

FEDERATED STEEL MILLS LIMITED

RC: 20344

ANNUAL REPORTS AND FINANCIAL STATEMENTS

For the year ended 29th February 2024

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
BOARD OF DIRECTORS AND CORPORATE INFORMATION

2.

DIRECTORS:

Mr. Anup Kumar Drolia	-	Indian
Mr. Mohammed Zaheeruddin	-	Indian
Mr. Subhankar Majumdar	-	Indian

REGISTERED OFFICE:

Block XI, Plot 3-10
Otta Industrial Estate
Otta, Ogun State
Nigeria.

SECRETARY:

Chucks Mbonu & Co.
46 Pastor Elabiyi Street
Off Governor's Road, Ikotun
P. O. Box 6272
Surulere
Lagos.

AUDITORS:

Adedolapo Fayomi & Co.
(Chartered Accountants)
Block B, 7 Sule Abore Street
Off Ogunnusi Road
Ojodu, Ikeja
Lagos.

BANKERS:

Access Bank Plc
Coronation Merchant Bank Limited
First City Monument Bank Limited
Guaranty Trust Bank Plc
Polaris Bank Limited
United Bank for Africa Plc
Zenith Bank Plc

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
FINANCIAL HIGHLIGHTS

3.

	<u>2024</u> =N='000	<u>2023</u> =N='000
Revenue	5,433,869	5,397,676
Profit / (loss) before taxation	(78,325)	73,903
Minimum Tax	(27,171)	(26,997)
Income Tax Expense	18,841	(30,905)
Profit / (loss) for the year	(86,654)	16,000
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	(86,654)	16,000
Capital expenditure	1,450	-
Total equity	966,709	1,053,363
No. of Issued and Fully Paid-up ordinary shares of =N=1.00 each	900,000	900,000
<i>Per Share Data:</i>		
Basic earnings / (loss) per share (kobo)	(10)	2
Net asset per share (kobo)	107	117

The Directors submit their Annual Report on the affairs of the company together with the Accounts for the year ended 29th February, 2024.

1. **PRINCIPAL ACTIVITIES**

The company is engaged in the manufacturing and sales of different kinds and sizes of reinforcing rods and electrodes.

2. **LEGAL FORM**

The Company is a Private Limited Liability Company.

3. **RESULT FOR THE YEAR**

	29TH FEB. 2024 =N='000	28TH FEB. 2023 =N='000
Turnover	5,433,669 =====	5,397,676 =====
Profit/(loss) for the year before Taxation	(78,325)	73,903
Minimum Tax on Turnover	(27,171)	(26,997)
Income Tax Expenses	18,841	(30,905)
Profit/(Loss) for the year	(86,654)	16,000
Total comprehensive income (loss) for the year	(86,654) =====	16,000 =====

4. **DIVIDEND**

The Directors do not recommend the payment of dividend.

5. **DIRECTORS**

The following are the names of the Directors who were in office during the year and as at the date of this report:

Mr. Anup Kumar Drolia - Indian
 Mr. Zaheeruddin Mohammed - Indian
 Mr. Majumder Subhanker - Indian

6. **DIRECTORS AND THEIR INTERESTS**

The Directors of the Company had no interest (including options) in the Shares of the company.

7. **NON-ACQUISITION OF THE COMPANY'S SHARES BY THE COMPANY**

As at 29th February, 2024, the Company did not acquire any of its shares and the disclosure under Schedule 5 of the Companies and Allied Matters Act 2020 is not applicable.

8. **FIXED ASSETS**

Movement in Fixed Assets during the year is shown in Note 9 to the Accounts.

9. **DONATIONS**

There were no Donations to charitable organizations during the year.

10. EMPLOYMENT OF DISABLED PERSONS

The company has no employee regarded as disabled and does not discriminate against disabled persons in its employment policy.

11. HEALTH, SAFETY AND WELFARE

Employees are adequately insured against occupational hazard. Medical facilities are provided to employees including a clinic at the company premises and reputable hospitals near the premises of the Company are retained to deal with more serious medical cases.

Safety regulations are displayed at the premises of the company. Safety equipment such as hard hats, goggles and protective clothing are provided.

A canteen with subsidised meals operates at the Company premises. Various other benefits are provided to employees.

12. EMPLOYEES' CONSULTATION AND TRAINING

The company places considerable emphasis on consultation with the employees on all matters affecting them. A two-way dialogue is maintained between the company and representatives of employees. Relationship between the company and the employees has been stable throughout the period.

To encourage employees' interest in the performance of the company, various incentive schemes have been introduced. Some success has been achieved in making employees aware of the need to increase output and reduce costs.

Training mainly takes place on the job, while advantage has been taken of some of the training courses offered by various institutions.

13. IMPORTANT EVENTS SINCE THE FINANCIAL YEAR END

There have been no important events affecting the company since the end of the financial year.

14. FORMAT OF ACCOUNTS

The Accounts have been drawn up in accordance with the reporting and presentation requirements of the Companies and Allied Matters Act, 2020. The Directors considered the format adopted as the most suitable for the purpose of the company.

15. AUDITORS

Messrs. Adedolapo Fayomi & Co., (Chartered Accountants), have indicated their willingness to continue in office as Auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, 2020. A resolution authorizing the Directors to fix the remuneration of the Auditors will be proposed at the meeting.

BY ORDER OF THE BOARD


PP: CHUKS MBONU & CO.
(COMPANY SECRETARIES)

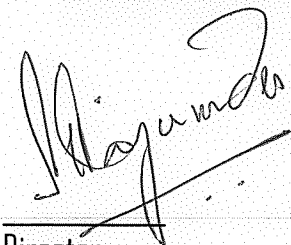
LAGOS, NIGERIA
DATED: 23RD MAY, 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

In accordance with the provisions of the Companies and Allied Matters Act, the Directors are responsible for the preparation of annual financial statements, which give a true and fair view of the financial position of the Company and of the profit or loss for the reporting period.

The responsibilities include ensuring that:

- Appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- The Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure the financial statements comply with the requirements of the Companies and Allied Matters Act.
- The Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed and
- The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business.



Director



Director

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED

7.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of **Federated Steel Mills Limited** for the financial year ended 29th February 2024, which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements which include the significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as at 29th February 2024 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011 and the Companies and Allied Matters Act, 2020.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants 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 International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters which in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

The two key matters identified are; Revenue and Inventory.

1. REVENUE RECOGNITION:

The Company is engaged in the manufacture and sale of reinforcing rods and electrodes of different kind and sizes

Our procedures to the Key Audit Mater include:

- We evaluated the design, implementation and operating effectiveness of identified controls established within the sales process
- Agreed posting to customers' accounts.
- Documents basis for sample size and selection
- Verified that the revenue and receivables were raised in the appropriate accounting period.
- Agreed provision for credit notes to general ledger and.
- Ensured that relevant credit notes have been provided for.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

2. INVENTORIES

The company valued her inventories at the end of the year using First-In and First-Out method. In accordance with international Accounting Standards Number 2 (IAS2), inventory should be valued at lower of cost and net realizable value.

Our procedures to the Key Audit Mater include:

- We evaluated the design, implementation and operating effectiveness of identified controls established within the inventory management process.
- We checked that the disclosures in the financial statements are in compliance with the requirements of IAS2: Inventories.

RESPONSIBILITIES OF THE DIRECTORS ON THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011 and the Companies and Allied Matters Act, 2020 and for such internal control as the directors 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's and Directors' statements, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express 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 during 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 information; we are required to report that fact. We have nothing to report in this regard.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 controls.
- Obtained 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 Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluated 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 communicated with the directors regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identified during our audit.

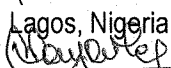
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

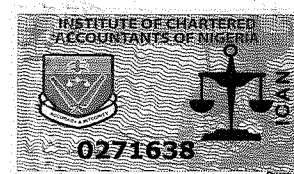
The Companies and Allied Matters Act (CAMA) 2020 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Company.
- iii. The Company's statements of financial position, and statements of profit or loss and other comprehensive income are in agreement with the books of account.

For: Adedolapo Fayomi & Co.
(Chartered Accountants)

Lagos, Nigeria


Mrs. Adedolapo M. Fayomi
FRC/2013/PRO/ICAN/004/00000005590
23rd May 2024



FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
STATEMENT OF COMPREHENSIVE INCOME

10.

	Notes	2024 =N=	2023 =N=
Revenue	4	5,433,869,351	5,397,676,067
Cost of sales		<u>(4,722,617,289)</u>	<u>(4,906,489,531)</u>
Gross profit		711,252,062	491,186,536
Other income	5a	242,054	1,843,825
Other (Expenses)	5b	(431,205,255)	(99,114,716)
Administration expenses		<u>(244,844,996)</u>	<u>(275,850,069)</u>
Profit before Interest and Taxation		35,443,865	118,065,576
Finance costs	6	<u>(113,768,422)</u>	<u>(44,162,995)</u>
Profit / (loss) before taxation	7	(78,324,557)	73,902,581
Minimum Tax	8	(27,170,557)	(26,997,499)
Income Tax Expense	8	<u>18,841,137</u>	<u>(30,905,331)</u>
Profit / (loss) for the year		(86,653,977)	15,999,751
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income / (loss) for the year		<u>(86,653,977)</u>	<u>15,999,751</u>

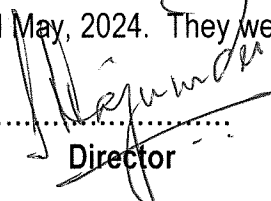
The accompanying notes on pages 14 to 26 are an integral part of these financial statements

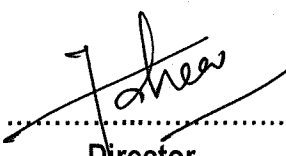
FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
STATEMENT OF FINANCIAL POSITION

11.

	<u>NOTES</u>	<u>2024</u> <u>=N=</u>	<u>2023</u> <u>=N=</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,084,976,875	1,318,320,367
Intangible asset	10	10	10
		<u>1,084,976,885</u>	<u>1,318,320,377</u>
CURRENT ASSETS			
Inventories	11	1,340,437,660	2,185,671,422
Trade and other receivables	12	220,661,995	438,331,333
Cash and cash equivalents	13	1,234,558,980	274,325,614
		<u>2,795,658,635</u>	<u>2,898,328,369</u>
TOTAL ASSETS		<u>3,880,635,520</u>	<u>4,216,648,746</u>
EQUITY AND LIABILITIES			
Share capital	14	900,000,000	900,000,000
Share premium		13,200,000	13,200,000
Retained earnings		53,509,223	140,163,200
TOTAL EQUITY		<u>966,709,223</u>	<u>1,053,363,200</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	75,042,871	98,578,076
		<u>75,042,871</u>	<u>98,578,076</u>
CURRENT LIABILITIES			
Trade and other payables	17	2,276,403,534	2,813,101,105
Borrowings	15	529,477,672	214,778,098
Current tax liabilities	8	33,002,220	36,828,267
		<u>2,838,883,426</u>	<u>3,064,707,470</u>
TOTAL LIABILITIES		<u>2,913,926,297</u>	<u>3,163,285,546</u>
TOTAL EQUITY AND LIABILITIES		<u>3,880,635,520</u>	<u>4,216,648,746</u>

These financial statements were approved and authorised for issue by the Board of Directors on 23rd May, 2024. They were signed on its behalf by:

.....

Director

.....

Director

The accompanying notes on pages 14 to 26 are an integral part of these financial statements

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
STATEMENT OF CHANGES IN EQUITY

12.

	Share capital =N=	Share premium =N=	Retained earnings =N=	Total equity =N=
At 1st March 2023	900,000,000	13,200,000	140,163,200	1,053,363,200
Loss for the year	-	-	(86,653,977)	(86,653,977)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(86,653,977)	(86,653,977)
At 29th February 2024	900,000,000	13,200,000	53,509,223	966,709,223
At 28th February 2023	900,000,000	13,200,000	140,163,200	1,053,363,200

The accompanying notes on pages 14 to 26 are an integral part of these financial statements

	<u>2024</u>	<u>2023</u>
	=N=	=N=
Operating activities:		
Profit / (loss) before taxation	(78,324,557)	73,902,581
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	234,793,493	273,686,387
Amortisation of intangible asset	-	137,960
	234,793,493	273,824,347
Changes in:		
Inventories	845,233,760	(704,404,241)
Trade and other receivables	217,669,338	(331,106,250)
Trade and other payables	(536,697,571)	642,894,950
	526,205,527	(392,615,531)
Cash generated from / (used in) operations	682,674,463	(44,888,603)
Finance costs	113,768,422	44,162,995
Payment of Tax	(35,690,672)	(43,130,011)
Net cash from / (used in) operating activities	760,752,214	(43,855,619)
Investing activities:		
Purchase of property, plant and equipment	(1,450,000)	-
Net cash used in investing activities	(1,450,000)	-
Financing activities:		
Additional Loans during the year	784,148,107	240,945,775
Repayment of term loan	(469,448,534)	(79,663,376)
Finance costs	(113,768,422)	(44,162,995)
Net cash from financing activities	200,931,152	117,119,404
Net increase in cash and cash equivalents	960,233,365	73,263,785
Cash and cash equivalents at beginning of the year:	274,325,614	201,061,829
Cash and cash equivalents at end of the year:	1,234,558,980	274,325,614
Cash and cash equivalents at end of the year:		
Cash and bank balances	1,234,558,980	274,325,614
	1,234,558,980	274,325,614

The accompanying notes on pages 14 to 26 are an integral part of these financial statements

Note	Description	Page
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1 Reporting entity

Federated Steel Mills Limited is a private limited liability company, incorporated in Nigeria. It is engaged in the manufacture and sale of reinforcing rods and electrodes of different kinds and sizes.

The address of the Company's registered office is Block X1, Plot 3-10, Ota Industrial Estate, Ota, Ogun State, Nigeria.

2 Basis of preparation

(a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis, except for items measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in the Nigerian Naira, which is the Company's functional currency. All financial information has been rounded to the nearest naira.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or the period of the revision and future periods, if the revision affects both current and future period.

(e) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation for the current year.

3 Significant accounting policies

The following are the significant accounting policies adopted by the Company in the preparation of these financial statements.

(a) Foreign currencies transactions

All transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the dates of the transactions. Monetary items are converted to Naira at the rates of exchange ruling at the reporting date. All differences arising there from are taken to profit or loss.

(b) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced with customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense.

Sale of goods: Revenue from the sale of goods is recognised when the goods are delivered, titles have passed and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue represents the net invoice value of sales to third parties and it is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Rendering of services: Revenue from rendering of services is recognised in the period the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced item is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Derecognition / Disposal

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses on disposal or de-recognition are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in income statement.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	lease period
Building	10 years
Plant, machinery and tools	10 years
Motor vehicles	4 years
Furniture, fixtures and equipment	10 years

Capital work-in-progress is not depreciated. The cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using average cost on a FIFO (First-in First-out) basis. Net realizable value is the amount that can be realized from the sale of the inventory in the normal course of business after allowing for the costs of realization.

In addition to the cost of materials and direct labour, an appropriate proportion of production overhead is included in the inventory values. An allowance is recorded for defective and slow-moving inventory and obsolescence based on the lower of cost or net realizable value.

(e) Financial instruments

i. Financial assets

The Company has classified its financial assets as one of the following categories: Trade and accounts receivables and cash and cash equivalents.

Trade and accounts receivables

These include amounts recoverable from customers, suppliers and employees. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment if any.

The collectability of trade and other receivables is reviewed on an ongoing basis. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management. They are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

ii. Financial liabilities

These include:

Borrowings

Loans payable are recognized initially at fair value, net of transaction costs incurred. Any difference between the fair value and the proceeds received is recognized in profit and loss at initial recognition. In subsequent periods, they are stated at amortized cost using the effective interest method. Where applicable, the long-term portion of loans payable is included on the statement of financial position under non-current liabilities and the current portion under current liabilities.

Trade and other payables

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

Share capital

The Company has one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(f) Dividend

Dividends on ordinary shares to shareholders are recognised in equity and as a liability in the period they are approved by the shareholders at the Annual General Meeting. Payments are also recognised directly in equity.

(g) Employee benefits

i. Defined contribution scheme

The Company operates a defined contribution plan which is funded by contributions from the Company and the employees. The Company's contribution is recognised as employee benefit expenses and charged to the income statement. The contributions of both the Company and the employees are paid on a monthly basis to a pension fund administrator. The Company has no legal or constructive obligation to pay further contributions if the pension fund administrator does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

ii. Short-term employee 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 basis if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be acquired to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible 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 Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(i) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable company, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (or loss).

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, they are carried at cost less any accumulated amortisation and accumulated impairment losses. Unless internally generated costs meet the criteria for development costs eligible for capitalisation in line with IAS 38, all internally generated intangible assets are expensed as incurred.

The useful lives of intangible assets are finite or indefinite. Intangible assets with finite lives are amortised over their useful lives and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the method are reviewed at each financial year-end. Changes in the expected useful life or pattern of consumption of future benefits are accounted for prospectively.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment either individually or at the cash-generating level. The useful lives are also reviewed each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in useful life assessment to a finite life is accounted for prospectively.

	<u>2024</u> =N=	<u>2023</u> =N=
4 Revenue		
Sale of reinforcing rods	5,315,892,540	5,203,164,447
Sale of electrodes	117,976,811	194,511,620
	5,433,869,351	5,397,676,067
5 Other income/(expenses)		
5a Other income		
Bank interest received	242,054	1,823,825
Sundry income	-	20,000
	242,054	1,843,825
5b Other (Expenses)		
Loss on foreign exchange	(431,205,255)	(99,114,716)
	(430,963,201)	(97,270,891)
6 Finance costs		
Interest expense on borrowings	113,768,422	44,162,995
	113,768,422	44,162,995
7 Profit / (loss) before taxation		
Profit / (loss) before taxation is stated after charging / (crediting):		
Audit Fees	7,500,000	7,500,000
Depreciation	234,793,493	273,686,387
Amortisation	-	137,960

8 Taxation

8a Taxation on Turnover (Minimum Tax)

The Tax Act and Finance Act 2019 as amended in 2020 Finance Act mandate a minimum tax assessment, where a tax payer's tax liability based on taxable profit is less than the minimum tax liability. The company assessment based on the minimum tax legislations for the year ended 28th February, 2024 is :

2024
=N=

2023
=N=

26,997,499

8b Income tax expense(Tax on profit)

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises

Current tax expense:

Income tax

-

-

Tertiary education tax

4,694,068

8,693,173

Capital gains tax

-

-

4,694,068

8,693,173

Deferred tax expense:

Increase / (decrease) in deferred tax liabilities - PPE

(23,535,205)

22,212,158

(18,841,137)

30,905,331

8c Reconciliation of income tax expense for the year to the accounting profit as per profit or loss:

Profit before income tax

(78,324,557)

73,902,581

Income tax using statutory rate of 30%

(23,497,367)

22,170,774

Tax effects of items not deductible or chargeable for tax purposes

4,656,230

8,734,557

(18,841,137)

30,905,331

8d Current tax liabilities

Balance at beginning of the year

36,828,267

44,267,605

Charge for the year

31,864,625

35,690,673

Payment during the year

(35,690,672)

(43,130,011)

Balance at end of the year

33,002,220

36,828,267

9 Property, plant and equipment

	Leasehold land and buildings	Plant, machinery and tools	Motor vehicles	Furniture, fixtures and equipment	Total
	=N=	=N=	=N=	=N=	=N=
Cost					
At 1st March 2023	152,964,151	3,362,837,750	251,985,736	35,765,306	3,803,552,959
Additions/Adjustment	-		1,450,000	-	1,450,000
At 29th February 2024	<u>152,964,151</u>	<u>3,362,837,750</u>	<u>253,435,736</u>	<u>35,765,306</u>	<u>3,805,002,943</u>
Accumulated Depreciation					
At 1st March 2023	141,654,861	2,058,861,420	251,985,726	32,730,569	2,485,232,576
Charge for the Year	1,831,174	232,311,478	12,083	638,757	234,793,492
At 29th February 2024	<u>143,486,035</u>	<u>2,291,172,898</u>	<u>251,997,809</u>	<u>33,369,326</u>	<u>2,720,026,068</u>
Carrying amount					
At 29th February 2024	<u>9,478,116</u>	<u>1,071,664,852</u>	<u>1,437,927</u>	<u>2,395,980</u>	<u>1,084,976,875</u>
At 28th February 2023	<u>11,309,290</u>	<u>1,303,976,330</u>	<u>10</u>	<u>3,034,737</u>	<u>1,318,320,367</u>

10 Intangible asset

Cost	689,850.00
At 1st March 2023	
At 29th February 2024	<u>689,850</u>
Accumulated amortisation	
At 1st March 2023	689,840
Charge for the year	-
At 29th February 2024	<u>689,840</u>
Carrying amount	
At 29th February 2024	<u>10</u>
At 28th February 2023	<u>10</u>

Intangible asset relates to computer software programme licence acquired by the Company. The cost is amortised to profit or loss using the straight-line method over the estimated useful live of 5 years.

	<u>2024</u> =N=	<u>2023</u> =N=
11 Inventories		
Raw materials	647,086,801	1,559,765,465
Work-in-progress	576,710,216	449,899,414
Finished goods	116,640,643	176,006,543
	1,340,437,660	2,185,671,422
12 Trade and other receivables		
Trade receivables	164,637,270	374,538,555
Other receivables	1,114,269	12,164,626
Prepayments	8,134,146	8,644,298
Deposit for Cylinder	50,000	50,000
Due From Related Company	40,236,186	37,866,658
Due from employees	6,595,481	5,028,914
FSM Pension Scheme	(143,639)	-
Taxes receivable	38,282	38,282
	220,661,995	438,331,333

Taxes receivable are withholding tax credit notes issued by the Federal Inland Revenue Service (FIRS) which are yet to be applied in for the payment of the company's Income Tax liability.

	<u>2024</u> =N=	<u>2023</u> =N=
13 Cash and cash equivalents		
Cash in hand	1,590,361	8,136
Bank balances	1,232,968,619	274,317,478
Cash and cash equivalents per statement of cash flows	1,234,558,980	274,325,614

	<u>2024</u>	<u>2023</u>
	<u>=N=</u>	<u>=N=</u>
14 Share capital		
Issued and Fully-Paid:		
900,000,000 Ordinary Shares of		
=N=1.00 each	900,000,000	900,000,000
15 Borrowings		
Short-term facilities:		
Opening Balance	214,778,098	53,495,699
Addition:	784,148,107	240,945,775
Repayment	(469,448,534)	(79,663,376)
Closing Balance	529,477,672	214,778,098
16 Recognised deferred tax assets/(liabilities)	<u>2024</u>	<u>2023</u>
a Opening Balance as at 1/3/2023	<u>=N=</u>	<u>=N=</u>
Property, Plant And Equipment(PPE)	(98,578,076)	(76,365,918)
Unrelieved Losses	-	-
	(98,578,076)	55,040,672
b Movement during the year(Recognition in P&L)		
Property, Plant And Equipment(PPE)	23,535,205	(22,212,158)
Unrelieved Losses		
	23,535,205	(22,212,158)
c Closing Balance as at 28/2/2024 (a+b)		
Property, Plant And Equipment(PPE)	(75,042,871)	(98,578,076)
Unrelieved Losses	-	-
	(75,042,871)	(98,578,076)

	<u>2024</u> =N=	<u>2023</u> =N=
17 <u>Trade and other payables</u>		
Trade payables	1,949,354,207	2,708,662,664
Other payables and accruals	327,049,327	104,438,441
	<u>2,276,403,534</u>	<u>2,813,101,105</u>

18 Dividend

No dividend was proposed during the year

19 Contingent liabilities

There were no Contingent Liabilities as at 29th February 2024 (2023-Nil) that have not been adequately provided for or disclosed in the Financial Statement.

20 Related parties

Parties are considered to be related if one party has the ability to control the other or exercise significant influence over it in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all executive and non-executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

21 Subsequent events

The Federal Inland Revenue Service has concluded its audit of rge tax affairs of the Company. Its report is yet to be issued. No other significant event that could have been a material effect on the Statement of affairs of the Company that occurred after the end of the reporting period.

22 Prior year Presentation

Some previous years figures have been adjusted in order to conform with this year's presentation

23 Approval of financial statements

The financial statements for the year ended 29th February 2024 were approved by the Board of Directors on Thursday, 23rd May 2024.

OTHER NATIONAL INFORMATION

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
STATEMENT OF VALUE ADDED

27.

	2024		2023	
	=N=	%	=N=	%
Revenue	5,433,869,351		5,397,676,067	
Other Income	242,054		1,843,825	
	<u>5,434,111,405</u>		<u>5,399,519,892</u>	
Bought-in materials and services	<u>(4,540,412,697)</u>		<u>(4,523,872,005)</u>	
Total value added	<u>893,698,708</u>	<u>100</u>	<u>875,647,887</u>	<u>100</u>
APPLIED AS FOLLOWS:				
To Employees:				
Salaries, wages and fringe benefits	623,461,350	69.8	483,895,924	55.3
To Government:				
Minimum tax	27,170,557	3.0	26,997,499	3.1
Education tax	4,694,068	0.5	8,693,173	1.0
To Providers of Finance:				
Interest on borrowings	113,768,422	12.7	44,162,995	5.0
Deferred tax	(23,535,205)	(2.6)	22,212,158	2.5
For Maintenance of Assets and Development:				
Depreciation	234,793,493	26.3	273,686,387	31.3
Profit/ (loss) for the year	(86,653,977)	(9.7)	15,999,751	1.8
	<u>893,698,708</u>	<u>100</u>	<u>875,647,887</u>	<u>100</u>

	<u>2024</u> =N='000	<u>2023</u> =N='000	<u>2022</u> =N='000	<u>2021</u> =N='000	<u>2020</u> =N='000
<u>Statement of comprehensive income</u>					
Revenue	5,433,869	5,397,676	5,435,307	5,695,264	1,664,029
Profit / (Loss) before taxation	(78,325)	73,903	358,114	374,673	11,426
Taxation	(8,330)	(57,902)	(174,537)	(8,204)	(41,506)
Profit / (Loss) after taxation	(86,654)	16,000	183,577	366,469	(30,080)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income / (loss) for the year	(86,654)	16,000	183,577	366,469	(30,080)
<u>Statement of financial position</u>					
<u>Funds employed</u>					
Share capital	900,000	900,000	900,000	900,000	900,000
Share premium	13,200	13,200	13,200	13,200	13,200
Retained earnings / (loss)	53,509	140,163	124,163	(52,256)	(400,322)
Borrowings	-	-	-	-	-
Deferred tax liabilities	75,043	98,578	76,366	-	-
	1,041,752	1,151,941	1,113,729	860,944	512,878
<u>Employment of funds</u>					
Property, plant and equipment	1,084,977	1,318,320	1,592,007	1,871,542	2,030,389
Intangible asset	-	0	138	276	414
Deferred tax assets	-	-	-	55,041	52,405
Net current assets	(43,225)	(166,379)	(478,416)	(1,065,915)	(1,570,330)
	1,041,752	1,151,941	1,113,729	860,944	512,878
<u>Other statistics</u>					
Earnings / (Loss) per share (Kobo)	(10)	2	23	41	(2)
	900,000	900,000	900,000	900,000	900,000

For Management use only

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
SCHEDULES TO THE FINANCIAL STATEMENTS

SCH. I

COST OF SALES

	<u>2024</u>		<u>2023</u>	
	=N=	=N=	=N=	=N=
Raw Materials:				
Opening Stock	1,559,765,465		529,116,757	
Purchases	2,014,843,958		3,916,939,322	
	<u>3,574,609,423</u>		<u>4,446,056,079</u>	
Closing Stock	(647,086,801)		(1,559,765,465)	
Cost of Materials Consumed		2,927,522,622		2,886,290,614
Salaries, Wages and Labour Expenses		566,093,994		383,436,166
Indirect Expenses:				
Spare Parts and Consumable Stores	111,724,121		58,104,622	
Industrial Safety Ware Expenses	7,875,100		8,505,200	
Diesel and Fuel	346,344,797		164,105,489	
Rent and Rates	4,769,822		4,270,304	
Electricity and Gas	520,938,880		715,263,503	
Repairs and Maintenance	67,410,779		82,508,252	
Environmental Cleaning Expenses	3,239,423		4,808,655	
Depreciation	<u>234,142,653</u>		<u>272,952,259</u>	
		1,296,445,575		1,310,518,284
		<u>4,790,062,191</u>		<u>4,580,245,064</u>
Adjustment for Work-In-Progress:				
Opening Stock	449,899,414		297,136,727	
Closing Stock	<u>(576,710,216)</u>		<u>(449,899,414)</u>	
		(126,810,802)		(152,762,687)
Adjustment for Finished Goods:				
Opening Stock	176,006,543		655,013,697	
Closing Stock	<u>(116,640,643)</u>		<u>(176,006,543)</u>	
		59,365,900		479,007,154
		-		-
		<u>4,722,617,289</u>		<u>4,906,489,531</u>

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH FEBRUARY 2024
SCHEDULES TO THE FINANCIAL STATEMENTS

SCH. II

ADMINISTRATION EXPENSES

	<u>2024</u> =N=	<u>2023</u> =N=
Salaries, Wages and Staff Welfare Expenses	57,367,356	100,459,758
Insurance	11,915,983	15,673,949
Communication Expenses	3,468,012	3,085,508
Transport, Travelling and Hotel Expenses	93,992,353	57,981,594
Legal and Professional Charges	5,481,600	8,236,750
Printing and Stationery	2,980,650	3,070,900
Repairs and Maintenance	-	4,553,525
Security and Industrial Safety	23,201,269	26,407,798
Maintenance of Staff Quarters	851,492	9,665,910
Motor Vehicle Running Expenses	15,031,958	13,692,697
Audit Fees	7,500,000	7,500,000
Gifts, Donations and Subscriptions	318,251	2,990,250
Entertainment Expenses	355,600	150,000
Sundry Expenses	11,763,602	10,259,920
Bank Charges	9,966,030	11,249,422
Amortisation of intangible asset	-	137,960
Depreciation	650,840	734,128
	<u>244,844,996</u>	<u>275,850,069</u>