



LAGOS STATE GOVERNMENT OF NIGERIA

~~₦~~87,500,000,000 13.5% Unsecured Series 2 Bonds due 2020

~~₦~~167,500,000,000 DEBT ISSUANCE PROGRAMME

An application has been made to list the Bonds on The Nigerian Stock Exchange

This Pricing Supplement/Supplementary Shelf Prospectus is issued by the Lagos State Government of Nigeria in connection with the issuance of Series 2 Bonds under the ~~₦~~167,500,000,000 Debt Issuance Programme established by the Lagos State Government of Nigeria ("the Issuer"). To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement/Supplementary Shelf Prospectus and the Shelf Prospectus, the provisions of this Pricing Supplement/Supplementary Shelf Prospectus shall prevail. This Pricing Supplement/Supplementary Shelf Prospectus may be used to offer and sell the Bonds only if accompanied by and read in conjunction with the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from the Issuing Houses/Book Runners.

The registration of this Preliminary Pricing Supplement/Supplementary Shelf Prospectus shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Pricing Supplement/Supplementary Shelf Prospectus. No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement/Supplementary Shelf Prospectus later than two years after the date of the issue of the Shelf Prospectus. This Pricing Supplement/Supplementary Shelf Prospectus contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 2 Bonds" or "the Bonds"). The Issuer, its Executive Council and Issuing Houses accept full responsibility for the accuracy of the information contained in this Pricing Supplement/Supplementary Shelf Prospectus. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement/Supplementary Shelf Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. The statements made in this paragraph are without prejudice to the provisions of Section 85 (1) of the Investment & Securities Act No. 29 2007 (Civil Liability for Mis-statements in Prospectus). Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

LEAD ISSUING HOUSE/BOOK RUNNER:



RC 622258

JOINT ISSUING HOUSES/ BOOK RUNNERS:



RC261272



RC733583



RC446599



FCMB CAPITAL MARKETS LIMITED
A MEMBER OF FIRST CITY GROUP

RC446561



Marina Securities Limited RC: 204920



RC672560



RC1031358



RC485600



RC639491

This Pricing Supplement is dated November 27, 2013

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PRICING SUPPLEMENT/SUPPLEMENTARY SHELF PROSPECTUS

This Pricing Supplement/Supplementary Shelf Prospectus is issued for purposes of providing details of the Series 2 Bond Issuance under the ₦167,500,000,000 Debt Issuance Programme being undertaken by the Lagos State Government of Nigeria ("Lagos State" or "the Issuer") and contains the specific terms of the Series 2 Bonds that are being issued hereunder.

This Pricing Supplement/Supplementary Shelf Prospectus supplements the terms and conditions in, and incorporates by reference, the Shelf Prospectus dated November 22, 2012 and all documents incorporated therein ("the Prospectus"), and must be read in conjunction with the Prospectus. The terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus. In the event of any inconsistency between the terms contained in the Pricing Supplement and the terms of the Prospectus, this Pricing Supplement will prevail for the purposes of the Series 2 Bonds.

SUMMARY OF BOND ISSUANCE

1. Issuer:	Lagos State Government
2. Series Number:	2
3. Specified Currency:	Nigerian Naira
4. Aggregate Nominal Amount:	₦ 87,500,000,000
5. Issue Price:	At Par, ₦1,000.00 (One Thousand Naira)
6. Gross Proceeds:	₦ 87,500,000,000 [To be raised in a single tranche of ₦ 87.5 billion or up to 2 tranches of ₦ 57.5 billion and ₦ 30 billion, respectively, subject to market conditions during the Book Build.]
7. Net Proceeds ¹ :	₦ 84,656,250,000
8. Specified Denominations:	₦1,000.00 (One Thousand Naira)
9. Issue Date:	November 27, 2013
10. Maturity Date:	November 27, 2020
11. Interest Basis:	Fixed Rate
12. Coupon	13.50% per annum
13. Redemption/Payment Basis:	Redemption at Maturity
14. Use of Proceeds:	To finance priority projects per the attached Schedule 1.
15. Issuer Rating:	A+ (Agusto & Co); A+ (GCR)
Bond Rating:	A+ (Agusto & Co); AA- (GCR)
16. Status of Bonds:	Registered and Listed Bonds
17. Debt Service:	Lagos State has obtained an Irrevocable Standing Payment Order ("ISPO") in the sum of ₦500 million for the first three months, and thereafter ₦ 1 billion, for purposes of the interest and principal repayment obligations under the Bond. Furthermore, an additional sum of ₦1.34 billion for the first three months, and thereafter ₦ 840 million every month, will be appropriated from the Consolidated Debt Service Account ("CDSA") for purposes of the payment obligations arising from the Bond.

¹ After the deduction of ~~₦~~2,843,750,000 being the cost of the offer, or 3.25% of the gross issue proceeds

	The CDSA is a dedicated internally segregated savings account for Lagos State established under the provisions of the Bonds Law. The Bonds Law provides for a CDSA to be created by the Lagos State Government into which a minimum of 15% of the State's Internally Generated Revenue (IGR) will be deposited on a monthly basis. The sum of ₦1.34 billion for the first three months and thereafter ₦840 million per month, will be transferred monthly from the CDSA to the Sinking Fund managed by the Trustees to the Issue.
18. Listing:	The Nigerian Stock Exchange and/or FMDQ-OTC

PROVISIONS RELATING TO INTEREST PAYABLE

19. Fixed Rate Bond Provision:	Fixed Rate Bond
20. Interest Payment Date(s):	Coupon is payable semi-annually in arrears on May 27 and November 27 in each year till redemption
21. Fixed coupon amount:	₦135.00 per ₦1,000.00
22. Fixed Day Count Fraction:	Actual number of days in a month/ Actual number of days in a year

PROVISIONS RELATING TO REDEMPTION

23. Final redemption of each note:	₦1,000.00
24. Gross redemption Amount:	₦87,500,000,000

GENERAL PROVISIONS APPLICABLE TO THE BONDS

25. Bonds Settlement:	Bond purchases will be settled by electronic funds transfers through either Central Bank of Nigeria Inter-Bank Funds Transfer System ("CIBFTS"), National Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS")
26. Closure of Register:	Section 236 of the Investment & Securities Act 2007 ('ISA') stipulates the closure of the register of bondholders at 21 (twenty-one) days immediately preceding the date on which a coupon falls due. Furthermore, no transfers of bonds are registerable during the closure period. Accordingly, the Register of Bondholders will be closed for the 21 (twenty-one) days preceding each Coupon Payment Date
27. Tax Consideration:	The Bonds are exempt from taxation in Nigeria in accordance with the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 and the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011. Please refer to the section "Tax Considerations" on Page 30 of the Shelf Prospectus.
28. Qualified Investment:	The Bonds qualify as instruments in which (i) the Banks may invest under the Central Bank of Nigeria Act, 2007; (ii) Pension

<p>29. Liquidity Status:</p>	<p>Funds may invest under the Pension Reform Act, 2004; and (iii) liquid assets for banks for the purposes of computing liquidity ratios.</p> <p>The Bonds are eligible for the conferment of liquid asset status by the Central Bank of Nigeria. An application shall be submitted to the CBN in this respect upon the issuance of the Bonds.</p>
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DISTRIBUTION

<p>30. Method of distribution:</p>	<p>By way of a Book Build. The Coupon will be determined following the Bid Closing Date (the date on which the Book Runners stop accepting Bids for the Issue), at the conclusion of the Book Build</p>
<p>31. Names of Book Runners:</p>	<p><u>Lead Issuing House / Book Runner</u> Chapel Hill Advisory Partners Limited ("Chapel Hill")</p> <p><u>Joint Issuing Houses / Book Runners</u> Afrinvest (West Africa) Limited</p> <p>Radix Capital Partners Limited</p> <p>FBN Capital Limited</p> <p>FCMB Capital Markets Limited</p> <p>Marina Securities Limited</p> <p>Skye Financial Services Limited</p> <p>Stanbic IBTC Capital Limited</p> <p>Vetiva Capital Management Limited</p> <p>Zenith Capital Limited</p>
<p>32. Qualified Institutional Investors:</p>	<p>The following Investors are permitted to participate in this transaction: Fund Managers, Pension Fund Administrators, Insurance Companies, Unit Trusts, Multilateral and Bi-Lateral Institutions, Registered and/or Verifiable Hedge Funds, Market Makers, Staff schemes, Trustees/Custodians and Stockbroking firms; High Net worth Individuals (i.e. individuals with a minimum net worth of ₦300 million) as stipulated by Rule 321 of the Rules and Regulation of the Securities and Exchange Commission. Retail Investors are exempted from participating in this offer.</p>
<p>33. Oversubscription</p>	<p>In the event that the value of bids at the highest acceptable yield exceeds the amount of Bonds available at that yield, the State may issue the Bonds on a pro-rata basis to each successful bidder at that yield; given that the State cannot increase the amount available for subscription as the limit of the Programme will thereby be exceeded.</p>

OPERATIONAL INFORMATION

34. Date of delivery:	November 27, 2013
35. Mode of delivery:	E-allotment to CSCS Account
36. Registrar:	First Registrars Nigeria Limited
37. Trustees:	<p>CSL Trustees Limited</p> <p>First Trustees Nigeria Limited</p> <p>Skye Trustees Limited</p> <p>Sterling Asset Management & Trustees Limited</p> <p>UBA Trustees Limited</p> <p>Union Trustees Limited</p>
38. Other Parties:	<p><u>Representatives of the State Executive Council</u></p> <p>His Excellency, Mr Babatunde Raji Fashola, (SAN) <i>Executive Governor and Chairman State Executive Council</i></p> <p>Mrs. Joke Orelope-Adefulire <i>Deputy Governor</i></p> <p>Mrs. Idiat Oluranti Adebule <i>Secretary to the State Government</i></p> <p>Mr. Ayodeji Gbeleyi <i>Honourable Commissioner for Finance</i></p> <p>Mr. Ben Akabueze <i>Honourable Commissioner for Economic Planning & Budget</i></p> <p>Mr. Adeola Ipaye <i>Honourable Commissioner for Justice & Attorney General</i></p> <p>Mr. Adebisi Mabadeje <i>Honourable Commissioner for Science & Technology</i></p> <p>Mr. Enitan Oshodi <i>Honourable Commissioner for Youth, Sports and Social Development</i></p> <p>Mr. Wale Ahmed <i>Honourable Commissioner for Special Duties</i></p> <p>Honourable C.O. Ojelabi <i>Honourable Commissioner for Rural Development</i></p> <p>Dr. Olajide Idris <i>Honourable Commissioner for Health</i></p>

Mr. Lateef Aderemi Ibiroga
Honourable Commissioner for Information & Strategy

Mr. Olutoyin Ayinde
Honourable Commissioner for Physical and Urban Planning

Mr. Kayode Isiak Opeifa
Honourable Commissioner for Transportation

Prince. Adesegun Abiodun Oniru
Honourable Commissioner for Water Infrastructure Development

Mr Lateef Tunji Bello
Honourable Commissioner for Environment

Mrs Florence Oguntuase
Honourable Commissioner for Establishment and Training

Mr. Bosun Jeje
Honourable Commissioner for Housing

Mr. Ademorin Kuye
Honourable Commissioner Local Government and Chieftaincy Affairs

Mr. Oladisun Holloway
Honourable Commissioner for Tourism and Intergovernmental Relations

Mrs. Olusola Oworu
Honourable Commissioner for Commerce and Industry

Mr. Taofiq Tijani
Honourable Commissioner for Mineral Resources

Mrs. Olayinka Oladunjoye
Honourable Commissioner for Education

Prince Gbolahan Lawal
Honourable Commissioner for Agriculture and Cooperatives

Dr. Kadri Obafemi Hamzat
Honourable Commissioner for Works & Infrastructure

Mr. Mohammed Oyinlomo Danmole
Honourable Commissioner for Home Affairs and Culture

Mr. O.A. Sunmoni
Accountant - General to the State

Mrs. Helen Deile
Auditor – General to the State

Lead Stockbrokers
Marina Securities Limited

Joint Stockbrokers

Chapel Hill Denham Securities Limited

Afrinvest Securities Limited

Camry Securities Limited

Clearview Investments Company Limited

CSL Stockbrokers Limited

Dominion Trust Limited

Equity Capital Solutions Limited

FBC Trust & Securities Limited

FBN Securities Limited

FCSL Asset Management Company Limited

FIS Securities Limited

Greenwich Securities Limited

Investment One Stockbrokers International Limited

Profund Securities Limited

Pyramid Securities Limited

Reward Investments & Services Limited

Security Swaps Limited

Signet Investments & Securities Limited

Securities Africa Financial Limited

Stanbic IBTC Stockbrokers Limited

WSTC Financial Services Limited

Zenith Securities Limited

Reporting Accountants

KPMG Professional Services

Ratings Agencies

Agusto & Co Limited

Global Credit Rating Co

Joint Solicitors to the Offer

Banwo & Ighodalo

Simmons Cooper Partners

Sofunde, Osakwe, Ogundipe & Belgore

Receiving Banks

Access Bank Plc

Ecobank Nigeria Plc

Fidelity Bank Plc

First Bank of Nigeria Limited

First City Monument Bank Plc

Guaranty Trust Bank Plc

Keystone Bank Limited

Mainstreet Bank Limited

Skye Bank Plc

Sterling Bank Plc

Stanbic IBTC Bank PLC

United Bank for Africa Plc

Zenith Bank Plc

INDICATIVE TRANSACTION TIMELINE

ACTIVITY	TARGET DATE
COMMENCE BOOK BUILDING	NOVEMBER 11, 2013
CONCLUDE BOOK BUILDING	NOVEMBER 19, 2013
DETERMINE COUPON AND VALUE OF BONDS	NOVEMBER 19, 2013
DISPATCH ALLOTMENT CONFIRMATION LETTERS	NOVEMBER 19, 2013
COMPLETION MEETING	NOVEMBER 27, 2013
ALLOTMENT AND DELIVERY/SETTLEMENT OF BONDS	NOVEMBER 27, 2013
TRANSFER PROCEEDS TO LASG	NOVEMBER 28, 2013
POST COMPLETION MEETING FILING WITH THE SEC	NOVEMBER 29, 2013
LISTING OF BONDS ON THE NSE	DECEMBER 6, 2013

Important Notice: The dates given above are indicative only. Events in the timetable may be subject to adjustment.

DECLARATION BY THE ISSUER



August 15, 2013

The Director General
Securities & Exchange Commission
272/273 Samuel Adesujo Ademulegun Street
Central Business District
P.M.B. 315, Garki
Abuja

LAGOS STATE SERIES II BOND DUE 2020 UNDER THE N167.5 BILLION DEBT ISSUANCE PROGRAMME

This Pricing Supplement / Supplementary Shelf Prospectus has been prepared by the Lead and Joint Issuing Houses on behalf of the Lagos State Government ("the State") for the purpose of providing a description to investors, of the relevant aspects of the State, the Series II Bond issue and the investment therein.

In that regard, and on behalf of the Lagos State Executive Council, we hereby make the following declarations:

1. The information contained in this Pricing Supplement / Supplementary Shelf Prospectus is, to the best of our knowledge, in accordance with the material facts and contains no omission likely to affect its import nor which will render any statement herein misleading or untrue.
2. Except as disclosed in this Pricing Supplement / Supplementary Shelf Prospectus, there has been no material adverse change in the financial position or prospects of the State and no significant change in the financial condition or prospects of the State.
3. Lagos State is not in breach of any terms and conditions in respect of any borrowed funds which has resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the 12 (twelve) months preceding the date of this Pricing Supplement / Supplementary Shelf Prospectus.

Signed for and on behalf of
Lagos State Government of Nigeria
by its duly authorised representatives

Mr. Ayodeji Gbeleyi
Honourable Commissioner for Finance

Mr. Adeola Ipaye
Attorney General and Honourable
Commissioner of Justice

Mr. Babatunde Raji Fashola, SAN
Governor of Lagos State

OLAYINKA A. OOHERTY ESQR
OLAYINKA A. OOHERTY & CO,
Barristers, Solicitors And
Notaries Public
6, Tokunboh Street, Lagos



DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection throughout the life of the Bond at the principal offices of the Lead and Joint Financial Advisers/Issuing Houses and the Lagos State Debt Management Office and the Lagos State Ministry of Finance, Alausa, Lagos:

- The Bonds Law (incorporating the Programme Trust Deed);
- The Shelf Prospectus;
- The Programme Trust Deed;
- The State's most recently published annual public accounts (including its annual Statement of Revenue and Expenditure);
- The State's most recent annual budget as presented to the Legislative Assembly of Lagos State;
- Letter from the Joint Solicitors on the outstanding claims, litigations and material contracts involving the State;
- This Pricing Supplement/Supplementary Shelf Prospectus;
- The Ratings Reports;
- The Reporting Accountant's Report on the Revenue and Expenditure Forecast and of the audited financial statements for the five years ended 31 December 2008, 2009, 2010, 2011 and 2012;
- The Series II Trust Deed issued further to this Pricing Supplement / Supplementary Shelf Prospectus;
- The Vending Agreement;
- The State Executive Council Resolution dated July 22, 2013 authorising this Issuance; and
- The State House of Assembly Resolution dated May 16, 2012 authorising the Bond Issuance Programme
- The SEC "No Objection" letter for the ~~N~~167.5 Bond Issuance Programme.
- The SEC "No Objection" letter for the ~~N~~87.5 Series II Bond Issuance.

LISTING

This Pricing Supplement comprises the final terms for the listing of the Bonds described herein pursuant to the ~~N~~167,500,000,000 Debt Issuance Programme being pursued by the Lagos State Government.

APPENDIX I

RATING INFORMATION (EXTRACT FROM RATING REPORT – AGUSTO & Co.)

Agusto & Co <small>RESEARCH, CREDIT RATINGS, CREDIT RISK MANAGEMENT</small>							
INDICATIVE RATING Lagos State N87.5 billion Seven-Year Fixed Rate Bond (Series 2) under the N167.5 billion Debt Issuance Programme Issue (indicative): Aa- Issuer: A+ Outlook: Stable Issue Date: August 2013 Expiry Date: <i>The rating is valid throughout the life of the instrument but will be subject to annual monitoring and review.</i> Prv. Issuer Rating: A+ Analysts: Ndako Mijindadi ndakomijindadi@agusto.com Isaac Babatunde isaacbabatunde@agusto.com UBA House (5th Floor) Marina. +234 1 2707222-4	RATIONALE <p>Agusto & Co. assigns an indicative 'Aa-' rating to the N87.5 billion seven-year Series 2 bond ("the Issue") to be issued by the Lagos State Government ("the State", "the Issuer", "Lagos" or "LASG") under the N167.5 billion Debt Issuance Programme. Agusto & Co. also affirms Lagos State's 'A+' rating.</p> <p>The rating assigned to the Issue is justified by the State's good revenue profile and financial flexibility, moderate leverage, commitment to capital expenditure and good prospects for economic growth. Our opinion also reflects concerns over high spending on overheads, which we believe should be curtailed. The rating takes into cognizance our perception of a moderate level of accountability in governance and a good level of disclosure on the activities of the Government. Our rating is further supported by the execution of an Irrevocable Standing Payment Order (ISPO) for monthly deductions of N1 billion from the State's statutory allocation into a Sinking Fund Account (SFA) to cover Bond obligations. An additional N1 billion will be deducted monthly from the State's Consolidated Debt Service Account (CDSA) and credited to the SFA for the benefit of bondholders. The CDSA is a reserve account, which is funded monthly with 15% of Internally Generated Revenue (IGR).</p> <p>In our opinion, the Issue has very low credit risk given Lagos State's very strong capacity to pay interest and principal on the Bond in a timely manner. This is evidenced by good interest cover of 24 times and a debt coverage ratio of 12 times based on the projections over the life of the Bond. In 2012, the State's IGR at 64% of total revenue was largely provided by taxes. In our opinion, the large tax component provides a relatively stable source of revenue to the State unlike most others that depend heavily on statutory allocations. Furthermore, we believe the State has laid a strong foundation for future economic growth through infrastructural developments in recent years.</p>						
Agusto & Co. 2013 Municipal Bond Rating Report	<table> <tr> <th>STRENGTHS</th><th>CHALLENGES</th></tr> <tr> <td> <ul style="list-style-type: none"> High level of independence from centrally collectible revenue Sustainable revenue supported by good tax compliance of the citizenry Cohesion between executive and legislative arms of the Government Sustained commitment to infrastructure development Political stability </td><td> <ul style="list-style-type: none"> Overstretched infrastructure Inadequate land area, which constrains food production and urban expansion </td></tr> <tr> <td></td><td> WEAKNESS <ul style="list-style-type: none"> High overhead expenses </td></tr> </table>	STRENGTHS	CHALLENGES	<ul style="list-style-type: none"> High level of independence from centrally collectible revenue Sustainable revenue supported by good tax compliance of the citizenry Cohesion between executive and legislative arms of the Government Sustained commitment to infrastructure development Political stability 	<ul style="list-style-type: none"> Overstretched infrastructure Inadequate land area, which constrains food production and urban expansion 		WEAKNESS <ul style="list-style-type: none"> High overhead expenses
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	WEAKNESS <ul style="list-style-type: none"> High overhead expenses 						
2	CAUTION: THE ISSUE RATING IS INDICATIVE AND SUBJECT TO APPROVAL OF THE ISPO						

APPENDIX II

RATING INFORMATION (EXTRACT FROM RATING REPORT – GLOBAL CREDIT RATINGS)



GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Lagos State Government of Nigeria

Nigeria Bond Issue

August 2013

Security class	Rating scale	Rating	Rating outlook	Expiry date
Issuer rating	National	A+(NIG)	Stable	08/2014
Programme 1 - Series 1: N50bn Fixed Rate Bond	National	A+(NIG)	Stable	08/2014
Programme 1 - Series 2: N57.5bn Fixed Rate Bond	National	A+(NIG)	Stable	08/2014
Programme 2 - Series 1: N80bn Fixed Rate Bond	National	AA-(NIG)	Stable	08/2014
Programme 2 - Series 2: N87.5bn Fixed Rate Bond	National	AA-(NIG)	Stable	08/2014

Summary of bond programme:

Total programme value:
N275,000,000,000 (Programme 1 – lapsed, 2010)
N167,500,000,000 (Programme 2)
Instruments:
Various – variable coupon, zero coupon bonds, high interest & low interest bonds amongst others.
Coupon rate:
Series specific.
Maturity:
Series specific.
Status of bonds:
Bonds are direct, unsecured & general obligations of the State i.e. ranking *pari passu* with other senior unsecured obligations of the State.

Key transaction counterparties:

Issuer:
Lagos State Government of Nigeria
Joint Trustees:
First Trustees Ltd, Skye Trustees Ltd, UBA Trustees Ltd, Union Trustees Ltd, CSL Trustees Ltd, Sterling Trustees Ltd.
Reporting Accountant:
KPMG Professional Services
Financial Advisers/Arrangers/Issuing Houses:
Chapel Hill Advisory Partners Ltd, Afrinvest Ltd, Radix Capital Partners Ltd, FBN Capital Ltd, FCMB Capital Ltd, Marina Securities Ltd, Skye Financial Services Ltd, Stanbic IBTC Capital Ltd, Vetrus Capital Management Ltd, Zenith Capital Ltd.
Registrar:
First Registrars Nigeria Limited

Rating methodologies:

GCR's Global Master Criteria For Rating Public Entities, April 2013

Rating history

Initial Rating(11/2009)
Programme 1 - Series 1: Long term: A+(NIG)
Programme 1 - Series 2: Long term: A+(NIG)
Last Rating(08/2012)
Issuer Rating: A+(NIG)
Programme 1 - Series 1: Long term: A+(NIG)
Programme 1 - Series 2: Long term: A+(NIG)
Programme 2 - Series 1: Long term: A+(NIG)
Programme 2 - Series 2: Long term: A+(NIG)

GCR contacts:

Primary Analyst: Kunle Ogundijo
Analyst - Nigeria
+234 1 462 2545
kunle@globalratings.net
Panel Chair: Eyal Shevel
Public Sector Ratings Head –South Africa
+27 11 784 1771
shevel@globalratings.net

Website: www.globalratings.net

Rating rationale

The rating is based on the following key factors:

- Lagos State remains the most economically viable State in Nigeria. Being the Nation's financial, commercial and industrial nerve centre, the State accounts for about 60% of the Federation's total industrial investments and foreign trade, while also attracting around 65% of commercial activities within the country.
- Further, IGR (inclusive of VAT) accounts for the bulk of revenue at around 80%, and has been adequate to cover recurrent expenditure over the review period. Thus, in contrast to many of the other States, Lagos State remains notably independent from the Federal Government of Nigeria ("FGN") in terms of revenue.
- The State has consistently reported firm operating margins (operating result as a percentage of total revenue) over the review period, registering at 41% in FY12 (5 year average: 47%). Similarly strong margins are budgeted over the medium term.
- Driven by its aggressive capex programme, the State reports an elevated debt profile and, accordingly, a highly geared balance sheet. Total borrowings reached a high of N371.3bn at FYE12, as gross debt to total revenue registered at 107%. With further borrowings expected over the medium term, debt service costs could constrain the State's ability to adequately fund operations, more so if projected revenue does not manifest.
- Liquidity measures were bolstered by the receipt of the net proceeds of N80bn bond issue at FYE12. Accordingly, days cash on hand equated to 177 days (FYE11: 90 days), albeit that will decline as the cash is spent.
- The Irrevocable Standing Order ("ISPO") issued in respect of the N50bn & N80bn bonds covers only interest payment, while no ISPO has been issued to service debt under the N57.5bn bond. Cognisance, is however, taken of the funds being transferred to the Consolidated Debt Service Account ("CDSA") to ensure sufficient funding for the repayment of principal and interest on existing bonds. Further, the combined N83bn accretion in the sinking fund accounts as at June, 2013 provides comfort on the capability of the State to effectively service its debt obligations on a timely basis.

What could trigger a rating action

Positive movement factors: A rating upgrade is unlikely in the short term due to the State's highly geared balance sheet, which is budgeted to remain elevated in the medium term.

Negative movement factors: The State's ratings may come under pressure in the event of (i) higher than anticipated recourse to debt over the medium term. (ii) A material change in the obliged 15% contribution from the IGR of Lagos State to the CDSA, which may negatively impact funds available to honour principal and interest obligations on bonds.

This document is confidential and issued for the information of clients only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of Global Credit Rating Co. ("GCR"). The credit ratings and other opinions contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information is given or made by GCR in any form or manner whatsoever.



APPENDIX III

FINANCIAL INFORMATION (EXTRACT FROM REPORTING ACCOUNTANTS' REPORT-KPMG)



KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Fax 234 (1) 271 0540
Internet www.kpmg.com/ng

The State Executive Council
Lagos State Government of Nigeria
Alausa, Ikeja
Lagos

24 July 2013

Dear Sirs

Report on the Revenue and Expenditure Forecast

We have examined the accompanying revenue and expenditure projections of Lagos State Government of Nigeria ("the State" or "the State Government") for ten years to 31 December 2022 in accordance with the International Standard on Assurance Engagements (ISAE3400) applicable to the examination of prospective financial information. The Lagos State Executive Council is solely responsible for the forecast including the assumptions set out on page 3 on which it is based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Furthermore in our opinion, the forecast has been properly compiled on the basis of the assumptions made by the State Executive Council and has been prepared on a basis consistent with accounting policies adopted by the State. Actual results are likely to be different from the forecast since anticipated events may or may not occur as expected and the variation may be material.

Finally, we emphasise that the forecast information is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation of the results of the activities of Lagos State Government in accordance with the Constitution of the Federal Republic of Nigeria as amended 1989 and 1999; the Finance (Control and Management) Act of 1958; the Financial Regulation and Revenue Allocation Laws Applicable in Nigeria.

We have no responsibilities to update this report for events and circumstances after the date of this report.

Yours faithfully

Oladapo R. Okubadejo

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REVENUE AND EXPENDITURE FORECAST

Memorandum on the revenue and expenditure forecast

The State estimates that, in the absence of unforeseen circumstances and based on assumptions set out on Page 3, its forecast revenue and expenditure for years ending 31 December 2013 to 2022 is shown below:

(₦billion)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Internally Generated Revenues (IGR)	236	255	277	302	331	366	408	459	512	565
VAT allocation	65	70	74	79	84	89	95	101	107	113
Statutory allocation	61	64	69	73	78	83	88	93	99	105
Other Capital Receipts excl Borrowing	14	15	15	17	18	19	20	21	23	24
Excess crude oil allocation	3	3	0	0	0	0	0	0	0	0
Cash inflow from bond issuance programme	88	77	67	51	35	10	0	0	0	0
Internal / multilateral loans	34	20	12	7	0	0	0	0	0	0
Total Revenues	501	504	514	529	546	567	611	674	741	807
Expenditure										
Recurrent expenditure	(205)	(207)	(208)	(212)	(216)	(220)	(224)	(229)	(233)	(237)
Capital expenditure	(198)	(198)	(199)	(201)	(205)	(212)	(222)	(236)	(255)	(278)
Bond issue cost	(3)	(2)	(2)	(2)	(1)	(0)	-	-	-	-
Multilateral debt funding obligations	(2)	(2)	(2)	(2)	(3)	(4)	(4)	(4)	(4)	(5)
Internal debt funding obligations	(43)	(32)	(29)	(35)	(27)	(23)	(22)	(22)	(12)	(6)
Transfer to CDSA from IGR	(26)	(42)	(52)	(53)	(69)	(83)	(97)	(111)	(137)	(158)
ISPO deductions by Accountant General	(23)	(21)	(22)	(24)	(25)	(25)	(21)	(8)	(5)	(3)
Budget surplus	(1)	-	-	-	(0)	-	(21)	(64)	(95)	(120)
Total Expenditure	(501)	(504)	(514)	(529)	(546)	(567)	(611)	(674)	(741)	(807)
Transfer to CDSA	(26)	(42)	(52)	(53)	(69)	(83)	(97)	(111)	(137)	(158)
Annual deduction from statutory allocations	(23)	(21)	(22)	(24)	(25)	(25)	(21)	(8)	(5)	(3)
Total transfers to CDSA	(49)	(63)	(74)	(77)	(94)	(108)	(118)	(119)	(142)	(161)
Cumulative Transfer to CDSA	(83)	(146)	(220)	(297)	(391)	(499)	(617)	(736)	(878)	(1,039)
Consolidated Debt Service Account (CDSA)										
Opening balance of CDSA	65	85	57	87	117	111	176	185	206	268
Additions to CDSA from IGR	26	42	52	53	69	83	97	111	137	158
Additions from ISPO	23	21	22	24	25	25	21	8	5	3
Interest earned on CDSA	7	7	5	7	8	8	10	11	13	17
CDSA before debt service	121	155	136	171	219	227	304	315	361	446

Basis

The forecasts for the years ending 31 December 2013 - 2022 have been prepared on the basis consistent with Government Accounting Policies.

Assumptions

The following assumptions were applied in the preparation of the revenue and expenditure forecasts:

1. Internally generated revenues will increase at a CAGR of 10.19% over the forecast period;
2. Statutory allocation will increase at a CAGR of 6.3% over the forecast period;
3. Recurrent expenditure will increase at a CAGR of 1.6% over the forecast period;
4. Capital expenditure will increase at a CAGR of 3.8% over the forecast period;
5. An average of 21% of internally generated revenue (IGR) will be transferred into the Consolidated Debt Service Account for servicing of debt obligations from the Bond Programme over the forecast period;
6. Interest earned on the CDSA/Sinking fund deposits will average 6.2% over the forecast period;
7. In calculating the State's total issuance limit, Lagos State have assumed that the amount remitted to the trustees will be deducted from the outstanding bond obligations calculation;
8. Proceeds from the Bond issue will be received in the beginning of the last quarter of 2013;
9. The Bond's interest payments shall accrue semi-annually to a Sinking Fund Account. The first payment of interest shall be made at the end of the first quarter of 2014 and will be paid semi-annually over the tenure of the Bond;
10. The growth rate in Real Gross Domestic Product (GDP) over the forecast period will average 6.5% annually.

LETTER FROM THE REPORTING ACCOUNTANTS



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Letter from the Reporting Accountants

The Executive Council
Lagos State Government of Nigeria
Alausa, Ikeja
Lagos

24 July 2013

Dear Sirs

We have examined the audited financial statements of Lagos State Government ("the State") for the five years ended 31 December 2008, 2009, 2010, 2011 and 2012.

The financial statements, which have been prepared on a cash basis, were reported upon by the Auditor-General of the State in accordance with Section 125 (5) of the 1999 Constitution of the Federal Republic of Nigeria.

The financial information on which the financial statements are based is the responsibility of the State Executive Council who approves their issue. Our responsibility is to issue a report on the financial information based on our review. The State Executive Council is also responsible for the contents of the prospectus in which this report is included.

Our review was conducted in accordance with International Standards on Review Engagements (ISRE) 2400. This standard requires that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free from material misstatement. The review was limited primarily to inquiries from the representatives of the State Executive Council, analytical procedures applied to financial data and a review of evidence obtained by the Auditor-General on those financial statements, and therefore provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view of the state of affairs of Lagos State as at the dates of the Statement of Assets and Liabilities stated and of its revenue and expenditure for each of the years then ended, in accordance with the Constitution of the Federal Republic of Nigeria.

Yours faithfully

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of accounting policies

The following are the significant accounting policies, adopted by the State Government in preparation of its financial statements:

1 Basis of Accounting

The financial statements prepared under the cash basis of accounting are in accordance with the generally accepted Public Sector Accounting Standards and is consistent with the budget estimates for the financial year. No adjustments have been made to reflect the impact of specific changes in the general price level on the financial statements.

2 Presentation of the financial Statements

Details of general and specific funds are disclosed in the notes of the financial statements of the State Government.

3 Depreciation

In line with the cash basis of accounting, fixed assets are not capitalised but written-off in the year of acquisition.

4 Stocks

Stocks are expensed in the year of purchase in line with the cash basis of accounting.

5 Investments

Investments are stated at cost and income from investments credited on receipt of cash.

6 Foreign Currencies

Transactions in foreign currencies are translated into Naira at the exchange rate prevailing at the time of the transaction. Balances in foreign currencies are translated at the exchange rates ruling at the statement of assets and liabilities date.

7 Exchange Rates

The following rates were applicable at the year-end December 31, 2012: US\$ - ~~N~~155.27, GBP - ~~N~~251.05, EURO - ~~N~~204.7

STATEMENT OF ASSETS AND LIABILITIES

LAGOS STATE GOVERNMENT

Statement of Assets and Liabilities as at

	Notes	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
ASSETS						
Cash and Deposits	2	98,180	36,443	12,313	36,670	36,708
Investments	3	6,350	9,584	8,674	8,554	8,407
Special Funds	4	-	-	-	1,226	14,783
Total Assets		104,530	46,027	20,987	46,450	59,898
FINANCED BY:						
Consolidated Revenue Fund		39,644	32,183	8,624	16,051	14,684
Capital Expenditure and Development	5	58,296	4,075	3,492	2,854	4,979
Scholarship Fund		162	121	100	158	61
Special Funds	6	6,428	9,648	8,771	27,387	39,076
Treasury Clearance Accounts			-	-	-	1,098
Total Liabilities		104,530	46,027	20,987	46,450	59,898

The accompanying notes form an integral part of these statements of assets and liabilities.

Statement of revenue and expenditure

LAGOS STATE GOVERNMENT

Statement of Revenue and Expenditure for the period ended:

	Notes	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Opening Balance		32,183	8,624	16,051	14,684	12,909
Revenue						
Statutory Allocation	7	121,104	118,827	99,637	82,387	41,180
Recurrent Revenue	8	225,593	206,450	173,448	178,502	138,183
Total Revenue		378,880	333,901	289,136	275,573	192,272
Expenditure						
Consolidated Revenue Charges		121	158	79	52	55
Other Recurrent Expenditure	9	204,115	154,060	145,433	119,470	122,533
		204,236	154,218	145,512	119,522	122,588
Surplus/(Deficit) of Revenue over Transfer (to)/from Consolidated		174,644 (135,000)	179,683 (147,500)	143,624 (135,000)	156,051 (140,000)	69,684 (55,000)
Closing Balance		39,644	32,183	8,624	16,051	14,684

The accompanying notes form an integral part of these revenue and expenditure accounts.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements

1. OBSERVATIONS FROM THE AUDITOR-GENERAL'S REPORT

Based on the Auditor General's report in the 2012 financial statement, it was stated that only six (6) out of the eleven (11) modules of the Oracle Financials acquired by the State Government were deployed during the year.

It was also noted that the State needs to commence utilisation of the undeployed modules in order to optimize the full benefit of the Enterprise Resource Planning Suite for effective and efficient accounting and reporting.

2. CASH AND BANK BALANCES

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Sub Treasuries	34,091	31,862	5,923	12,375	23,713
Less: Remittance within Lagos State	(5,288)	(5,645)	(3,424)	(7,589)	(6,715)
	28,803	26,217	2,499	4,786	16,998
Special Deposit with Banks	69,892	11,314	10,903	32,898	20,652
Personal Advances Fund	314	460	462	539	650
Deposit in J.C.F	36	36	33	31	28
Balance as per audited financial statement	99,045	38,027	13,897	38,254	38,328
Less Adjustment* (cash trapped in distress	-	(1,584)	(1,584)	(1,584)	(1,620)
Unreconciled cash balances**	(865)	-	-	-	-
	98,180	36,443	12,313	36,670	36,708

*/** Refer to statement of adjustments to assets and liabilities and revenue and expenditure on page 14 and 15 respectively.

3. INVESTMENTS

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Quoted Investments	4,452	7,714	7,523	7,834	8,349
Unquoted Investments	1,898	1,870	1,151	720	58
	6,350	9,584	8,674	8,554	8,407

4. SPECIAL FUNDS

	Dec.2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Pension Fund	-	-	-	1,226	1,226
Treasury Clearance Fund	-	-	-	-	13,557
	-	-	-	1,226	14,783

5. CAPITAL EXPENDITURE & DEVELOPMENT FUND

	Dec. 2012 N'm	Dec. 2011 N'm	Dec. 2010 N'm	Dec. 2009 N'm	Dec. 2008 N'm
At 1 January	4,075	3,492	2,853	4,979	5,491
Transfer from/(to) Revenue & Other Capital Receipts (Note 5.1)	135,000	147,500	135,000	140,000	55,000
	149,934	83,923	110,810	93,598	98,471
	289,009	234,915	248,663	238,577	158,962
Capital Expenditure (Note 5.2)	(230,713)	(230,840)	(245,171)	(235,723)	(153,983)
	58,296	4,075	3,492	2,854	4,979

5.1 OTHER CAPITAL RECEIPTS

	Dec. 2012 N'm	Dec. 2011 N'm	Dec. 2010 N'm	Dec. 2009 N'm	Dec. 2008 N'm
Internal Loan	37,929	33,500	40,300	40,000	64,531
External Loans	19,042	41,905	-	-	-
Bond issue	80,000	-	57,500	50,000	-
Grants and Reimbursements		-	-	-	1,775
Investment Income	5,145				
Proceeds from VAT		-	-	-	32,165
Proceeds from Sales of Investment		-	-	-	-
Other capital receipts	7,818	8,518	13,010	3,598	-
Total	149,934	83,923	110,810	93,598	98,471

5.2 CAPITAL EXPENDITURE

	Dec. 2012 N'm	Dec. 2011 N'm	Dec. 2010 N'm	Dec. 2009 N'm	Dec. 2008 N'm
Crop		-	-	-	-
Livestock		-	-	-	-
Forestry		-	-	-	-
Fisheries		-	-	-	-
Ministry of Agriculture	1,446	1,257	2,621	994	150
Rural Development	1,519	2,030	2,043	1,543	2,312
Manufacturing		-	-	-	-
Power (works)		-	-	-	-
Electricity Board		-	-	-	-
Commerce and Tourism	3,862	1,422	5,560	2,977	1,983
Works	7,331	6,600	2,999	3,909	5,747
Transportation	883	790	759	1,777	3,235
Education	5,763	5,467	4,728	5,982	7,490
Health	7,766	9,362	6,782	8,021	9,151
Hospital Management Board		-	-	-	-
Information Services	233	299	1,627	621	435
Sports and Culture	584	551	1,719	2,430	-
Youths and Social Development	218	224	435	-	1,953

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Community Development	-	-	402	145	-
State Univ. Basic Edu. Board	-	-	-	-	-
Water Resources and Supply	420	19	19	12	1,488
Environmental Sewage and Drainage	5,251	10,037	10,808	7,049	10,188
Urban and Regional Planning	2,483	899	2,207	783	115
Housing	9,452	958	3,285	8,351	3,930
Lands Bureau	2,288	1,347	6,129	2,528	-
Civil and LG service commission	8	9	16	172	47
Ministry of Finance and STO	0,219	2,741	2,661	3,484	1,707
Ministry of Justice & Judicial Service	2,295	2,826	3,909	2,503	1,681
Ministry of Home Affairs	469	244	283	587	572
House of Assembly	1,924	886	2,885	312	228
Ministry of Economic Planning &	4,064	8,960	37,838	19,279	11,269
Ministry of Local Government	42	18	18	74	246
Office of Auditor-General	6	7	16	9	3
Ministry of Special Duty & Liaison	264	431	243	537	1,090
Ministry of Establishment, Pension &	33	15	50	21	16
Public Service, Chieftaincy &	43	302	745	437	291
LASG parastatals and CBD	48,187	42,891	45,082	28,253	22,531
Ministry of Science & Technology	2,171	3,638	2,328	2,313	2,356
Office of Chief of Staff and MV	199	1,006	985	436	435
Office of Infrastructure	79,057	58,979	41,123	42,701	52,972
Ministry of Women Affairs	1,212	1,380	1,556	1,284	660
Surveyor General	19	30	251	13	10
General Administration	429	47	47	70	-
Special Expenditure	4,815	4,735	4,721	7,182	4,549
Counterpart Funding	2,436	7,086	4,559	4,346	1,084
Facility Repayment	33,541	53,347	43,732	74,588	-
Others		-	-	-	4,059
Total	230,713	230,840	245,171	235,723	153,983

6. SPECIAL FUNDS

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Government Staff Housing Fund	3	7	40	37	1
Treasury Clearance Fund		-	-	957	33,182
Local Government Fund		-	-	17,951	-
TEPO Staff Housing Fund	2	3	5	4	5
TEPO Vehicle Refurbishment Fund	22	13	17	14	3
Staff Vehicle Refurbishment Revolving	50	41	34	98	8
Loan					
Vehicle Refurbishment Revolving Loan -	1	-	1	1	1
lawyers					
Share Purchase Fund	6,350	9,584	8,674	8,325	5,876
TOTAL	6,428	9,648	8,771	27,387	39,076

7. STATUTORY ALLOCATION

This represents Lagos State Government's share of the revenue collected and distributed by the Federal Government. The basis of allocation has varied over the years and the most current, which is in accordance with the Finance (Control and Management) Act Cap F26 LFN 2004 is as follows:

	%
Federal Government	52.68
State Governments	26.72
Local Government Areas	<u>20.60</u>
Total	<u>100.00</u>

Source: www.fmf.gov.ng (April 2012 Statutory allocation)

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Statutory allocation	59,709	61,805	52,351	42,427	41,180
VAT	61,395	57,022	47,286	39,960	-
TOTAL	121,104	118,827	99,637	82,387	41,180

8. RECURRENT REVENUE

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Taxes	172,435	168,132	148,445	139,142	101,178
Fines and fees	1,892	4,110	1,503	11,131	9,376
Licences	4,362	1,994	1,839	6,608	1,752
Earnings and fees	6,169	829	8,077	2,559	3,984
Rent on government properties	303	254	-	489	741
Interest repayment and	1,243	882	784	2,824	3,906
Reimbursement/Grant,	-	1,488	-	3,053	1,079
Miscellaneous*	13,674	9,404	7,558	9,069	7,571
Dedicated Revenue**	19,843	12,856	5,242	3,627	-
Others	-	-	-	-	8,596
Total IGR	219,921	199,949	173,448	178,502	138,183
Other Revenue	5,672	6,501	-	-	-
Total	225,593	206,450	173,448	178,502	138,183

* / ** Refer to statement of adjustments to revenue and expenditure accounts on page 15.

9. OTHER RECURRENT EXPENDITURE

	Dec. 2012	Dec. 2011	Dec. 2010	Dec. 2009	Dec. 2008
	₦'m	₦'m	₦'m	₦'m	₦'m
Personnel cost	62,420	70,003	57,736	45,454	40,499
Overhead cost	138,173	80,840	83,244	69,306	66,015
Grants, contributions and subventions	3,522	3,217	4,453	4,710	16,019
	204,115	154,060	145,433	119,470	122,533

10. CONTINGENT LIABILITIES

The total contingent liability of Lagos State has an estimated monetary value of ~~₦~~7.1 billion.

STATEMENT OF ADJUSTMENTS TO ASSETS AND LIABILITIES

1. CASH AND BANK BALANCES

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Balance as per audited financial	99,045	38,027	13,897	38,254	38,328
Less adjustment*-(cash trapped in distressed banks)		(1,584)	(1,584)	(1,584)	(1,620)
Unreconciled cash balances**	(865)	-	-	-	-
	98,180	36,443	12,313	36,670	36,708

***Cash trapped in distressed banks** - Lagos State Government represented that N1.44 billion trapped in distressed banks has been excluded from the financial statement, but an Executive Council approval has not yet been obtained for this. The Accountant General is in the process of obtaining approval. The state is also making accelerated efforts to recover these funds.

A list of the distressed banks and amount trapped in them as at 31 Dec 2012 is presented in the table below:

Name of distressed bank	Amount Owing (₦'m)	Amount recovered to date (₦'m)	Outstanding Balance (₦'m)
Gulf Bank	1,027	-	1,027
Metropolitan Bank	216	29	187
Lead Bank	325	117	208
Fortune Bank	13	-	13
Foreign Banks	3	-	3
	1,584	146	1,438

****Unreconciled cash balances** - This represents the unreconciled difference between the cash balances and the bank statements.

STATEMENT OF ADJUSTMENTS TO REVENUE & EXPENDITURE ACCOUNTS

1. MISCELLANEOUS INCOME

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦'m	Dec. 2009 ₦'m	Dec. 2008 ₦'m
Balance as per audited financial statement	12,090	9,404	7,557	9,033	7,548
Add adjustment: recovery of cash	-	-	-	36	23
removal of cash trapped in distressed banks from financial statement	1,584	-	-	-	-
	13,674	9,404	7,557	9,069	7,571

2. Dedicated Revenue

	Dec. 2012 ₦'m	Dec. 2011 ₦'m	Dec. 2010 ₦' 'm	Dec. 2009 ₦' 'm	Dec. 2008 ₦' 'm
Balance as per audited financial statement	20,708	12,856	5,242	3,627	-
Less unreconciled cash balances	(865)	-	-	-	-
	19,843	12,856	5,242	3,627	-

APPENDIX IV

CLAIMS AND LITIGATION

EXTRACT FROM SIMMONS COOPER PARTNERS LITIGATION OPINION ON LAGOS STATE

MATERIAL CONTRACTS

The LASG is currently involved in about 200 projects with varying contractual obligations. These contracts are essentially undertaken in the normal course of the governance role of the LASG and do not generally have any onerous terms or impose obligations that could impact this Programme adversely. The contracts reviewed are typically related to development and redevelopment projects such as the construction, renovation and rehabilitation of schools, health care facilities and roads, drains and other essential infrastructures of a developing state.

CLAIMS AND LITIGATION

There are a number of court actions instituted by and against the LASG due to the size of its population and the level of commerce in the state. These actions are at various stages before various courts. As at the time of review, in terms of value, significance, potential and probable merit, and other factors, LASG's ability to meet its obligations under this Programme, in our view is not encumbered.

In our opinion therefore, there is no material litigation pending (with service having been accomplished) against LASG, or to the knowledge of its officials, threatened, that:

- i. adversely affects LASG's ability to observe its duties under the Programme;
- ii. restrains or enjoins the issuance or the sale of the bonds under the Programme;
- iii. in any way contests, challenges or affects the validity of the Programme or any proceedings or actions of LASG with respect to the issuance of the bonds under this Programme; or
- iv. affects the validity of the pledge or application of any moneys or security provided for the payment of the bonds under this Programme.

GENERAL

In our opinion, under existing statutes, rules, regulations and case law, and assuring the accuracy of certain representations and compliance with certain covenants and requirements described in some of the reviewed material, LASG's legal position to undertake and implement the terms of the Programme is not adversely affected.

APPENDIX V

SCHEDULE 1: USE OF PROCEEDS

PRIORITY PROJECTS TO BE FUNDED BY BOND PROCEEDS (PROGRAMME 2 SERIES 2 BOND ISSUANCE)

S/N	MDA	DESCRIPTION	BOND UTILISATION ₦	%
1	Office of Infrastructure	Reconstruction of Lagos-Badagry Dual Carriageway (Lot 2A) – Segment I & II	17,500,000,000.00	20.70%
2	LAMATA	Blue Line Rail Project (Okokomaiko-Marina)	17,500,000,000.00	20.70%
3	Office of Infrastructure	Acquisition of Assets/Liabilities of the LCC	15,000,000,000.00	17.70%
4	Water Corporation	Adiyan Water Project II 70 MGD - Design and Build	13,738,272,169.00	16.20%
5	Waterfront Infrastructural Development	Part of 38% advance payment due for Shoreline Protection Works - Goshen Estate to Alpha Beach	5,000,000,000.00	5.90%
6	Office of Infrastructure	Part Payment (Payment No 1&2) of 70% of advance due for the Construction of Ijegun-Isheri-Oshun-Isolo Road works in Alimosho LGA	6,348,634,670.00	7.50%
7	Office of Infrastructure	Advance payment due for the upgrading of roads within Apapa Central Business districts.	3,400,000,000.00	4.00%
8	LAMATA	Advance payment due for the contract award for the construction of the Lagos Rail Mass Transit Project (Blue Rail) Additional Work Phase II	2,859,343,160.58	3.40%
9	Health	Completion of Ayinke House, General Hospital Ikeja (Equipment)	1,230,000,000.00	1.50%
10	Office of Infrastructure	Advance payment for the reconstruction of Mushin-Isolo road	1,080,000,000.00	1.30%
11	Office of Infrastructure	Advance payment for the reconstruction of Ishasi Road in Ojo LGA	1,000,000,000.00	1.10%
12	Advisers	Cost of Bond Issuance @ 3.25% (Professional Fees, etc)	2,843,750,000.00	3.25%
TOTAL			87,500,000,000.00	100%

APPENDIX VI

SCHEDULE OF REPAYMENT

Month	Payment Amount (N'bn)
6th Month	5.91
12th Month	5.91
18th Month	5.91
24th Month	5.91
30th Month	5.91
36th Month	5.91
42nd Month	5.91
48th Month	5.91
54th Month	5.91
60th Month	5.91
66th Month	5.91
72nd Month	5.91
78th Month	5.91
84th Month	93.41

PROCEDURE FOR APPLICATION AND ALLOCATION/ALLOTMENT

1.) APPLICATION

1.1 Qualified Investors are hereby invited to apply for Units of the Bond through the Book Runners.

Lead Book Runner: Chapel Hill Advisory Partners Limited

Co-Book Runners: Afrinvest (West Africa) Limited; Radix Capital Partners Limited,
FBN Capital Limited, FCMB Capital Markets Limited, Marina Securities Limited, Skye Financial Services Limited, Stanbic IBTC Capital Limited, Vetiva Capital Management Limited, Zenith Capital Limited.

1.2 Applications/Bids for the Bonds being offered must be made in accordance with the instructions set out in the Commitment form. Care must be taken to follow these instructions, as applications that do not comply will be rejected.

1.3 The Book Build period for the Bonds being offered will be open on November 11, 2013 and close on November 19, 2013. Applications/Orders must be for a minimum of 10,000 Units and in multiples of 5,000 thereafter. The Participation Amount(s) and the Bid Coupon Rate must be entered on the Commitment Form.

1.4 The completion of a Commitment Form is a confirmation that each Participant is in agreement that the Order is irrevocable and creates a binding obligation on the Participant which, to the fullest extent of the law, shall not be capable of recession or termination by any Participant. Applicant should make only one application, whether in his name or in the name of a nominee. Multiple or suspected multiple applications will be rejected.

1.5 Participants may order Bonds at any coupon rate within the Coupon Band subject to the Minimum Participation Amount and the terms and conditions stated on the Commitment Form.

1.6 A single applicant should sign the declaration and write his/her full name, address, daytime telephone number and occupation on the Commitment form. Joint applicants must all sign the Commitment form. A corporate applicant should affix its seal in the box and state its Incorporation (RC) Number or in the case of a corporate foreign subscriber its appropriate identification number in the jurisdiction in which it was constituted.

1.7 Upon the completion and submission of the Bid/Commitment Form, the Bidder/Participant is deemed to have authorised the Issuer and the Issuing Houses/Book Runners to effect the necessary changes in the Red Herring Prospectus as would be required for the purposes of filing the Final Prospectus with the SEC, without prior or subsequent notice of such changes to the Bidder. The Bid/Commitment Form shall be considered as the **Application Form** for the purposes of registration of the Final Prospectus with the SEC.

1.8 Bidders/Participants Applicants shall not be entitled to withdraw/modify Bids after the Bid/Issue Closing Date.

1.9 Bidders/Participants have the option to make a maximum of 3 (three) Orders on a Commitment Form. Such options shall not be considered multiple applications.

- 1.10 The Commitment Form presents the Bidder/Participant with the opportunity of indicating 3 (three) Bid Coupon Rates within the Coupon Band and Participation Amounts for each option. The Bid Coupon Rates and the Participation Amounts submitted by the Bidder/Participant in the Commitment Form will be regarded and treated as optional demands from the Bidder/Participant and will not be culminated.
- 1.11 Bidders/Participants must not submit another Commitment Form after the submission of a Commitment Form to a Book Runner or Stockbroker. The submission of a second or other Commitment Form(s) to either the same Book Runner/Stockbroker will be treated as multiple Bids/Orders. Multiple or suspected multiple Bids/Applications will be rejected.
- 1.12 Following the determination of the Coupon Rate, the maximum Participation Amount specified by a Participant at or below the Clearing Price will be considered for allocations of Bonds and all other order(s), irrespective of the corresponding Bid Coupon Rate(s), will automatically become invalid.
- 1.13 The Issuer in consultation with the Book Runners reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date but before the Allotment Date without assigning any reason thereof.
- 1.14 Successful Participants must ensure that payment of the Participation Amount is received by xxx (the Completion Meeting Date) via electronic funds transfers, either through CBN Inter-Bank Funds Transfer System ("CIBFTS"), National Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS") in the designated Issue Proceeds Account domiciled with the receiving banks.

2. ALLOCATION/ALLOTMENT

- 2.1 On the Pricing Date, the Issuing Houses/Book Runners will analyse the demand of submitted bids and in consultation with Lagos State the Coupon Rate will be determined and an allocation of Bonds made to each applicant whose bid is accepted. Allocation Confirmation Notices will be sent to successful participants.
- 2.2 The Joint Financial Advisers/Issuing Houses and Lagos State reserve the right to accept or reject any application in whole or in part for having not complied with the terms and conditions of the Issue.
- 2.3 Allotment of the Bonds will be effected only upon clearance of the Final Prospectus by the Securities and Exchange Commission. Allotment will be effected in the following manner -

(a) Allotment of Bonds Electronically (E-Allotment)

Bidders/Applicants will be required to provide details of their CSCS account(s) in order to receive the Bonds electronically. The information **must** specify the Bidder/Applicant's CSCS Account Number, the Primary Dealer or Stockbroking Firm and the CHN in the spaces provided on the Bid/Application Form.

Please note that Bidders/Applicants must ensure that the name specified in the Bid/Application Form is exactly the same as the name in which the CSCS Account is held where the Bid/Application Form is submitted in joint names, it should be ensured that the Beneficiary CSCS Account is also held in the same joint names and are in the same sequence in which they appear in the Bid/Application Form.

3. APPLICATION MONIES

- 3.1 All application monies will be retained in a separate bank account by the Book Runner pending allotment. The Bonds will be settled (by e-allotment into the CSCS account specified in the Commitment

Form) on the date of the Completion Meeting (or alternatively, a Bond certificate will be sent by registered post to the applicants' address not later than 15 working days from the date of allotment).

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

1. All applications must be made on the Commitment Form or photocopy, downloaded or scanned copy of same.
2. Applications must not be for less than the minimum number of Units and in the quantity stated on the Commitment Form. Applications for more than the minimum number of Units must be in the multiples stated on the Commitment Form. The number of Units for which an application is made and the amount of the cheque or bank draft enclosed should be entered in the boxes provided.
3. The Commitment Form when completed should be lodged with any of the Book Runners listed on page 4. Upon the closing of the Order Book, a confirmation letter would be issued to all successful applicants and this will include the account details of the Issuer, where funds will be transferred. All bank commissions and transfer charges must be pre-paid by the applicant.
4. The Applicant should make only one order, whether in his own name or in the name of a nominee. Multiple or suspected multiple orders will be rejected.
5. Joint Applicants must all sign the Commitment Form.
6. An order from a group of individuals should be made in the names of those individuals with no mention of the name of the group. An order by a firm that is not registered in compliance with the Companies and Allied Matters Act, Cap C20 LFN 2004 should be made either in the name of the proprietor or in the names of the individual partners. In neither case should the name of the firm be mentioned.
7. The Commitment Forms from all corporate entities must bear the seal and be completed under the hands of a duly authorised official.