FEDERATED STEEL MILLS LIMITED

RC: 20344

FINANCIAL STATEMENTS

For the year ended 31st December 2025

BOARD OF DIRECTORS AND CORPORATE INFORMATION

DIRECTORS:

Mr. Mohammed Zaheeruddin	-	Indian
Mr. Subhankar Majumdar	-	Indian

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

SECRETARY:
Samfort Professional Services
Plot A14, NOIC Secretariat
Gbagada Expressway
Gbagada
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 Limited
Polaris Bank Limited
United Bank for Africa Plc
Zenith Bank Plc

FINANCIAL HIGHLIGHTS

	2025 Year Jan to Dec'25 =N='000	2024 Period Mar '24 to Dec'24 =N='000
Revenue	11,926,394	7,150,567
Profit before taxation	449,223	96,543
Minimum Tax	-	(35,757)
Income Tax Expense	(162,648)	(154,928)
Profit / (loss) for the year	286,576	(94,142)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	286,576	(94,142)
Capital expenditure	-	(354,789)
Total equity	1,095,822	809,243
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)	32	(10)
Net asset per share (kobo)	122	90

Directors' Report

For the year ended 31st December, 2025

Legal Form

The **Federated Steel Mills Limited** was incorporated in Nigeria on February 8, 1977, as PVT Company under the Companies Decree 1968. The Company is limited by shares.

Principal activities

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

Result for the year

The following is a summary of the Company's operating results:

	2025 Year Jan to Dec' 25 =N='000	2024 Period Mar 24 to Dec'24 =N='000
Revenue	**11,926,394**	**7,150,567**
Profit before taxation	449,223	96,543
Minimum Tax	-	(35,757)
Income Tax Expense	(162,648)	(154,928)
Profit/(loss) for the year	286,576	(94,142)
Other comprehensive income	-	-
Total comprehensive income for the year	**286,576**	**(94,142)**
Capital expenditure	-	(354,789)
Total equity	1,095,822	809,243
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)	32	(10)
Net asset per share (kobo)	122	90

Dividend

The Directors do not recommend the payment of dividend

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. Mohammed Zaheeruddin	Indian
Mr. Subhankar Majumdar	Indian

Directors and their interests

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

Shareholders and shareholdings

The name of the shareholders and their holdings are as follows:

	Shareholdings	
	No of shares held	**Percentage (%)**
Manaksia Steels Limited	899,999,999	99.9
Mr. Varun Agrawal	1	0.1
	900,000,000	**100**

Property, plants and equipment

Movement in property, plant & equipment during the year is shown in **Note 10** to the accounts.

Charitable donations

The Company did not make any donation during the year.

Employment of disabled persons

In accordance with the policy of the Company, there is no discrimination in considering application for employment including those from physically-challenged persons. As at 31st December, 2025 however, there were no physically-challenged persons in the company's employment.

Health, safety and welfare at Work

The Company places a high premium on health, safety and welfare of its employees in the place of work. It provides support to ensure compliance with all health and safety legislations, policies and laws applicable to the Company business.

Employees' consultation and training

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

The Company's auditors, Adedolapo Fayomi & Co have indicated their willingness to continue in office as auditors in accordance with the provision of Section 357(2) of the Companies and Allied Matters Act, 2020.

BY ORDER OF THE BOARD

Sampdel

....

Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

This statement, which should be read in conjunction with the Independent Auditors' Report, is made with a view to setting out for shareholders, the responsibilities of the Directors of the Company with respect to these financial statements.

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

The responsibilities include ensuring that:

a) appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

b) the Company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act;

c) 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

d) the going concern basis is used, unless it is inappropriate to presume that the Company will continue in business.

....
Director

....
Director

Chartered Accountants

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of **Federated Steel Mills Limited** for the financial year ended 31 December 2025 which comprises:

- the statement of financial position.
- the statement of profit or loss and other comprehensive income.
- the statement of changes in equity.
- the statement of cash flows for the year then ended, and
- the notes to the financial statements which include the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as at 31 December 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023,

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements. The key audit matters identified are Revenue and Inventory.

ADEDOLAPO FAYOMI & CO. Block B, 7 Sule Abore Street, off Ogunnusi Road, Ojodu, Ikeja, Lagos, Nigeria.
Tel: 07088565020, 08113883705 Email: adedolapofayomi1@gmail.com

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. REVENUE RECOGNITION:

Revenue is the most significant item in the Statement of Profit or Loss and impact the majority of the profit performance indicators on which the performance of the Company is assessed. These factors make revenue an area of significance in our audit. The Company earn revenue majorly from manufacture and sale of reinforcing rods and electrodes. Invoices are recognized when they are generated and not when goods are delivered to customers.

Our procedures to the key audit matter are:

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

2. INVENTORIES

The carrying amount of inventories is significant and represents 80% of current assets.

Our procedures to the Key Audit Mater include:

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Corporate Information, Financial Highlights, Statement of Directors' Responsibilities and Other National Disclosures. Other information does not include the Financial Statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and we do and will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS ON THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023 and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FEDERATED STEEL MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

In preparing the Financial Statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identified and assessed the risks of material misstatement of the Financial Statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 controls.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluated the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicated with the directors regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company.
iii. The Company's statements of Financial Position, and Statements of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.

Mrs. Adedolapo M. Fayomi
FRC/2013/PRO/ICAN/004/00000005590
For: Adedolapo Fayomi & Co.
(Chartered Accountants)
Lagos, Nigeria.
15th May 2026.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0061682

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2025 Year Jan to Dec'25 =N=	2024 Period Mar '24 to Dec'24 =N=
Revenue	4	11,926,393,620	7,150,566,927
Cost of sales		(10,993,765,109)	(6,630,026,652)
Gross profit		932,628,511	520,540,275
Other income	5a	7,761,620	850,215
Other (Expenses)	5b	(25,431,813)	(53,646,344)
Administration expenses		(465,734,957)	(367,735,933)
Profit before Interest and Taxation		449,223,361	100,008,213
Finance costs	7	-	(3,465,074)
Profit before taxation	8	449,223,361	96,543,139
Minimum Tax	9	-	(35,757,086)
Income Tax Expense	9	(162,647,858)	(154,927,981)
Profit / (loss) for the year		**286,575,503**	**(94,141,928)**
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		**286,575,503**	**(94,141,928)**

The accompanying notes on pages 14 to 25 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

	Notes	2025 Year Jan to Dec'25 =N=	2024 Period Mar '24 to Dec'24 =N=
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,005,834,002	1,253,631,877
Intangible asset	11	10	10
		1,005,834,012	1,253,631,887
CURRENT ASSETS			
Inventories	12	1,179,824,240	713,845,502
Trade and other receivables	13	119,575,284	164,485,837
Cash and cash equivalents	14	121,185,803	216,379,433
		1,420,585,327	1,094,710,772
TOTAL ASSETS		**2,426,419,339**	**2,348,342,659**
EQUITY AND LIABILITIES			
Share capital	15	900,000,000	900,000,000
Share premium		13,200,000	13,200,000
Retained earnings		182,621,538	(103,956,621)
TOTAL EQUITY		1,095,821,538	809,243,379
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	263,760,374	221,490,540
		263,760,374	221,490,540
CURRENT LIABILITIES			
Trade and other payables	18	946,459,403	1,273,371,342
Current tax liabilities	9	120,378,024	44,237,398
		1,066,837,427	1,317,608,740
TOTAL LIABILITIES		1,330,597,801	1,539,099,280
TOTAL EQUITY AND LIABILITIES		**2,426,419,339**	**2,348,342,659**

These financial statements were approved and authorised for issue by the Board of Directors on 15th May, 2026 They were signed on its behalf by:

The accompanying notes on pages 14 to 24 are an integral part of these financial statements

.... Director

.... Director

FEDERATED STEEL MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2025

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Retained earnings	Total equity
		=N=	=N=	=N=	=N=
As at 1st January 2025		**900,000,000**	**13,200,000**	**(103,956,621)**	**809,243,379**
Prior Year	**6**			**2,656**	**2,656**
As at 1st January 2025 Restated		**900,000,000**	**13,200,000**	**(103,953,965)**	**809,246,035**
Profit for the year		-	-	286,575,503	286,575,503
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	286,575,503	286,575,503
As at 31st December 2025		**900,000,000**	**13,200,000**	**182,621,538**	**1,095,821,538**
As at 31st December 2024		900,000,000	13,200,000	(103,956,621)	809,243,379

The accompanying notes on pages 14 to 25 are an integral part of these financial statements

STATEMENT OF CASHFLOWS

	2025 Year Jan to Dec'25		2024 Period Mar '24 toDec'24	
	=N=	=N=	=N=	=N=
Operating activities:				
Profit before taxation		449,223,361		96,543,139
Adjustments for non-cash items:				
Depreciation of property, plant and equipment	247,797,875		186,133,934	
Amortisation of intangible asset	-		-	
		247,797,875		186,133,934
Prior-Year		2,656.44		(63,323,916)
Changes in:				
Inventories	(465,978,738)		626,592,158	
Trade and other receivables	44,910,554		56,176,159	
Trade and other payables	(326,911,939)		(1,003,032,192)	
		(747,980,123)		(320,263,875)
Cash used in operations		**(50,956,231)**		**(100,910,718)**
Finance costs		-		3,465,074
Balance on the taxpromax accounts		(11,559)		
Payment of Tax		**(44,234,839)**		**(33,002,220)**
Net cash used in operating activities		**(95,202,629)**		**(130,447,864)**
Investing activities:				
Purchase of property, plant and equipment	-		(354,788,936)	
Net cash used in investing activities		-		**(354,788,936)**
Financing activities:				
Additional Loans during the period	-		366,514,459	
Repayment of term loan	-		(895,992,131)	
Finance costs	-		(3,456,074)	
Net cash used in financing activities		-		**(532,933,746)**
Net decrease in cash and cash equivalents		(95,202,629)		(1,018,170,546)
Cash and cash equivalents at beginning of the period:		216,388,433		1,234,558,979
Cash and cash equivalents at end of the period:		**121,185,804**		**216,388,433**
Cash and cash equivalents at end of the period:				
Cash and bank balances		121,185,803		216,379,433
		121,185,803		**216,379,433**

The accompanying notes on pages 14 to 24 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Note	Description	Page
1	Reporting entity	15
2	Basis of preparation	15
3	Significant accounting policies	16
4	Revenue	20
5	Other income/(expenses)	20
6	Prior Year Adjustments	20
7	Finance costs	20
8	Profit before taxation	20
9	Taxation	21
10	Property, plant and equipment	22
11	Intangible asset	22
12	Inventories	23
13	Trade and other receivables	23
14	Cash and cash equivalents	23
15	Share capital	24
16	Borrowings	24
17	Deferred tax liabilities / assets	24
18	Trade and other payables	25
19	Dividend	25
20	Contingent liabilities	25
21	Related parties	25
22	Subsequent events	25
23	Prior years presentation	25
24	Approval of financial statements	25

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

NOTES TO THE FINANCIAL STATEMENTS

	2025 Year Jan to Dec'25 =N=	2024 Period Mar '24 to Dec'24 =N=
4 Revenue		
Sale of reinforcing rods	11,712,246,444	7,101,092,976
Sale of electrodes	213,607,920	49,473,951
Sale of traded goods	539,256	-
	11,926,393,620	**7,150,566,927**
5 Other income/(expenses)		
5a Other income		
interest on short term dollar loan reversed	7,639,104	
Bank interest received	122,516	35,466
Sundry income	-	814,749
	7,761,620	**850,215**
5b Other (Expenses)		
Loss on foreign exchange	(25,431,813)	(53,646,344)
	(25,431,813)	**(53,646,344)**
6 Prior Year Adjustments		
FIRS-Additional Assessment 2020 to 2024 YOA	-	63,323,916
Balance on the taxpromax accounts	(11,655)	-
Police Trust Fund for 2025 Yoa	4,827	-
under provision for 2022 Yoa	4,171	-
	(2,656)	**63,323,916**
7 Finance costs		
Interest expense on borrowings	-	3,465,074
	-	**3,465,074**
8 Profit before taxation		
Profit / (loss) before taxation is stated after charging / (crediting):		
Audit Fees	7,500,000	7,500,000
Depreciation	247,797,875	186,133,934
	-	

NOTES TO THE FINANCIAL STATEMENTS

	2024 Period Jan to Dec'25 =N=	2024 Year Mar '24 to Dec'24 =N=
9 Taxation		
9a Taxation on Turnover (Minimum Tax)		
The Tax Act and Finance Act 2019 as amended in 2020 Finance Act mandate a minimum tax assessmenrt, 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 period ended 31st December,2024 and 2025 are	-	**35,757,086**
9b 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.The 2026 tax reform introduced Development levy which replaced : Education tax, IT levy and Police Trust Fund.The income tax comprises of:		
Current tax expense:		
Income tax	92,497,175	
Development Levy	27,880,849	
Tertiary education tax	-	8,480,312
Capital gains tax	-	-
	120,378,024	8,480,312
Deferred tax expense:		
Increase / (decrease) in deferred tax liabilities - PPE	42,269,834	146,447,669
	162,647,858	**154,927,981**
9c *Reconciliation of income tax expense for the year to the accounting profit as per profit or loss:*		
Profit before income tax	**449,223,361**	**96,543,139**
Income tax using statutory rate of 30%	134,767,008	(23,497,367)
Tax effects of items not deductible or chargeable for tax purposes	(134,767,008)	23,497,367
	-	-
	-	-
9d Current tax liabilities		
Balance at beginning of the year	44,237,398	33,002,220
Charge for the year	120,378,024	44,237,398
Balance on the taxpromax accounts	(11,655)	
Police Trust Fund for 2025 yoa	4,827	
Bank charges	98	
under provision for 2022 yoa	4,171	
Payment during the year	(44,234,839)	(33,002,220)
Balance at end of the year	**120,378,024**	**44,237,398**

NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment

	Leasehold land and buildings	Plant, machinery and tools	Motor vehicles	Furniture, fixtures and equipment	Total
	=N=	=N=	=N=	=N=	=N=
Cost					
As at 1st Jan 2025	152,964,151	3,717,626,686	253,435,736	35,765,306	4,159,791,879
Additions during the year	-	-	-	-	-
As at 31st December 2025	**152,964,151**	**3,717,626,686**	**253,435,736**	**35,765,306**	**4,159,791,879**
Accumulated Depreciation					
As at 1st Jan 2025	144,939,485	2,475,200,254	252,118,639	33,901,624	2,906,160,002
Charge for the period	1,744,140	245,269,982	144,996	638,757	247,797,875
As at 31st December 2025	**146,683,625**	**2,720,470,236**	**252,263,635**	**34,540,381**	**3,153,957,877**
Carrying amount					
As at 31st December 2025	**6,280,526**	**997,156,450**	**1,172,101**	**1,224,925**	**1,005,834,002**
As at 31st December 2024	8,024,666	1,242,426,432	1,317,097	1,863,682	1,253,631,877

11 Intangible asset

Cost	=N=
As at 1st Jan 2025	689,850
As at 31st December 2025	**689,850**
Accumulated amortisation	
As at 1st Jan 2025	689,840
Charge for the period	-
As at 31st December 2025	**689,840**
Carrying amount	
As at 31st December 2025	**10**
As at 31st December 2024	10

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

NOTES TO THE FINANCIAL STATEMENTS

		2025 Year Jan to Dec'25	2024 Period Mar '24 to Dec'24
12	**Inventories**	=N=	=N=
	Raw materials	540,409,648	587,952,181
	Work-in-progress	551,209,016	42,400,046
	Finished goods	88,205,576	83,493,275
		1,179,824,240	**713,845,502**
13	**Trade and other receivables**		
	Trade receivables	59,699,907	107,287,820
	Other receivables	3,055,651	1,114,269
	Prepayments	10,506,984	8,688,538
	Deposit for Cylinder	50,000	50,000
	Due From Related Company	40,942,505	40,336,186
	Due from employees	5,266,157	6,967,195
	Taxes receivable	54,080	41,829
		119,575,284	**164,485,837**

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

		2025	2024
14	**Cash and cash equivalents**		
	Cash in hand	1,930,193	2,512,739
	Bank balances	119,255,610	213,866,694
	Cash and cash equivalents per statement of cash flows	**121,185,803**	**216,379,433**

		2025 Year Jan to Dec'25 =N=	2024 Period Mar '24 to Dec'24 =N=
15	**Share capital**		
	Issued and Fully-Paid:		
	900,000,000 Ordinary Shares of =N=1.00 each	**900,000,000**	**900,000,000**
16	**Borrowings**		
	Short-term facilities:		
	Opening Balance	-	529,477,672
	Addition:	-	366,514,459
	Repayment	-	(895,992,131)
	Closing Balance	-	-
17	**Recognised deferred tax assets/(liabilities)**		
a	**Opening Balance as at 1/3/2025**		
	Property, Plant And Equipment(PPE)	(221,490,540)	(75,042,871)
		(221,490,540)	**(75,042,871)**
b	**Movement during the year(Recognition in P&L)**		
	Property, Plant And Equipment(PPE)	(42,269,834)	(146,447,669)
		(42,269,834)	**(146,447,669)**
c	**Closing Balance as at 31/12/2025 (a+b)**		
	Property, Plant And Equipment(PPE)	(263,760,374)	(221,490,540)
		(263,760,374)	**(221,490,540)**

NOTES TO THE FINANCIAL STATEMENTS

	2025 Year Jan to Dec'25	2024 Period Mar '24 to Dec'24
18 Trade and other payables	=N=	=N=
Trade payables	736,093,534	1,069,162,357
Other payables and accruals	210,365,869	204,208,985
	946,459,403	**1,273,371,342**

19 Dividend

No dividend was proposed during the period

20 Contingent liabilities

There were no Contingent Liabilities for the year ended 31st 2025 December (Period ended 31st December, 2024-Nil) that have not been adequately provided for or disclosed in the Financial Statement.

21 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.

22 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 31st December,2025.

23 Prior year Presentatation

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

24 Approval of financial statements

The financial statements for the period ended 31st December 2025 were approved by the Board of Directors on 15th May 2026.

OTHER NATIONAL INFORMATION

STATEMENT OF VALUE ADDED

	2025 Year Jan to Dec'25 =N=	%	2024 Period Mar '24 to Dec'24 =N=	%
Revenue	11,926,393,620		7,150,566,927	
Other Income	7,761,620		850,215	
	11,934,155,240		7,151,417,142	
Bought-in materials and services	(10,191,973,841)		(6,120,751,038)	
Total value added	**1,742,181,399**	100	**1,030,666,104**	100
APPLIED AS FOLLOWS:				
To Employees:				
Salaries, wages and fringe benefits	1,045,160,163	60.0	744,523,957	72.2
To Government:				
Income tax	92,497,175	5.3		
Development Levy	27,880,849	1.6		
Minimum tax	-	-	35,757,086	3.5
Education tax	-	-	8,480,312	0.8
To Providers of Finance:				
Interest on borrowings	-	-	3,465,074	0.3
Deferred tax	42,269,834	2.4	146,447,669	14.2
For Maintenance of Assets and Development:				
Depreciation	247,797,875	14.2	186,133,934	18.1
Profit/ (loss) for the year	286,575,503	16.5	(94,141,928)	(9.1)
	1,742,181,399	100	**1,030,666,104**	100

FIVE-YEARS FINANCIAL SUMMARY

	2025 Year Jan to Dec'25 =N='000	2024 Period Mar '24 to Dec'24 =N='000	2023 Year Mar '23 to Feb'24 =N='000	2022 Year Mar '22 to Feb'23 =N='000	2021 Year Mar '21 to Feb'22 =N='000
Statement of comprehensive income					
Revenue	**11,926,394**	**7,150,567**	**5,433,869**	**5,397,676**	**5,435,307**
Profit / (Loss) before taxation	449,223	96,543	(78,325)	73,903	358,114
Minimum Tax	-	(35,757)	(27,171)	(26,997)	(27,177)
Income Tax Expense	(162,648)	(154,928)	18,841	(30,905)	(147,360)
Profit / (Loss) after taxation	**286,576**	**(94,142)**	**(86,655)**	**16,000**	**183,577**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income / (loss) for the year	**286,576**	**(94,142)**	**(86,655)**	**16,000**	**183,577**
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)	182,622	(103,957)	53,509	140,163	124,163
Deferred tax liabilities	263,760	221,491	75,043	98,578	76,366
	1,359,582	**1,030,734**	**1,041,752**	**1,151,941**	**1,113,729**
Employment of funds					
Property, plant and equipment	1,005,834	1,253,632	1,084,977	1,318,320	1,592,007
Intangible asset	-	0	0	0	138
Deferred tax assets	-	-	-	-	-
Net current assets	353,748	(222,898)	(43,225)	(166,379)	(478,416)
	1,359,582	**1,030,734**	**1,041,752**	**1,151,941**	**1,113,729**
Other statistics					
Earnings / (Loss) per share (Kobo)	32	(10)	(10)	2	23
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 31ST DECEMBER 2025

SCHEDULES TO THE FINANCIAL STATEMENTS **SCH. I**

	2025 Year Jan to Dec'25		2024 Period Mar '24 to Dec'24	
COST OF SALES	=N=	=N=	=N=	=N=
Raw Materials:				
Opening Stock	587,952,181		647,086,801	
Purchases	7,015,289,526		3,355,556,100	
	7,603,241,707		4,002,642,901	
Closing Stock	(540,409,648)		(587,952,181)	
Cost of Materials Consumed		7,062,832,059		3,414,690,720
Salaries, Wages and Labour Expenses		973,979,334		700,822,904
Indirect Expenses:				
Spare Parts and Consumable Stores	208,762,184		102,296,892	
Indusrtial Safety Ware Expenses	16,459,210		4,940,500	
Diesel and Fuel	698,122,518		424,044,914	
Rent and Rates	10,547,655		14,951,442	
Electricity and Gas	2,152,058,500		1,059,938,009	
Repairs and Maintenance	135,166,898		151,557,327	
Environmental Cleaning Expenses	2,343,900		3,845,600	
Depreciation	247,014,122		185,480,806	
		3,470,474,987		1,947,055,490
		11,507,286,380		**6,062,569,114**
Adjustment for Work-In-Progress:				
Opening Stock	83,493,275		576,710,216	
Closing Stock	(551,209,016)		(83,493,275)	
		(467,715,741)		**493,216,941**
Adjustment for Finished Goods:				
Opening Stock	42,400,046		116,640,643	
Closing Stock	(88,205,576)		(42,400,046)	
		(45,805,530)		**74,240,597**
		-		**-**
		10,993,765,109		**6,630,026,652**

SCHEDULES TO THE FINANCIAL STATEMENTS

SCH. II

	2025 Year Jan to Dec'25 =N=	2024 Period Mar '24 to Dec'24 =N=
ADMINISTRATION EXPENSES		
Salaries, Wages and Staff Welfare Expenses	71,180,829	43,701,053
Insurance	28,497,693	17,608,375
Communication Expenses	3,442,077	2,151,553
Transport, Travelling and Hotel Expenses	147,166,458	111,632,876
Legal and Professional Charges	7,642,165	39,609,450
Printing and Stationery	5,395,100	2,505,250
Repairs and Maintenance	14,967,129	-
Security and Industrial Safety	43,793,680	20,193,974
Maintenance of Staff Quarters	2,404,089	1,091,110
Motor Vehicle Running Expenses	69,976,579	25,172,785
Audit Fees	7,500,000	7,500,000
Gifts, Donations and Subscriptions	963,751	1,611,401
Entertainment Expenses	20,000	39,900
Sundry Expenses	35,735,165	71,024,925
Bank Charges	25,616,356	23,240,153
Depreciation	783,753	653,128
Bad Debt	650,133	-
	465,734,957	**367,735,933**