

FEDERATED STEEL MILLS LIMITED

RC: 20344

FINANCIAL STATEMENTS

For the year ended 31st March 2021

BOARD OF DIRECTORS AND CORPORATE INFORMATION

DIRECTORS:

Mr. Abhay Nath Jha	-	Indian
Mr. Anup Kumar Drolia	-	Indian
Mr. Rakesh Kumar Agrawal	-	Indian

REGISTERED OFFICE:

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

SECRETARIES:

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

AUDITORS:

AdedolapoFayomi & Co.
(Chartered Accountants)
Block B, 7 Sule Abore Street
Oba 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

FINANCIAL HIGHLIGHTS
YEAR ENDED 31ST MARCH 2021


	<u>2021</u> =N='000	<u>2020</u> =N='000
Revenue	5,662,880	2,015,388
Profit before taxation	412,478	10,047
Minimum Tax@0.25% on Turnover	(14,162)	-
Income Tax Expense	(15,736)	(41,506)
Profit / (loss) for the year	382,580	(31,458)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	382,580	(31,458)
Capital expenditure	43,428	2,266,518
Total equity	897,147	518,727
No. of issued and fully paid-up ordinary shares of =N=1.00 each	900,000	900,000
Per Share Data:		
Basic earnings / (loss) per share (kobo)	43	(3)
Net asset per share (kobo)	100	58

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED

Report on the audit of the Financial Statements

Our Opinion

We have audited the Financial Statements of Federated Steel Mills Limited which comprise the statement of financial position as at 31st March 2021, the statements of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and the explanatory information.

In our opinion, the financial statements give a true and fair view of the Financial Position of the Company as at 31st March 2021 and of its Financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprise the Statement of Directors' Responsibilities, Statement of Value Added and Five-Year Financial Summary. It does not include the Financial Statements and the auditor's 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 in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act, and for such internal control as they 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 and/or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED (CONT'D)**

7.

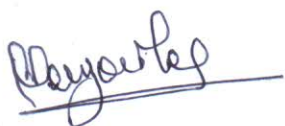
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If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

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

Report on Other Legal Requirements

In accordance with the requirements of the fifth Schedule of the Companies and Allied Matters Act, we hereby 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) The Company has kept proper books of account, so far as appears from our examination of those books;
- iii) The Company's Statement of Financial Position and the Statement of Comprehensive Income are in agreement with the books of account.



For: Adedolapo Fayomi & Co.
Chartered Accountants
Lagos, Nigeria

10th June 2021

Engagement Partner: Mrs. Adedolapo M. Fayomi
FRC/2013/ICAN/00000005590

FEDERATED STEEL MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2021

8.

	<u>Notes</u>	<u>2021</u> <u>=N=</u>	<u>2020</u> <u>=N=</u>
Revenue	4	5,662,879,788	2,015,387,645
Cost of sales		<u>(4,956,289,841)</u>	<u>(1,751,725,857)</u>
Gross profit		706,589,947	263,661,787
Other income	5	(45,085,296)	(54,988,412)
Administration expenses		<u>(214,333,729)</u>	<u>(185,232,081)</u>
Profit before Interest and Taxation		447,170,923	23,441,295
Finance costs	6	<u>(34,692,620)</u>	<u>(13,393,992)</u>
Profit before taxation	7	412,478,303	10,047,303
Minimum Tax@0.25% on Turnover	8	(14,161,563)	-
Income Tax Expense	8	<u>(15,736,483)</u>	<u>(41,505,672)</u>
Profit / (loss) for the year		382,580,257	(31,458,369)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income / (loss) for the year		<u>382,580,257</u>	<u>(31,458,369)</u>

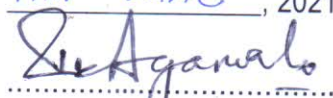
The accompanying notes on pages 12 to 24 are an integral part of these financial statements

FEDERATED STEEL MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2021


9.

	<u>NOTES</u>	<u>2021</u> <u>=N=</u>	<u>2020</u> <u>=N=</u>
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,848,219,242	2,014,664,762
Intangible asset	10	264,442	402,413
Deferred tax asset	16	48,416,223	52,405,302
		<u>1,896,899,907</u>	<u>2,067,472,476</u>
Current assets			
Inventories	11	574,434,407	2,667,268,334
Trade and other receivables	12	93,106,578	181,381,939
Cash and cash equivalents	13	267,774,896	631,358,429
		<u>935,315,881</u>	<u>3,480,008,697</u>
Total assets		<u>2,832,215,788</u>	<u>5,547,481,173</u>
EQUITY AND LIABILITIES			
Share capital	14	900,000,000	900,000,000
Share premium		13,200,000	13,200,000
Retained earnings		(16,052,860)	(394,473,041)
Total equity		<u>897,147,140</u>	<u>518,726,959</u>
Current liabilities			
Trade and other payables	17	1,788,347,748	4,125,582,439
Borrowings	15	119,674,338	902,034,181
Current tax liabilities	8	27,046,562	1,137,595
		<u>1,935,068,648</u>	<u>5,028,754,215</u>
Total liabilities		<u>1,935,068,648</u>	<u>5,028,754,215</u>
Total equity and liabilities		<u>2,832,215,788</u>	<u>5,547,481,173</u>

These financial statements were approved and authorised for issue by the Board of Directors on 11th June, 2021. They were signed on its behalf by:



 Director



 Director

The accompanying notes on pages 12 to 24 are an integral part of these financial statements

FEDERATED STEEL MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2021

10.

	Share capital	Share premium	Retained earnings	Total equity
	=N=	=N=	=N=	=N=
At 1st April 2020	900,000,000	13,200,000	(394,473,043)	518,726,957
Prior Year Adjustment				
FIRS-2021 YOA Minimum Tax			(4,160,073)	(4,160,073)
At 1st April 2020-restated	900,000,000	13,200,000	(398,633,116)	514,566,884
Profit for the year	-	-	382,580,257	382,580,257
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	382,580,257	382,580,257
At 31st March 2021	900,000,000	13,200,000	(16,052,860)	897,147,140
At 31st March 2020	900,000,000	13,200,000	(394,473,041)	518,726,959

The accompanying notes on pages 12 to 24 are an integral part of these financial statements

FEDERATED STEEL MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2021

11.

	<u>2021</u>	<u>2020</u>
	=N=	=N=
Operating activities:		
Profit before taxation	412,478,303	10,047,303
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	209,873,461	142,375,496
Amortisation of intangible asset	137,970	137,970
Gain on disposal of property, plant and equipment	<u>(66,499,990)</u>	<u>-</u>
	143,511,441	142,513,466
Prior-periods adjustment	(4,160,073)	-
Changes in:		
Inventories	2,092,833,927	(2,667,268,334)
Trade and other receivables	88,275,360	(181,381,939)
Trade and other payables	<u>(2,337,234,665)</u>	<u>4,125,582,439</u>
	(156,125,377)	1,276,932,166
Cash generated from operations	395,704,293	1,429,492,935
Finance costs	34,692,620	13,393,992
Payment of Tax	<u>-</u>	<u>(1,067,029)</u>
Net cash from operating activities	430,396,913	1,441,819,898
Investing activities:		
Purchase of property, plant and equipment	(43,427,977)	(2,266,517,962)
Proceeds of sale of property, plant and equipment	<u>66,500,000</u>	<u>1,869,912,614</u>
Net cash from / (used in) investing activities	23,072,023	(396,605,348)
Financing activities:		
Additional Loan during the year	18,690,117	-
Repayment of term loan	(801,049,960)	-
Finance costs	<u>(34,692,620)</u>	<u>(13,393,992)</u>
Net cash used in financing activities	(817,052,463)	(13,393,992)
Net increase / (decrease) in cash and cash equivalents	(363,583,527)	1,031,820,556
Cash and cash equivalents at beginning of the year:	<u>631,358,423</u>	<u>(400,462,133)</u>
Cash and cash equivalents at end of the year:	<u>267,774,896</u>	<u>631,358,423</u>
Cash and cash equivalents at end of the year:		
Cash and bank balances	267,774,896	631,358,423
	<u><u>267,774,896</u></u>	<u><u>631,358,423</u></u>

The accompanying notes on pages 12 to 24 are an integral part of these financial statements

FEDERATED STEEL MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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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.

FEDERATED STEEL MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

18.

	<u>2021</u> =N=	<u>2020</u> =N=
4 Revenue		
Sale of reinforcing rods	5,443,521,820	1,662,032,192
Sale of electrodes	172,715,497	233,794,702
Sale of traded goods	46,642,471	119,560,750
Sales others	-	-
	<u>5,662,879,788</u>	<u>2,015,387,645</u>
5 Other income		
Sundry income	63,600	28,000
Loss on foreign exchange	(113,330,666)	(55,017,363)
Sundries Balances Written off	1,675,646	260
Bank interest received	6,134	691
Gain on disposal of property, plant and equipment	66,499,990	-
	<u>(45,085,296)</u>	<u>(54,988,412)</u>
6 Finance costs		
Interest expense on borrowings	34,692,620	13,393,992
	<u>34,692,620</u>	<u>13,393,992</u>
7 Profit before taxation		
Profit / (loss) before taxation is stated after charging / (crediting):		
Audit Fees	5,000,000	4,500,000
Depreciation	210,011,431	142,513,466
Finance costs	34,692,620	13,393,992
Gain on disposal of property, plant and equipment	(66,499,990)	-

	<u>2021</u> =N=	<u>2020</u> =N=
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, 2021 is :		
	14,161,563	-
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	5,737,789	-
Capital gains tax	6,009,615	-
	11,747,404	-
Deferred tax expense:		
Increase / (decrease) in deferred tax liabilities - PPE	(78,662,170)	-
(Increase) / decrease in deferred tax assets - tax losses	82,651,249	41,505,672
	15,736,483	41,505,672
8c Reconciliation of income tax expense for the year to the accounting profit as per profit or loss:		
Profit before income tax	412,478,303	10,047,303
Income tax using statutory rate of 30%	123,743,491	3,014,191
Tax effects of items not deductible or chargeable for tax purposes	(111,996,087)	(3,014,191)
Increase / (decrease) in deferred tax liabilities - PPE	(78,662,170)	
(Increase) / decrease in deferred tax assets - tax losses	82,651,249	41,505,672
	15,736,483	41,505,672
8d Current tax liabilities		
Balance at beginning of the year	1,137,595	2,204,625
Additional Provision	25,908,967	
Prior year -Minimum Tax Assessment	4,160,073	
Payment during the year	(4,160,073)	(1,067,030)
Balance at end of the year	27,046,562	1,137,595

9 Property, plant and equipment

	Leasehold land and buildings	Plant, machinery and tools	Motor vehicles	Furniture, fixtures and equipment	Capital Work in Progress	Total
	=N=	=N=	=N=	=N=	=N=	=N=
Cost						
At 1st April 2020	159,368,002	3,249,353,750	251,985,736	35,418,296	70,056,023	3,766,181,807
Additions			-		43,427,977	43,427,977
Disposals	(6,403,850)	-	-		-	(6,403,850)
Reclassifications		113,484,000			(113,484,000)	-
At 31st March 2021	<u>152,964,151</u>	<u>3,362,837,750</u>	<u>251,985,736</u>	<u>35,418,296</u>	<u>-</u>	<u>3,803,205,933</u>
Accumulated Depreciation						
At 1st April 2020	142,332,902	1,328,334,413	250,158,090	30,691,666	-	1,751,517,071
Charge for the Year	2,056,903	206,209,425	924,984	682,158	-	209,873,470
Disposals	(6,403,850)	-	-	-	-	(6,403,850)
At 31st March 2021	<u>137,985,955</u>	<u>1,534,543,838</u>	<u>251,083,074</u>	<u>31,373,824</u>	<u>-</u>	<u>1,954,986,691</u>
Carrying amount						
At 31st March 2021	<u>14,978,196</u>	<u>1,828,293,912</u>	<u>902,662</u>	<u>4,044,472</u>	<u>-</u>	<u>1,848,219,242</u>
At 31st March 2020	<u>17,035,100</u>	<u>1,921,019,353</u>	<u>1,827,656</u>	<u>4,726,630</u>	<u>70,056,023</u>	<u>2,014,664,762</u>
10 Intangible asset						
Cost						
At 1st April 2020		689,850				
At 31st March 2021		<u>689,850</u>				
Accumulated amortisation						
At 1st April 2020		287,438				
Charge for the year		137,970				
At 31st March 2021		<u>425,408</u>				
Carrying amount						
At 31st March 2021		<u>264,442</u>				
At 31st March 2020		<u>402,412</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.

FEDERATED STEEL MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

21.

	<u>2021</u> <u>=N=</u>	<u>2020</u> <u>=N=</u>
11 <u>Inventories</u>		
Raw materials	451,350,865	1,543,804,989
Work-in-progress	7,868,771	713,885,965
Finished goods	113,804,552	403,256,435
Spare Parts and Consumables	-	-
Traded Goods	1,410,219	6,320,945
	<u>574,434,407</u>	<u>2,667,268,334</u>
12 <u>Trade and other receivables</u>		
Trade receivables	50,081,499	133,802,877
Prepayments	116,645	4,944,623
Deposit for Cylinder	50,000	50,000
Due From Related Company	35,346,350	34,445,220
Due from employees	1,350,000	1,600,000
FSM Pension Scheme	(377,136)	
Taxes receivable	6,539,220	6,539,219
	<u>93,106,578</u>	<u>181,381,939</u>

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>2021</u> <u>=N=</u>	<u>2020</u> <u>=N=</u>
13 <u>Cash and cash equivalents</u>		
Cash in hand	6,548,630	8,915,600
Bank balances	<u>261,226,266</u>	<u>622,442,829</u>
Cash and cash equivalents per statement of cash flows	<u>267,774,896</u>	<u>631,358,429</u>

FEDERATED STEEL MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

	2021 =N=	2020 =N=
14 Share capital		
Authorised, Issued and Fully-Paid		
900,000,000 Ordinary Shares of =N=1.00 each	<u>900,000,000</u>	<u>900,000,000</u>
15 Borrowings		
Short-term facilities:		
Opening Balance	902,034,181	857,034,181
Reclassified from Non Current		45,000,000
Addition:	18,690,117	
Repayment	(801,049,960)	
Closing Balance	<u>119,674,338</u>	<u>902,034,181</u>
Borrowings are analysed into short and non-current liabilities based on the time the repayment obligation falls due. Details are as follows:		
Non-current	-	-
Current	119,674,338	902,034,181
	<u>119,674,338</u>	<u>902,034,181</u>

15a Term loan

The facility classified as Term Loan is the =N=600,000,000 granted to the company under the CBN Intervention Fund Scheme and has been fully repaid.

	2021 =N=	2020 =N=
15c Movement in term loan		
Balance at beginning of the year	-	105,000,000
Reclassified to Current		(45,000,000)
Repayments during the year	-	(60,000,000)
Balance at end of the year	<u>-</u>	<u>-</u>

16 Deferred tax liabilities

16a Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>
Property, plant and equipment	-	-	48,416,223	(30,245,947)	48,416,223	(30,245,947)
Tax losses	-	82,651,249	-	-	-	82,651,249
Net deferred tax assets / (liabilities)	-	82,651,249	48,416,223	(30,245,947)	48,416,223	52,405,302

16b Movement in temporary differences during the year

	<u>01-Apr-20</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>31-Mar-21</u>
	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>	<u>=N=</u>
Property, plant and equipment	(30,245,947)	78,662,170	-	48,416,223
Tax losses	82,651,249	(82,651,249)	-	-
Net deferred tax assets / (liabilities)	52,405,302	(3,989,079)	-	48,416,223

	<u>2021</u> =N=	<u>2020</u> =N=
17 Trade and other payables		
Trade payables	1,502,714,262	3,813,348,803
Other payables and accruals	285,633,486	312,233,636
	<u>1,788,347,748</u>	<u>4,125,582,439</u>

18 No dividend was proposed during the year

19 Contingent liabilities

There were no Contingent Liabilities as at 31st March 2021 (2020-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 or jointly control the other party or exercise significant influence over the other party 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

There are no significant events after the end of the reporting period, which could have had a material effect on the state of affairs of the Company as at 28th February 2021,

22 Prior year Presentation

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

23 Approval of financial statements

The financial statements for the year ended 31st March 2021 were approved by the Board of Directors and were authorised for issue on 11th June, 2021.

OTHER NATIONAL INFORMATION

FEDERATED STEEL MILLS LIMITED
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31ST MARCH 2021

26.

	<u>2021</u>		<u>2020</u>	
	=N=	%	=N=	%
Revenue	5,662,879,788		2,015,387,645	
Other Income	<u>68,245,370</u>		<u>28,951</u>	
	5,731,125,158		2,015,416,595	
Bought-in materials and services	<u>(4,681,931,455)</u>		<u>(1,561,908,254)</u>	
Total value added	<u><u>1,049,193,703</u></u>	<u>100</u>	<u><u>453,508,341</u></u>	<u>100</u>
APPLIED AS FOLLOWS:				
To Employees:				
Salaries, wages and fringe benefits	392,011,350	37.4	287,553,580	63.4
To Government:				
Minimum tax	14,161,563	1.3	-	-
Education tax	5,737,789	0.5	-	-
Capital Gain Tax	6,009,615	0.6	-	-
Deferred tax	3,989,079	0.4	41,505,672	9.2
To Providers of Finance:				
Interest on borrowings	34,692,620	3.3	13,393,992	3.0
For Maintenance of Assets and Development:				
Depreciation	210,011,431	20.0	142,513,466	31.4
Profit/ (loss) for the year	382,580,257	36.5	(31,458,369)	(7.0)
	<u><u>1,049,193,703</u></u>	<u>100</u>	<u><u>453,508,341</u></u>	<u>100</u>

FEDERATED STEEL MILLS LIMITED
FIVE-YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31ST MARCH 2021

27.

	<u>2021</u> =N='000	<u>2020</u> =N='000	<u>2019</u> =N='000	<u>2018</u> =N='000	<u>2017</u> =N='000
<u>Statement of comprehensive income</u>					
Revenue	<u>5,662,880</u>	<u>2,015,388</u>	<u>249,870</u>	<u>1,668,176</u>	<u>3,011,316</u>
Profit / (Loss) before taxation	412,478	10,047	43,170	(341,293)	20,955
Minimum Tax @ 0.25% on Turnover	(14,162)	-	-	-	-
Income Tax Expense	<u>(15,736)</u>	<u>(41,506)</u>	<u>(63,619)</u>	<u>151,953</u>	<u>1,172</u>
Profit / (Loss) after taxation	<u>382,580</u>	<u>(31,459)</u>	<u>(20,449)</u>	<u>(189,340)</u>	<u>22,127</u>
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income / (loss) for the year	<u>382,580</u>	<u>(31,459)</u>	<u>(20,449)</u>	<u>(189,340)</u>	<u>22,127</u>

Statement of financial position

Funds employed

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)	(16,053)	(394,473)	(370,242)	(349,793)	(160,452)
Borrowings	-	-	45,000	105,000	165,000
Deferred tax liabilities	-	-	-	-	-
	<u>897,147</u>	<u>518,727</u>	<u>587,958</u>	<u>668,407</u>	<u>917,748</u>

Employment of funds

Property, plant and equipment	1,848,219	2,014,665	1,711,987	317,817	299,388
Intangible asset	264	402	552	690	-
Deferred tax assets	48,418	52,406	93,911	156,462	4,510
Net current assets	<u>(999,754)</u>	<u>(1,548,746)</u>	<u>(1,218,492)</u>	<u>193,438</u>	<u>613,850</u>
	<u>897,147</u>	<u>518,727</u>	<u>587,958</u>	<u>668,407</u>	<u>917,748</u>

Other statistics

Earnings / (Loss) per share (Kobo)	43	(3)	(2)	(21)	2
No of issued ordinary shares of =N=1.00 each	900,000	900,000	900,000	900,000	900,000

For Management use only

FEDERATED STEEL MILLS LIMITED
YEAR ENDED 31ST MARCH 2021
FOR THE YEAR ENDED 31ST MARCH 2021

SCH. I

COST OF SALES

	<u>2021</u>		<u>2020</u>	
	=N=	=N=	=N=	=N=
Raw Materials:				
Opening Stock	1,543,804,989		700,712,708	
Purchases	1,772,111,440		2,643,161,007	
	3,315,916,429		3,343,873,715	
Closing Stock	(451,350,865)		(1,543,804,989)	
Cost of Materials Consumed		2,864,565,564		1,800,068,726
Salaries, Wages and Labour Expenses		316,811,733		217,993,460
Indirect Expenses:				
Spare Parts and Consumable Stores	29,368,448		41,500,590	
Industrial Safety Ware Expenses	1,696,200		-	
Diesel and Fuel	151,615,941		60,588,955	
Rent and Rates	10,138,888		1,976,361	
Electricity and Gas	328,756,101		361,241,851	
Repairs and Maintenance	42,131,006		52,023,071	
Environmental Cleaning Expenses	2,559,840		1,315,220	
Depreciation	208,266,319		140,877,300	
		774,532,743		659,523,348
		3,955,910,040		2,677,585,534
Adjustment for Work-In-Progress:				
Opening Stock	713,885,965		14,718,256	
Closing Stock	(7,868,771)		(713,885,965)	
		706,017,194		(699,167,709)
Adjustment for Finished Goods:				
Opening Stock	403,256,433		54,449,549	
Closing Stock	(113,804,552)		(403,256,433)	
		289,451,881		(348,806,884)
		-		-
Adjustment for Traded Goods:				
Opening Stock	6,320,945		128,364,237	
Purchases			71,624	
Closing Stock	(1,410,219)		(6,320,945)	
		4,910,726		122,114,915
		4,956,289,841		1,751,725,857

FEDERATED STEEL MILLS LIMITED
YEAR ENDED 31ST MARCH 2021
FOR THE YEAR ENDED 31ST MARCH 2021

SCH. II

ADMINISTRATION EXPENSES

	<u>2021</u> =N=	<u>2020</u> =N=
Salaries, Wages and Staff Welfare	75,199,617	69,560,120
Insurance	14,547,093	6,705,805
Communication Expenses	2,901,959	2,682,095
Transport, Travelling and Hotel Exp	42,899,083	36,523,148
Legal and Professional Charges	4,582,750	3,294,368
Printing and Stationery	1,940,175	1,752,040
Repairs and Maintenance	3,252,578	4,826,931
Security and Industrial Safety	22,275,456	18,901,587
Maintenance of Staff Quarters	6,585,805	1,715,032
Motor Vehicle Running Expenses	14,861,747	25,613,410
Advertisement and Publicity	25,000	230,850
Audit Fees	5,000,000	4,500,000
Gifts, Donations and Subscriptions	1,754,500	495,000
Entertainment Expenses	631,782	398,701
Sundry Expenses	7,855,851	1,646,000
Bank Charges	8,275,221	4,750,830
Amortisation of intangible asset	137,970	137,970
Depreciation	1,607,142	1,498,196
	<u>214,333,729</u>	<u>185,232,081</u>