies and procedures and review the adequacy of the risk management framework.

The Fund, through its training, standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (i) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations as at when due, and it arises principally from the Fund's receivables from customers and investment securities.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

# Notes to the Financial Statements

For the period ended December 31, 2016

<i>In thousands of naira</i>	Note	Carrying amount 31-Dec 2016
Cash and cash equivalents	4	1,881,904
Investment securities	5	4,062,301
<b>Total</b>		<b>5,944,205</b>

## Investment securities

The Fund limits its exposure to credit risk by investing only in debt securities issued by the Federal Government of Nigeria. Management does not expect any default by the Federal Government of Nigeria in meeting its obligations.

## Cash and cash equivalent

The carrying amount of the Fund's cash and cash equivalents as stated in note 5 represents its maximum credit exposure on these assets.

## (ii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The following are the remaining contractual maturities as at 31 December 2016 of financial liabilities and financial assets :

Contractual cashflow						
<i>In thousands of Naira</i>	Carrying amount	Gross Nominal Inflow/Outflow	3 months or less	3 - 12 months	1 - 2 years	2 - 10 years
<b>Financial assets</b>						
Cash and cash equivalents	1,881,904	1,881,904	1,881,904	-	-	-
Investment securities	4,062,301	3,822,701	3,822,701	-	-	-
<b>Total</b>	<b>5,944,205</b>	<b>5,704,605</b>	<b>5,704,605</b>	-	-	-
<b>Financial liabilities</b>						
Other payables	141,025	167,603	167,603	-	-	-
<b>Total</b>	<b>141,025</b>	<b>167,603</b>	<b>167,603</b>	-	-	-
<b>Liquidity gap</b>			<b>5,537,002</b>	-	-	-
<b>Cumulative</b>			<b>5,537,002</b>	<b>5,537,002</b>	<b>5,537,002</b>	<b>5,537,002</b>

# Notes to the Financial Statements

For the period ended December 31, 2016

## (iii) Market risk

Market risk is the risk that changes in market prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Currency risk

The Fund is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because its revenues and expenditures are principally based in Naira. A significant change in the exchange rates between the Naira(N) (functional and presentation currency) and other currencies would have an insignificant effect on the Fund's results of operations, financial position and cash flows.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no financial instrument linked to variable interest rates. The risk that the Fund will realise a loss as a result of a change in the fair value of financial assets or liabilities is thus immaterial.

### Interest rate profile

At the end of the reporting period the interest rate profile of the Fund's interest bearing financial instruments as reported to the Management of the Fund are as follows:

<i>In thousands of Naira</i>	<b>Notes</b>	<b>31-Dec-16</b>
<b>Financial instruments</b>		
Cash and cash equivalents	4	1,881,904
Investment securities	5	4,062,301
		<b>5,944,205</b>

### Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or available for sale. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss or equity.

The table below shows the impact on the Fund's surplus/deficit for the period ended if interest rates on financial instruments had increased or decreased by 100 basis points, with all other variables held constant.

<i>In thousands of Naira</i>	<b>31-Dec-16</b>
Increase in interest rate by 100 basis points (+1%)	59,442
Decrease in interest rate by 100 basis point (-1%)	(59,442)

## Notes to the Financial Statements

For the period ended December 31, 2016

### 23. Financial assets and liabilities - Accounting classification, measurement basis

The table below shows the classification between line items in the statement of financial position and categories of financial instruments

<i>In thousands of Naira</i>	Note	Carrying amount			Total
		Loans and receivables	Available -for-sale	Other financial liabilities	
<b>(a) 31 December 2016</b>					
Cash and cash equivalents	4	1,881,904	-	-	1,881,904
Investment securities	5		4,062,301	-	4,062,301
		<b>1,881,904</b>	<b>4,062,301</b>	<b>-</b>	<b>5,944,205</b>
Other liabilities	10	-	-	141,025	141,025
		<b>-</b>	<b>-</b>	<b>141,025</b>	<b>141,025</b>

The fair values of financial instruments measured at fair value subsequent to initial recognition are measured at their fair values, without any deduction for transaction costs it may incur on sale or other disposal. The Fund had financial instruments measured at fair value at the end of the reporting period i.e. Available-for-sale treasury bills.

The Fund categorizes its fair value into different levels in a fair value hierarchy based on the inputs used in the valuation techniques of:

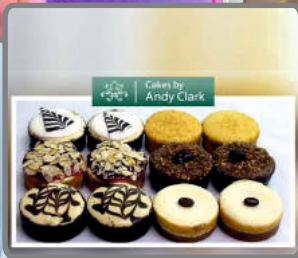
- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities



# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



**G**uys, so one of the most amazing things that happened to me this year was getting a loan from Lagos state. @lsetf. My friend Omilola was the one who told me about the scheme and encouraged me to apply. I was a little bit scared but I went ahead and applied. In fact I was so scared that I missed my deadline twice. I thank God because when something is for you, everything will be working together for your good. The application form was quite easy to complete. No funny trick questions. Amazingly I got a text saying my application was successful and I was invited to come for an interview a week later. At the interview

one of the men said ohh so you want to be the Louis Vuitton of cake makers.

I am like hold up holdup backtrack!!! I am the Louis Vuitton of cake makers. 💎💎. (I didn't really say that). I said yes and no. So I said well that's not what my loan application is for. I don't need 5 million naira to sell cake. If that's the end goal all I need is wisdom and favour. I need this ish... for another arm of my business. Come and see questions, they were just firing me left, right and center, but Mama Deola is my mother and it is impossible to outsmart her so I gave it my best shot. Two weeks later I got a text saying that my application had been successful. I mean God works in mysterious ways ohh because the day before I was telling my friend Omilola that I only had peanuts left in my account. To be honest the whole process was super easy right up till when they handed me my Cheque. Infact the way the guys @lsetf talk to you and treat you. It's like they are the ones doing you a favour.

The repayment plan is easy and straight forward For my loan I have to pay a small amount every month for three years which is not so bad. We also get training sessions and sometimes they call you to check up on your progress. I tell you it was the best decision ever.

We invite you to join us.

### Here is how you can support us

#### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

#### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

#### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: **0906000022**, or email: **akintunde.oyebode@lsetf.ng**

Follow/engage us on     /Lsetf  
[www.lsetf.ng](http://www.lsetf.ng)





## Other National Disclosures

## Other National Disclosures Value Added Statement

for the period ended 31 December 2016

<i>In thousands of Naira</i>	31-Dec-16	%
Receipts	245,577	(316)
Bought-in materials and services Local	(323,210)	416
<b>Value added</b>	<b>(77,633)</b>	<b>100</b>
<b>Distribution of value added:</b>		
<b>To employees:</b>		
Wages, salaries and pensions	34,074	(43)
<b>Retained in the business:</b>		
For the purchase of fixed assets and intangible assets (depreciation and amortisation)	20,594	(27)
To augment reserves	(132,301)	170
<b>Value added</b>	<b>(77,633)</b>	<b>100</b>



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## Note

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# ARE YOU LOOKING FOR A LOAN TO EXPAND AND GROW YOUR BUSINESS?

## LSETF CAN HELP WITH THAT!

Here are the steps on how to apply

### APPLYING AS A SMALL MEDIUM ENTERPRISE TO GET UP TO ₦5,000,000



- Visit <http://lsetf.ng/loan-programs> to create your account.
- Select the loan type you want
- Enter your email in the mail box provided
- Activate your account by clicking the link sent to your email.
- Change your password and complete the creation process
- Log into your account, fill out the application form and submit.

### APPLYING AS A MICRO ENTERPRISE FOR UP TO ₦500,000 OR A MICRO ENTERPRISE STARTUP FOR UP TO ₦250,000



- Visit <http://lsetf.ng/loan-programs> to create your account.
- Select the loan type you want
- Enter your telephone number in the box provided
- Your account credentials (which includes your username and password with your user name being your phone number) will be sent as SMS to the telephone number you entered.

### THE REQUIRED DOCUMENTS TO BE UPLOADED DURING THE APPLICATION PROCESS INCLUDE:



- Official Government Identification (International Passport/Driver's License/Permanent Voter Card)
- Evidence of Company Incorporation (CAC Certificate) SME Only
- Notarized Guarantor Forms (2 for SMEs; 1 for ME and 1 ME Start-Up)
- Training Certificates (For ME Start-Up)

**Please note that you will require your LASRRA and Tax Identification Number while filling the form. Also note, your Notarized Guarantor should have his/her LASRRA and Tax Identification Number.**

### EMPLOYABILITY PROGRAMME

If you are between the ages of 18 – 35, you can apply for the Employability scheme at [www.lsetf.ng/employability](http://www.lsetf.ng/employability)

For further enquiries, please visit our website: [www.lsetf.ng](http://www.lsetf.ng) or send an email to [info@lsetf.ng](mailto:info@lsetf.ng) or call **0906000022**

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**LSETF**  
LAGOS STATE EMPLOYMENT TRUST FUND

For further enquiries,  
please visit our website: [www.lsetf.ng](http://www.lsetf.ng)  
or send an email to [info@lsetf.ng](mailto:info@lsetf.ng)  
or call **0906000022**

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