

FEDERATED STEEL MILLS LIMITED

RC: 20344

FINANCIAL STATEMENTS

For the year ended 28th February 2023

BOARD OF DIRECTORS AND CORPORATE INFORMATION

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.

SECRETARIES:

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

REPORT OF THE DIRECTORS FOR THE

YEAR ENDED 28TH FEBRUARY, 2023

The Directors submit their Annual Report on the affairs of the company together with the Accounts for the year ended 28th February, 2023.

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**

	28TH FEB. 2023 =N='000	28TH FEB. 2022 =N='000
Turnover	5,397,676 =====	5,435,307 =====
Profit for the year before Taxation	73,903	358,114
Minimum Tax on Turnover	(26,997)	(27,177)
Income Tax Expenses	(30,905)	(147,360)
Profit/(Loss) for the year	16,000	183,577
Total comprehensive income (loss) for the Year	16,000 =====	183,577 =====

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 28th February, 2023, 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.

FEDERATED STEEL MILLS LIMITED

REPORT OF THE DIRECTORS FOR THE

YEAR ENDED 28TH FEBRUARY, 2023

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: May 11, 2023

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
FINANCIAL HIGHLIGHTS

3.

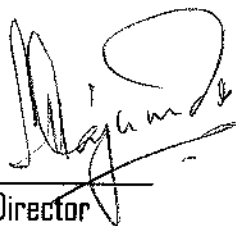
	2023 =N='000	2022 =N='000
Revenue	5,397,676	5,435,307
Profit before taxation	73,903	358,114
Minimum Tax@0.5% on Turnover	(26,997)	(27,177)
Income Tax Expense	(30,905)	(147,360)
Profit for the year	16,000	183,577
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	16,000	183,577
Capital expenditure	-	347
Total equity	1,053,363	1,037,363
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)	2	20
Net asset per share (kobo)	117	115

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023

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**

5.

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 28th February 2023, 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 28th February 2023 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.

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

6.

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.

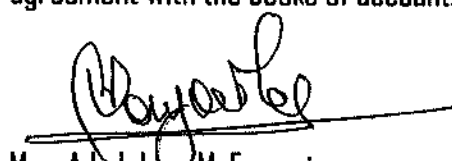
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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.



Mrs. Adedolapo M. Fayomi
FRIC/2013/ICAN/00000005590

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

11th May 2023

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
STATEMENT OF COMPREHENSIVE INCOME

8.

	<u>Notes</u>	<u>2023</u> <u>=N=</u>	<u>2022</u> <u>=N=</u>
Revenue	4	5,397,676,067	5,435,307,297
Cost of sales		<u>(4,906,489,531)</u>	<u>(4,727,322,275)</u>
Gross profit		491,186,536	707,985,022
Other income	5	(97,270,891)	(37,050,399)
Administration expenses		<u>(275,850,069)</u>	<u>(289,051,211)</u>
Profit before Interest and Taxation		118,065,576	381,883,412
Finance costs	6	<u>(44,162,995)</u>	<u>(23,769,368)</u>
Profit before taxation	7	73,902,581	358,114,044
Minimum Tax@0.5% on Turnover	8	(26,997,499)	(27,176,652)
Income Tax Expense	8	<u>(30,905,331)</u>	<u>(147,359,949)</u>
Profit for the year		15,999,751	183,577,443
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>15,999,751</u>	<u>183,577,443</u>

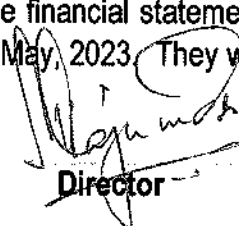
The accompanying notes on pages 12 to 24 are an integral part of these financial statements

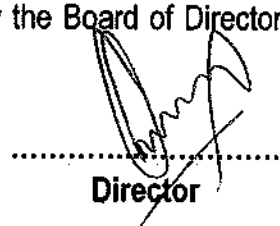
FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
STATEMENT OF FINANCIAL POSITION

9.

	NOTES	2023 =N=	2022 =N=
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,318,320,367	1,592,006,769
Intangible asset	10	10	137,970
		<u>1,318,320,377</u>	<u>1,592,144,739</u>
Current assets			
Inventories	11	2,185,671,422	1,481,267,181
Trade and other receivables	12	438,331,333	107,225,077
Cash and cash equivalents	13	274,325,614	201,061,829
		<u>2,898,328,369</u>	<u>1,789,554,087</u>
Total assets		<u>4,216,648,746</u>	<u>3,381,698,826</u>
EQUITY AND LIABILITIES			
Share capital	14	900,000,000	900,000,000
Share premium		13,200,000	13,200,000
Retained earnings		140,163,200	124,163,449
Total equity		<u>1,053,363,200</u>	<u>1,037,363,449</u>
Non-current liabilities			
Deferred tax liabilities	16	98,578,076	76,365,918
		<u>98,578,076</u>	<u>76,365,918</u>
Current liabilities			
Trade and other payables	17	2,813,101,105	2,170,206,155
Borrowings	15	214,778,098	53,495,699
Current tax liabilities	8	36,828,267	44,267,605
		<u>3,064,707,470</u>	<u>2,267,969,459</u>
Total liabilities		<u>3,163,285,546</u>	<u>2,344,335,377</u>
Total equity and liabilities		<u>4,216,648,746</u>	<u>3,381,698,826</u>

These financial statements were approved and authorised for issue by the Board of Directors on 11th May, 2023. 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
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
STATEMENT OF CHANGES IN EQUITY

10.

	Share capital	Share premium	Retained earnings	Total equity
	=N=	=N=	=N=	=N=
At 1st March 2022	900,000,000	13,200,000	124,163,449	1,037,363,449
Profit for the year	-	-	15,999,751	15,999,751
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	15,999,751	15,999,751
At 28th February 2023	900,000,000	13,200,000	140,163,200	1,053,363,200
At 28th February 2022	900,000,000	13,200,000	124,163,449	1,037,363,449

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

	2023		2022	
	=N=	=N=	=N=	=N=
Operating activities:				
Profit before taxation		73,902,581		358,114,044
Adjustments for non-cash items:				
Depreciation of property, plant and equipment	273,686,387		279,882,338	
Amortisation of intangible asset	137,960		137,970	
		273,824,347		280,020,308
Prior-periods adjustment		-		(7,158,354)
Changes in:				
Inventories	(704,404,241)		(883,282,656)	
Trade and other receivables	(331,106,250)		(35,742,695)	
Trade and other payables	642,694,950		350,424,629	
		(392,615,531)		(568,600,711)
Cash generated from / (used in) operations		(44,888,603)		62,375,287
Finance costs		44,162,995		23,769,368
Payment of Tax		(43,130,011)		(25,081,837)
Net cash from / (used in) operating activities		(43,855,619)		61,062,818
Investing activities:				
Purchase of property, plant and equipment			(347,036)	
Proceeds of sale of property, plant and equipment			-	
Net cash used in investing activities				(347,036)
Financing activities:				
Other Short-term facilities	240,945,775		240,945,775	
Repayment of term loan	(79,663,376)		(287,599,477)	
Finance costs	(44,162,995)		(23,769,368)	
Net cash from / (used in) financing activities		117,119,404		(70,423,070)
Net increase / (decrease) in cash and cash equivalents		73,263,785		(9,707,290)
Cash and cash equivalents at beginning of the year		201,061,829		210,769,119
Cash and cash equivalents at end of the year:		274,325,614		201,061,829
Cash and cash equivalents at end of the year:				
Cash and bank balances		274,325,614		201,061,829
Bank overdrafts and other short-term facilities		-		-
		274,325,614		201,061,829

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

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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.

	2023 =N=	2022 =N=
4 Revenue		
Sale of reinforcing rods	5,203,164,447	5,243,116,935
Sale of electrodes	194,511,620	190,561,292
Sale of traded goods		1,629,070
	5,397,676,067	5,435,307,297
5 Other income		
Sundry income	20,000	3,600
Loss on foreign exchange	(99,114,716)	(37,073,465)
Bank interest received	1,823,825	19,466
	(97,270,891)	(37,050,399)
6 Finance costs		
Interest expense on borrowings	44,162,995	23,769,368
	44,162,995	23,769,368
7 Profit before taxation		
Profit / (loss) before taxation is stated after charging / (crediting)		
Audit Fees	7,600,000	6,000,000
Depreciation	273,686,387	279,882,338
Amortisation	137,960	137,970
Finance costs	44,162,995	23,769,368

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, 2023 is :

2023 =N=	2022 =N=
26,997,499	27,176,652

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

Capital gains tax

-	-
8,693,173	15,953,359
-	-

8,693,173	15,953,359
-----------	------------

Deferred tax expense:

Increase / (decrease) in deferred tax liabilities - PPE

(Increase) / decrease in deferred tax assets - tax losses

22,212,158	131,406,590
-	-

30,905,331	147,359,949
------------	-------------

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

Profit before income tax

Income tax using statutory rate of 30%

Tax effects of items not deductible or chargeable for tax purposes

Increase / (decrease) in deferred tax liabilities - PPE

(Increase) / decrease in deferred tax assets - tax losses

73,902,581	358,114,044
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22,170,774	107,434,213
------------	-------------

(13,477,601)	(91,480,854)
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22,212,158	131,406,590
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-	-
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30,905,331	147,359,949
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8d Current tax liabilities

Balance at beginning of the year

Charge for the year

Prior year -FIRS Additional Assessment

Payment during the year

Balance at end of the year

44,267,605	26,219,432
------------	------------

35,690,673	43,130,011
------------	------------

-	7,158,354
---	-----------

(43,130,011)	(32,240,191)
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36,828,267	44,267,605
------------	------------

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 March 2022	152,964,151	3,362,837,766	251,985,736	35,765,306	-	3,803,552,959
Additions/Adjustment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 28th February 2023	<u>152,964,151</u>	<u>3,362,837,750</u>	<u>251,985,736</u>	<u>35,765,306</u>	<u>-</u>	<u>3,803,552,943</u>
Accumulated Depreciation						
At 1st March 2022	139,779,804	1,787,784,219	251,930,976	32,051,191	-	2,211,546,190
Charge for the Year	1,875,057	271,077,202	54,750	679,378	-	273,686,387
Disposals	-	-	-	-	-	-
At 28th February 2023	<u>141,654,861</u>	<u>2,058,861,420</u>	<u>251,985,726</u>	<u>32,730,569</u>	<u>-</u>	<u>2,485,232,577</u>
Carrying amount						
At 28th February 2023	<u>11,309,290</u>	<u>1,303,976,330</u>	<u>10</u>	<u>3,034,737</u>	<u>-</u>	<u>1,318,320,367</u>
At 28th February 2022	<u>13,184,347</u>	<u>1,575,053,547</u>	<u>54,760</u>	<u>3,714,115</u>	<u>-</u>	<u>1,592,006,769</u>

10 Intangible asset

Cost	689,850.00
At 1st March 2022	
At 28th February 2023	<u>689,850</u>
Accumulated amortisation	
At 1st March 2022	551,880
Charge for the year	137,960
At 28th February 2023	<u>689,840</u>
Carrying amount	
At 28th February 2023	<u>10</u>
At 28th February 2022	<u>137,970</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.

11 Inventories

	<u>2023</u> =N=	<u>2022</u> =N=
Raw materials	1,559,765,465	529,116,757
Work-in-progress	449,899,414	297,136,727
Finished goods	176,006,543	655,013,697
	2,185,671,422	1,481,267,181

12 Trade and other receivables

Trade receivables	374,538,555	67,959,021
Other receivables	12,164,626	-
Prepayments	8,644,298	419,320
Deposit for Cylinder	50,000	50,000
Due From Related Company	37,866,658	36,423,555
Due from employees	5,028,914	2,372,500
FSM Pension Scheme	-	681
Taxes receivable	38,282	-
	438,331,333	107,225,077

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.

13 Cash and cash equivalents

	<u>2023</u> =N=	<u>2022</u> =N=
Cash in hand	8,136	10,572,942
Bank balances	274,317,478	190,488,887
Cash and cash equivalents per statement of cash flows	274,325,614	201,061,829

14 Share capital

Authorised, Issued and Fully-Paid

900,000,000 Ordinary Shares of
=N=1.00 each

2023

=N=

2022

=N=

900,000,000

900,000,000

15 Borrowings

Short-term facilities:

Opening Balance

53,495,699

100,149,401

Addition:

240,945,775

240,945,775

Repayment

(79,663,376)

(287,599,477)

Closing Balance

214,778,098

53,495,699

16 Recognised deferred tax assets/(liabilities)

	<u>2023</u>	<u>2022</u>
a Opening Balance as at 1/3/2022	=N=	=N=
Property, Plant And Equipment(PPE)	(76,365,918)	55,040,672
Unrelieved Losses	-	-
	(76,365,918)	55,040,672
b Movement during the year(Recognition in P&L)		
Property, Plant And Equipment(PPE)	(22,212,158)	(131,406,590)
Unrelieved Losses	-	-
	(22,212,158)	(131,406,590)
c Closing Balance as at 28/2/2023 (a+b)		
Property, Plant And Equipment(PPE)	(98,578,076)	(76,365,918)
Unrelieved Losses	-	-
	(98,578,076)	(76,365,918)

	<u>2023</u> =N=	<u>2022</u> =N=
17 Trade and other payables		
Trade payables	2,708,662,664	2,135,900,256
Other payables and accruals	104,438,441	34,305,899
	<u>2,813,101,105</u>	<u>2,170,206,155</u>
18 Dividend		
No dividend was proposed during the year		
19 Contingent liabilities		
There were no Contingent Liabilities as at 28th February 2023 (2022-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 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 2023,		
22 Prior year Presentation		
Some previous years figures have been adjusted in order to conform with this year's		
23 Approval of financial statements		
The financial statements for the year ended 28th February 2023 were approved upon presentation by the Board of Directors and were authorised for issue on 11th May, 2023		

OTHER NATIONAL INFORMATION

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
STATEMENT OF VALUE ADDED

26.

	<u>2023</u>		<u>2022</u>	
	<u>=N=</u>	<u>%</u>	<u>=N=</u>	<u>%</u>
Revenue	5,397,676,067		5,435,307,297	
Other Income	1,843,825		23,066	
	<u>5,399,519,892</u>		<u>5,435,330,363</u>	
Bought-in materials and services	(4,523,872,005)		(4,341,331,951)	
Total value added	<u>875,647,887</u>	<u>100</u>	<u>1,093,998,412</u>	<u>100</u>
APPLIED AS FOLLOWS:				
To Employees:				
Salaries, wages and fringe benefits	483,895,924	55.3	432,232,662	39.5
To Government:				
Minimum tax	26,997,499	3.1	27,176,652	2.5
Education tax	8,693,173	1.0	15,953,359	1.5
To Providers of Finance:				
Interest on borrowings	44,162,995	5.0	23,769,368	2.2
Deferred tax	22,212,168	2.5	131,406,590	12.0
For Maintenance of Assets and Development:				
Depreciation	273,686,387	31.3	279,882,338	25.6
Profit/ (loss) for the year	15,999,751	1.8	183,577,443	16.7
	<u>875,647,887</u>	<u>100</u>	<u>1,093,998,412</u>	<u>100</u>

	2023 =N='000	2022 =N='000	2020 =N='000	2019 =N='000	2018 =N='000
<u>Statement of comprehensive income</u>					
Revenue	5,397,676	5,435,307	5,695,264	1,664,029	249,870
Profit / (Loss) before taxation	73,903	358,114	374,673	11,426	43,170
Taxation	(30,905)	(147,360)	(8,204)	(41,506)	(63,619)
Profit / (Loss) after taxation	42,998	210,754	366,469	(30,080)	(20,449)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income / (loss) for the year	42,998	210,754	366,469	(30,080)	(20,449)
<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)	140,163	124,163	(52,256)	(400,322)	(370,242)
Borrowings	-	-	-	-	45,000
Deferred tax liabilities	98,578	76,366	-	-	-
	1,151,941	1,113,729	860,944	512,878	587,959
<u>Employment of funds</u>					
Property, plant and equipment	1,318,320	1,592,007	1,871,542	2,030,389	1,711,987
Intangible asset	-	138	276	414	552
Deferred tax assets	-	-	55,041	52,405	93,911
Net current assets	(166,379)	(478,416)	(1,065,915)	(1,570,330)	(1,218,491)
	1,151,941	1,113,729	860,944	512,878	587,959
<u>Other statistics</u>					
Earnings / (Loss) per share (Kobo)	5	23	41	(2)	(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
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
SCHEDULES TO THE FINANCIAL STATEMENTS

SCH.

COST OF SALES

	<u>2023</u>		<u>2022</u>	
	=N=	=N=	=N=	=N=
Raw Materials:				
Opening Stock	529,116,757		499,084,131	
Purchases	3,916,939,322		3,986,252,927	
	4,446,056,079		4,485,337,058	
Closing Stock	(1,559,765,465)		(529,116,757)	
Cost of Materials Consumed		2,886,290,614		3,956,220,301
Salaries, Wages and Labour Expenses		383,436,166		350,441,416
Indirect Expenses:				
Spare Parts and Consumable Stores	58,104,622		77,035,169	
Industrial Safety Ware Expenses	8,505,200		5,020,900	
Diesel and Fuel	164,105,489		139,934,366	
Rent and Rates	4,270,304		8,989,031	
Electricity and Gas	715,263,503		679,488,940	
Repairs and Maintenance	82,508,252		81,595,564	
Environmental Cleaning Expenses	4,808,655		3,619,128	
Depreciation	272,952,259		278,227,490	
		1,310,518,284		1,273,910,588
		4,580,245,064		5,580,572,305
Adjustment for Work-In-Progress:				
Opening Stock	297,136,727		2,825,474	
Closing Stock	(449,899,414)		(297,136,727)	
		(152,762,687)		(294,311,253)
Adjustment for Finished Goods:				
Opening Stock	655,013,697		94,650,910	
Closing Stock	(176,006,543)		(655,013,697)	
		479,007,154		(560,362,787)
Adjustment for Traded Goods:				
Opening Stock			1,424,010	
Purchases				
Closing Stock				
				1,424,010
		4,906,489,531		4,727,322,275

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2023
SCHEDULES TO THE FINANCIAL STATEMENTS

SCH. II

ADMINISTRATION EXPENSES

	<u>2023</u> =N=	<u>2022</u> =N=
Salaries, Wages and Staff Welfare Expenses	100,459,758	81,791,246
Insurance	15,673,949	14,139,745
Communication Expenses	3,085,508	3,476,967
Transport, Travelling and Hotel Expenses	57,981,594	60,722,341
Legal and Professional Charges	8,236,750	12,519,000
Printing and Stationery	3,070,900	2,780,525
Repairs and Maintenance	4,553,525	8,719,926
Security and Industrial Safety	26,407,798	24,190,790
Maintenance of Staff Quarters	9,665,910	8,887,840
Motor Vehicle Running Expenses	13,692,697	28,346,990
Advertisement and Publicity	-	-
Audit Fees	7,500,000	6,000,000
Gifts, Donations and Subscriptions	2,990,250	-
Entertainment Expenses	150,000	394,964
Sundry Expenses	10,259,920	23,846,597
Bank Charges	11,249,422	11,441,462
Amortisation of intangible asset	137,960	137,970
Depreciation	734,128	1,654,848
	<u>275,850,069</u>	<u>289,051,211</u>