

**Group Strategic Report, Report of Directors and
Consolidated Financial Statements as at
31st December 2022
for
J.O. STEEL HOLDINGS PLC**



Company registration number 13056973 (England and Wales)

J.O. STEEL HOLDINGS PLC

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J.O. STEEL HOLDINGS PLC

Company Information as at 31st December 2022

DIRECTORS:	Mr Javed OPGENHAFFEN Mrs Hasna OPGENHAFFEN
REGISTERED OFFICE:	20-22, Wenlock Road London England N1 7GU
REGISTERED NUMBER:	13056973 (England and Wales)
AUDITORS:	Zenith Audit Ltd Statutory auditors First floor, 18 Devonshire Row, London, EC2M 4RH

J.O. STEEL HOLDINGS PLC

Group Strategic Report for the period ended 31st December 2022

The parent company was incorporated under Articles of Association dated 2nd December 2020 under the name of J.O. Steel Holdings Ltd. and was entered on the register of Companies House of the United Kingdom on 2nd December 2020, and then it was re-registered as J.O. Steel Holdings Plc on 12th July 2021.

The parent company is an investment holding company, and the principal activity of the company is holding an interest in the subsidiary. The principal activity of its subsidiary (Saleh Steel Industries Ltd.) undertaking is the manufacturing and selling of steel products in Bangladesh. The subsidiary operates exclusively in the Bangladeshi market, focusing specifically on the production of steel bars, steel ingots and billets in various sizes and hardness grades.

Review of business

The Directors are satisfied with the results for the Company for the reporting period.

The parent company and its subsidiary ('group') generated profit for the year ended 31st December 2022. Overall, the 2022 group's revenue was GBP'000 25 866 (2021: GBP'000 23 138), profit after-tax was GBP'000 2 332 (2021: GBP'000 1 487). The group's net assets as of 31st December 2022 were positive GBP'000 14 566 (2020: GBP'000 13 688).

Principal risks and uncertainties

The group is exposed to risks associated with the operating activities of its subsidiary associated with business operations, market conditions and finances:

1. The steel industry is dependent on the global development of the economy as a whole. The decline or stagnation of the economy may have a material adverse effect on the subsidiary's growth.
2. The price of steel heavily depends on the markets for the products whose manufacturers require steel. An adverse development in these markets may have a negative impact on business performance.
3. Steel production is characterised by a high proportion of fixed production costs. The volatility in costs can have a negative effect on the business as well as the financial position. There is a risk of failing to obtain necessary financing or the cost of financing be higher than initially anticipated and thus being prevented from delivering the long-term business development plans, which may slow down the group's growth.

Financial key performance indicators

The following are the key performance indicators used:

- Revenue
- Profit after tax
- Net assets

The group management regularly monitors its performance by producing periodic management accounts.

Future developments

The group is actively reviewing activities and looking for opportunities to enhance its business by investing in new manufacturing facilities and attracting skilled labour, expanding its customer base in Bangladesh. The Directors are confident that the group will continue being profitable and will distribute dividends to its shareholders in the future.

Implications on the business arising from the disruption caused by the war in Ukraine and the Israeli-Palestinian conflict

Although the war in Ukraine and the Israeli-Palestinian conflict have a disruptive impact on the global supply chain, demand and economy, Directors do not expect any material impact on J.O. Steel Holdings Plc business.

In addition, the Directors have forecast that the group's business has sufficient funds available to settle its current and non-current liabilities, maintain its planned capital spend over the next 12 months from the date of signing these accounts.

J.O. STEEL HOLDINGS PLC

On behalf of the Board:



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Mr Javed OPGENHAFFEN - Director

Date: 26/10/2023
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J.O. STEEL HOLDINGS PLC

Report of the Directors for the period ended 31st December 2022

The Directors present their report with the consolidated financial statements of the group for the year ended 31st December 2022. The consolidated financial statements comprise the financial statements of J.O. Steel Holdings Plc ('the parent company') and its subsidiary undertaking Saleh Steel Industries Limited (together - 'the group').

Dividends

No dividends will be distributed for the year ended 31st December 2022 (for the period ended 31st December 2021: nil).

Director

Javed Opgenhaffen held office from 2nd December 2020, and Hasna Opgenhaffen held office from 21st June 2021, both until the date of issue of this report.

Directors' responsibility statement

The Directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards adopted in the UK and applicable UK Company law. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the parent company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards adopted in the UK have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable him to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and they have taken all the steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

The current auditors are Zenith Audit Ltd. They will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board:



.....
Mr Javed OPGENHAFFEN - Director

26/10/2023
Date:

J.O. STEEL HOLDINGS PLC

Report of the Independent Auditors

Report of the Independent Auditors to the Members of J.O. Steel Holdings Plc

Opinion

We have audited the financial statements of J.O. Steel Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, Company Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by European Union (EU).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2022 and the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union (EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information, and except to the extent otherwise explicitly stated in our report, 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. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the period for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

J.O. STEEL HOLDINGS PLC

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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 intends 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 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We performed risk assessment procedures and obtained an understanding of the group, parent company and its environment, the applicable financial reporting framework, the applicable laws and regulations, the group, parent company system of internal control and the fraud risk factors relevant to the group, parent company that affect the susceptibility of assertions to material misstatement due to fraud. We made enquiries with management regarding actual or suspected fraud, non-compliance with laws and regulations, potential litigation and claims. The engagement partner led a discussion among the audit team with particular emphasis on how and where the group, parent company financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. The engagement partner assessed that the engagement team collectively had the appropriate competence and capability to identify or recognise non-compliance with laws and regulations.

We considered compliance with UK Companies Act 2006 and the applicable tax legislation as the key laws and regulations in which non-compliance could directly lead to material misstatement due to fraud at the financial statement level.

We evaluated whether the selection and application of accounting policies by the group and parent company may be indicative of fraudulent financial reporting. Our audit procedures responsive to assessed risks of material misstatement due to fraud at the assertion level included but were not limited to:

- Testing the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.
- Selecting and testing journal entries and other adjustments made at the end of a reporting period and throughout the period.
- Reviewing accounting estimates for biases that could represent a risk of material misstatement due to fraud.


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Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements due to irregularities, including fraud, may not be detected, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as they may involve collusion, forgery, intentional omissions, override of internal controls, or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Filip Lyapov (Senior Statutory Auditor)
for and on behalf of Zenith Audit Ltd
Statutory Auditors
18 Devonshire Row
London, EC2M 4RH

Date: 26-10-2023 | 17:00 BST
Date:

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Consolidated Statement of Comprehensive Income for the year ended 31st December 2022

	Note	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Revenue	5	25 866	23 138
Cost of sales	6	(21 089)	(18 287)
Gross profit		4 777	4 851
Administrative expenses	7	(612)	(698)
Distribution expenses	8	(130)	(117)
Exchange differences		60	2
Operating profit before tax		4 095	4 038
Finance income	9	189	170
Finance expenses	9	(781)	(1 707)
Profit/(loss) before WPPF and provision for income tax		3 503	2 501
Contribution to WPPF and welfare fund		(165)	(142)
Profit/(loss) before income tax		3 338	2 359
Income tax expenses	10	(1 006)	(872)
Profit for the year		2 332	1 487
Other comprehensive income for the year			
Translation differences		(1 454)	(25)
Discounting of interest free long-term loan from related party		-	(3 189)
Deferred income tax effect		-	1 165
Other comprehensive income for the year, net of tax		(1 454)	(2 049)
Total comprehensive income for the year		878	(562)
Profit attributable to:			
Equity holders of the parent		2 181	1 381
Non-controlling interests		151	106
		2 332	1 487
Total comprehensive income attributable to:			
Equity holders of the parent		822	(537)
Non-controlling interests		56	(25)
		878	(562)
Earnings per share	11	0.00007	0.00004

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Company Statement of Comprehensive Income for the year ended 31st December 2022

	Note	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Administrative expenses	7	(46)	(152)
Exchange differences		60	2
Operating profit before tax		14	(150)
Finance income		-	1
Finance expenses		(2)	(2)
Profit/(loss) before income tax		12	(151)
Income tax expenses		-	-
Profit/(loss) for the year		12	(151)
<i>Items that will not be reclassified to profit or loss</i>			
Other comprehensive income for the year			
Changes in the fair value of investment in subsidiary at fair value through other comprehensive income	23	5 145	495
Income tax relating to these items	23	(978)	(94)
Other comprehensive income for the year, net of tax		4 167	401
Total comprehensive income for the year		4 179	250

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Consolidated Balance Sheet 31st December 2022

	Note	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Assets			
Non-current assets			
Property, plant and equipment	12	6 059	6 669
Deferred tax assets	19	88	110
Other non-current assets	13	62	67
Long-term investments	14	2 922	170
Total non-current assets		9 131	7 016
Current assets			
Inventories	15	6 127	6 863
Trade and other accounts receivable	16	6 546	6 416
Short-term investments	14	3 297	3 477
Cash and cash equivalents	17	967	4 141
Total current assets		16 937	20 897
Total assets		26 068	27 913
Equity and liabilities			
Equity			
Share capital	22	30 930	30 930
Other reserve	22	(30 880)	(30 880)
Translation differences		(1 564)	(205)
Retained earnings		15 132	12 951
		13 618	12 796
Non-controlling interests		948	892
Total equity		14 566	13 688
Non-current liabilities			
Loans and borrowings	18	5 342	7 998
Total non-current liabilities		5 342	7 998
Current liabilities			
Loans and borrowings	18	4 871	4 794
Trade and other accounts payable		294	492
Current income tax liabilities		845	798
Provisions	20	150	143
Total current liabilities		6 160	6 227
Total equity and liabilities		26 068	27 913

The financial statements were approved by the Director and authorised for issue and were signed by

.....
Mr Javed OPGANHAFFEN - Director

26/10/2023
Date:

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Company Balance Sheet 31st December 2022

	Note	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Assets			
Non-current assets			
Investments in subsidiaries	21	46 127	40 982
Total non-current assets		46 127	40 982
Current assets			
Unpaid capital	16	-	5
Cash and cash equivalents		2	2
Total current assets		2	7
Total assets		46 129	40 989
Equity and liabilities			
Equity			
Share capital	22	30 930	30 930
Fair value reserve through OCI, net of tax	23	11 703	1 669
Retained earnings		(139)	(151)
Total equity		42 494	32 448
Non-current liabilities			
Deferred tax liabilities		2 746	7 635
Total non-current liabilities		2 746	7 635
Current liabilities			
Loans and borrowings	18	75	73
Trade and other accounts payable	24	814	833
Total current liabilities		889	906
Total equity and liabilities		46 129	40 989

The financial statements were approved by the Director and authorised for issue and were signed by

.....
Mr Javed OPGENHAFFEN - Director

Date: 26/10/2023
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The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Consolidated Statement of Changes in Equity for the year ended 31st December 2022

Note	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Other reserve	Additional reserve	Translation differences	Retained earnings		
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Balance at 1st January 2021	1	-	2 262	(180)	11 198	13 281	14 201
Profit for the period	-	-	-	-	1 381	1 381	1 487
Other comprehensive income	-	-	-	(25)	-	(25)	(25)
Discounting of interest free long-term loan from related party	-	-	(3 189)	-	-	(3 189)	(3 189)
Deferred income tax effect	-	-	1 165	-	-	1 165	1 165
Total comprehensive income for the period	-	-	(204)	(25)	1 381	(668)	(562)
Transactions with owners:							
Issue of share capital	30 929	(30 880)	-	-	-	49	49
Transfer of unwinded discount to retained earnings	-	-	(238)	-	372	134	-
Balance at 31st December 2021	30 930	(30 880)	-	(205)	12 951	12 796	13 688
Balance at 1st January 2022	30 930	(30 880)	-	(205)	12 951	12 796	13 688
Profit for the period	-	-	-	-	2 181	2 181	2 332
Other comprehensive income	-	-	-	(1 359)	-	(1 359)	(1 454)
Total comprehensive income for the period	-	-	-	(1 359)	2 181	822	878
Balance at 31st December 2022	30 930	(30 880)	-	(1 564)	15 132	13 618	14 566

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Company Statement of Changes in Equity For the year ended 31st December 2022

Note	Share capital GBP'000	Fair value reserve GBP'000	Retained earnings GBP'000	Total equity GBP'000
Balance at 1st January 2021	1	32 148	-	32 149
Profit for the period	-	-	(151)	(151)
Other comprehensive income	-	401	-	401
Total comprehensive income for the period	-	401	(151)	250
Transactions with owners:				
Issue of share capital	30 929	(30 880)	-	49
Balance at 31st December 2021	30 930	1 669	(151)	32 448
Balance at 1st January 2022	30 930	1 669	(151)	32 448
Profit for the period	-	-	12	12
Deferred tax liability reversal of revaluation reserve transfer	-	5 867	-	5 867
Other comprehensive income	-	4 167	-	4 167
Total comprehensive income for the period	-	10 034	12	10 046
Balance at 31st December 2022	30 930	11 703	(139)	42 494

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Consolidated Cash Flow Statement for the year ended 31st December 2022

	Note	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Operating activities			
Profit before tax		3 338	2 359
Adjustments for:			
Depreciation of property, plant and equipment	12	277	273
Unwinding of discount	9	-	344
Contribution to WPPF and welfare fund	20	165	142
Interest expense	9	773	1 362
Exchange difference		(60)	2
Total adjusted profit for the year		4 493	4 482
(Increase) in trade and other current receivables		(749)	(550)
(Increase) in inventory		167	(157)
Increase in trade and other payables		(328)	159
Cash flows from operations		3 583	3 934
Interest paid		(586)	(3 015)
Income tax (paid)		(866)	(781)
Net cash from operating activities		2 131	138
Investing activities:			
Payment for purchase of property, plant and equipment	12	(229)	(265)
Increase in long-term investments		(3 045)	(2)
Increase in short-term investments		(128)	(77)
Loans granted to related party		-	(193)
Net cash (used in) investing activities		(3 402)	(537)
Financing activities:			
Proceeds from issue of share capital		-	45
Proceeds from bank loans	18	14 768	14 907
Repayment of bank loans	18	(16 601)	(4 335)
Proceeds from related party loans		-	354
Repayment of related party loans		-	(10 201)
Net cash from financing activities		(1 833)	770
Net increase in cash and cash equivalents		(3 104)	371
Effect from translation into presentation currency		(70)	(7)
At beginning of the year	17	4 141	3 777
At end of the year	17	967	4 141

The notes on pages 18 to 45 are an integral part of these financial statements.

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J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Company Cash Flow Statement For the year ended 31st December 2022

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Operating activities:		
Profit/(loss) before tax	12	(151)
Adjustments for:		
Interest expense	2	2
Interest income	-	(1)
Exchange difference	(60)	2
Changes in working capital	-	-
Increase in trade and other payables	46	34
Income tax (paid)	-	-
Net cash used in operating activities	-	(114)
Investing activities:		
Loans granted to related party	-	(193)
Net cash used in investing activities	-	(193)
Financing activities:		
Proceeds from issue of share capital	-	45
Proceeds from loans	-	353
Repayments of loans	-	(89)
Net cash from financing activities	-	309
Net increase in cash and cash equivalents	-	2
Cash and cash equivalents:		
At beginning of the year	2	-
At end of the year	2	2

The notes on pages 18 to 45 are an integral part of these financial statements.

J.O. STEEL HOLDINGS PLC

J.O. Steel Holdings Plc (Registered number: 13056973 England and Wales)

Notes to the Consolidated Financial Statements as at 31st December 2022

1. CORPORATE INFORMATION

The parent company was incorporated under Articles of Association dated 2nd December 2020 under the name of J.O. Steel Holdings Ltd. and was entered on the register of Companies House of the United Kingdom on 2nd December 2020, and then it was re-registered as J.O. Steel Holdings Plc on 12th July 2021. On 6th December 2020, the parent company subscribed 935,000 shares for a nominal amount of 100 TK each share, which equals 93.5% in shareholdings of Saleh Steel Industries Ltd, which was the day of group incorporation.

The production facilities of the group are located at 85/R & 86/R Nasirabad Industrial Area, Chittgong, Bangladesh.

The beneficial owner of the group is Mr Javed Opgenhaffen.

Principal activities

The principal activities of the group are manufacturing, and sales of metal steel deformed bar of various grades (300w/40 grade, 400w/60 grade and 500w/TMT), metal steel billet, ingot, angles, channels, tees and metal steel structures.

Group structure

The group consists of the parent company and its directly owned subsidiary. Information on the group structure is provided in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation

The consolidated financial statements of the parent company and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK with requirements of the Companies Act 2006 (the Act). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as adopted by European Union (EU).

The consolidated financial statements have been prepared on an accruals basis and under the historical cost convention, except where indicated otherwise.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Consolidated Cash Flow Statement and Notes to the Consolidated Financial Statements.

The principal accounting policies adopted by the Group in the preparation of the financial statements are set below. The policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements are presented in British pounds (GBP) rounded to the nearest thousand.

Adoption of new or revised standards and interpretations

New Standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the group's financial results or position.

Standards, amendments and Interpretations to existing Standards that are not yet effective

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the group and no

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Interpretations have been issued that are applicable and need to be taken into consideration by the group at either reporting date.

The management of the group is convinced that all changes to the standards will be included in the group's accounting policies as soon as new changes take effect. Information on new standards and any changes or interpretations that are expected to affect the group's financial statements are as follows. Some other new standards and interpretations have also been issued, but they are not expected to have a material impact on the group's financial statements.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the group's consolidated financial statements.

Going concern

These consolidated financial statements have been prepared under the assumption the group operates on a going concern basis, which assumes the group will be able to discharge its liabilities as they fall due.

In confirming the validity of the going concern basis of preparation, the group has considered the following specific factors:

- the group reported a profit of GBP'000 2 332 for the year 2022 and had an excess of current assets over current liabilities of GBP'000 10 777;
- the group generated positive operating cash flows of GBP'000 2 131 in the current period
- as disclosed in Note 29, liquidity needs of the group are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout periods, which is typically 12 months from the date of authorisation of these financial statements
- management prepares an annual budget and longer-term strategic plan, including an assessment of cash flow requirements, and continues to monitor actual performance against budget and plan throughout the reporting period.

Although the war in Ukraine and the Israeli-Palestinian conflict had a disruptive impact on the global supply chain and economy, Directors do not expect any material impact on the group's business in the near future. The group's Directors have assessed the ability of the group to continue as a going concern.

Based on these factors, management has a reasonable expectation that the group has and will have adequate resources to continue in operational existence for the foreseeable future.

Business of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is measured at its acquisition date fair value, and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in the equity of the parent in transactions where the non-controlling interest is acquired or sold without a loss of control. The Group has elected to recognise this effect in retained earnings.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised in the non-controlling interest over the fair value of identifiable assets, liabilities, and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of the consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Business combinations under common control

IFRS provides no guidance on the accounting for common control transactions but requires that entities develop an accounting policy for them [IAS 8.10]. The two methods most commonly chosen for accounting for business combinations between entities under common control are (1) the acquisition method and (2) the predecessor values method. Once a method has been adopted it should be applied consistently as a matter of accounting policy. Neither IFRS 3 nor any other IFRS require or prohibit the application of either method to business combinations involving entities under common control.

The group elected to apply the predecessor values method for transactions under common control. The principles of predecessor accounting are:

- No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor-carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. This is because the transaction is under the control of that entity, and it is a portion of the controlling entity that is being moved around in the transaction. In some cases, the controlling party, that is, the party that controls both combining businesses, may not prepare consolidated financial statements. This can occur, for example, because it is not a parent company. In such situations, the book values used are those from the highest set of consolidated financial statements available. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.
- No new goodwill arises in predecessor accounting. The combining entities are looked at from the perspective of a transfer made by the controlling party. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that

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recorded by the controlling party in relation to the acquiree can therefore arise. Predecessor accounting may lead to differences in consolidation. For example, there may be a difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

The group incorporated the acquired entity's results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entities for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

Foreign currencies

These consolidated financial statements are presented in GBP (£), which is the group's presentation currency.

The functional currency of the Bangladeshi company is the Bangladesh Taka ("BDT"), the functional currency of the England company (the Parent) is the Great Britain Pound sterling ("GBP"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising in the settlement or translation of monetary items are recognised in profit and loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The relevant exchange rates were:

Currency	Closing rate as of 31 December 2022	Average for 2022	Closing rate as of 31 December 2021	Average for 2021	Closing rate as of 31 December 2020
GBP/BDT	126.74	115.15	115.93	117.02	115.57

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GBP (£) at the rate of exchange prevailing at the reporting date, and their income statements are translated at average exchange rates prevailing during the period. The exchange differences arising from translation for consolidation are recognised in other comprehensive income.

Investments into subsidiaries

Investments in subsidiaries in the Company's stand-alone financial statements are measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9. Investments are measured at fair value, with changes in fair value recognised in other comprehensive income rather than profit or loss.

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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in liabilities.

Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows, and those cash flows represent SPPI (solely payments of principal and interest), and (ii) they are not designated at FVTPL (fair value through profit or loss).

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

Asset Category	Depreciation Rate %
Land	-
Building/ Factory Shed	5
Plant & Equipment	5
Furniture & Fixture	15
Vehicles & Transport	5
Computer & Computer Accessories	20
Electric Installation	5
Steel Casting Furnace	5
Overhead Crane	5
Electric Equipment	5

Leasehold improvements are amortised utilising the straight-line method over the shorter of the expected lease term or the estimated useful life of the improvements.

The useful life and depreciation method of an asset are reviewed at least each year-end, and any changes are accounted for prospectively as a change in the accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Borrowing costs

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discount or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Finance costs

Interest expenses are charged to profit or loss as incurred.

Financial assets

Financial assets - Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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The classification and subsequent measurement of debt financial assets depend on: (i) the company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL, except for trade and other receivables.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price, which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets - impairment - credit loss allowance for expected credit losses (ECL)

The company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss, and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

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For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the company applies a general approach - a three-stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2, and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit-impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally, the Company has decided to use the low credit risk assessment exemption for investment-grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

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Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities - Modifications

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Inventories

Inventories are measured at a lower of cost and estimated net realisable value (NRV). The cost of inventories is measured by using the weighted average cost formula and includes expenditure incurred for acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Inventories consist of raw materials, finished goods and other spare parts.

Impairment

The carrying amounts of the group's assets, other than inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in profit or loss.

Recoverable amount is the higher of fair value less costs to sell and value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly

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attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Share capital and share premium are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

Additional paid-in capital

Additional paid-in capital relates to an equity instrument, which is any contract that provides an interest in the group's equity. Equity instruments issued by the group are recorded at the proceeds received, net of any direct issue costs.

Employee benefits

The group provides the following compensations and benefits to its employees:

- Wages, Salaries and no Social Security Contributions
- Festival Bonus - the Company gives two festival bonuses to its permanent employees in a year
- Workers' profit participation fund (WPPF) and welfare fund.

Worker's Profit Participation Fund

The group operates a fund for workers as "Workers' Profit Participation Fund", and 5% of the profit before charging such expense has been transferred to this fund as per section 234 of the Bangladesh Labour Act 2006 (amended in 2013).

The group recognises a contribution to the WPPF and welfare fund as an expense when an employee has rendered services in exchange for the contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the funds.

Provisions

A provision is recognised in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is probable that an outflow of resources embodying economic benefits is required to settle the obligation, the provisions are reversed.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Foreign currency

Foreign currency transactions are translated at the rates of exchange applicable at the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date.

Revenue from contracts with customers

Revenue arises mainly from the sales of metal steel deformed bars of various grades, metal steel billet, ingot, angles, channels, tees and metal steel structures.

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To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when/as a performance obligation(s) is satisfied.

The group typically enters into customer contracts to supply a single order of steel metal products. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable (very rarely if any) the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time when the group satisfies performance obligations by transferring the promised goods to its customers at the point of sale. If any the group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The group does not provide a warranty or any after-sale services for its products, although the products meet the requirements of the relevant standards and specifications, and are being tested before shipping to customers.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss.

(i) Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. Income tax expense comprises current and deferred tax. It is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income tax, if any. Current tax assets/liabilities are offset if certain criteria are met. It is measured using tax rates enacted or substantively enacted at the reporting period. The applicable corporate tax rate for the parent company is currently 19%. The applicable corporate tax rate for the subsidiary is currently 30 %

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Finance income and expenses

Finance income comprises interest on financial deposits with banks. Finance income is recognised on an accrual basis and shows an understatement of profit or loss and other comprehensive income. Finance costs comprise interest expenses on overdrafts, loans and borrowings interest.

Critical accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical accounting estimates and assumptions

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The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

The useful life of property, plant and equipment

Property, plant and equipment owned by the group are depreciated over their useful lives, calculated in accordance with the group's business plans and operating calculations for these assets.

The expected useful life of non-current assets is affected by the rate of operation of assets, changes in legislation, unforeseen operating circumstances. The group's management periodically reviews the useful life. This analysis is based on the current technical condition of the assets and the expected period in which they generate economic benefits for the group.

Any of the above factors may affect the future amount of depreciation, as well as the carrying amount and residual value of fixed assets.

Inventory

Inventories are valued at less than two values: cost and net realisable value. Net realisable value is the pre-estimated selling price in the ordinary course of business minus the pre-estimated completion costs and pre-estimated costs necessary for the sale.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Deferred tax assets

The group assesses the recoverability of deferred tax assets based on future taxable income projections, which are inherently uncertain and may be subject to changes over time.

Judgment is required to assess the impact of such changes on the measurement of these assets and the time frame for their utilization. In addition, the group applies judgment to recognise income tax liabilities when they are probable and can be reasonably estimated depending on the interpretation, which may be uncertain, of applicable tax laws and regulations. The management periodically reviews its estimates to reflect changes in facts and circumstances.

Also the estimates and assumptions that have a significant risk of causing a material adjustment for the parent company to the carrying amounts of assets and liabilities within the next financial year are discussed below, see Note 20.

3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the group represent one segment, as they are treated as such when evaluating performance.

4. GROUP INFORMATION

The consolidated financial statements of the group include

Name	Principal activities	Country of incorporation	% Equity interest
SALEH STEEL INDUSTRIES LIMITED	Steel production	Bangladesh	93.5

On 6th December 2020, the parent company subscribed 935.000 shares for a nominal amount of 100 TK each share, which equals 93.5% in shareholdings of Saleh Steel Industries Ltd.

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Business combination under common control

The group

The group elected to apply the predecessor values method for transactions under common control. No assets or liabilities were restated to their fair values. Instead, the group incorporated predecessor-carrying values.

Business acquisition

In the middle of 2020 S. S. Steel Limited the company owned and controlled by Javed Opgenhaffen acquired 99% of Saleh Steel Industries Ltd. Another 1% was acquired by Javed Opgenhaffen (0.5%) and Hasna Opgenhaffen (0.5%), directly.

On 2nd December 2020, J.O. Steel Holding Ltd. was incorporated as an investment holding company by Mr. Javed Opgenhaffen (92% ownership and control) and Topfield Inc. Limited (8% ownership).

On 6th December 2020, J.O. Steel Holding Ltd. has subscribed 935,000 shares for a nominal amount of 100 TK (Bangladeshi taka) each share, which equals 93.5% in shareholdings of Saleh Steel Industries Ltd. for £798,490. J.O. Steel Holding Ltd has elected to measure the investment in the subsidiary at fair value through other comprehensive income (FVOCI). The fair value of the subsidiary has been estimated by applying a discounted earnings technique and equals £40,486,899 as of 31st December 2020, and the change in fair value recognised in OCI equals £39,688,409. Deferred tax liability is recognised in respect of temporary differences due to fair value revaluation of investment in subsidiary recognised through other comprehensive income in the amount of £7,540,798 as of 31st December 2020.

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5. REVENUE

Group	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Revenue	25 866	23 138
Total	25 866	23 138

The group generates revenue through the sales of metal steel products exclusively in the Bangladeshi market.

6. COST OF SALES

Group	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Raw materials	(16 984)	(15 545)
Electricity	(3 088)	(1 839)
Labour costs	(591)	(534)
Amortisation and depreciation	(233)	(229)
Gas	(140)	(94)
Repair and maintenance	(36)	(33)
Carrying inwards	(17)	(13)
	(21 089)	(18 287)

7. ADMINISTRATIVE EXPENSES

Group	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Payroll and payroll related costs	(337)	(329)
Audit, legal and other professional fees	(50)	(156)
Repair and maintenance	(50)	(46)
Depreciation	(44)	(44)
Business trips	(41)	(39)
Taxes other than income tax	(19)	(18)
Office maintenance	(17)	(16)
Materials and fuel	(16)	(15)
Other expenses	(38)	(35)
	(612)	(698)

Company

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Audit services	(46)	(55)
IPO advisory	-	(57)
Accounting services	-	(34)
Consulting services	-	(3)
Share registration	-	(3)
	(46)	(152)

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The group incurred a statutory audit fee of GBP'000 46 (including VAT) for the 2022 financial statements audit, for the financial statement for the 2021 statutory audit fee of GBP'000 55 (including VAT).

8. DISTRIBUTION EXPENSES

Group

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Marketing, advertising and business promotion expense	(58)	(51)
Payroll and payroll-related costs	(37)	(34)
Carrying outward	(20)	(18)
Commission and incentive expenses	(15)	(14)
	(130)	(117)

9. FINANCE INCOME/(EXPENSES)

Group

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Interest on deposits	189	170
Total finance income	189	170
Interest on bank borrowings	(773)	(1 362)
Unwinding of discount	-	(344)
Bank commissions and other charges	(8)	(1)
Total finance expenses	(781)	(1 707)
Total finance (expenses)/income, net	(592)	(1 537)

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10. INCOME TAX EXPENSES

Group

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Current tax expense	(992)	(851)
Deferred tax expense/(credit)	(14)	(21)
Tax expense for the period	(1 006)	(872)

The tax on the group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Profit before tax	3 338	2 359
Income tax, taxable at the rate of 30.0%	(998)	(753)
Income tax, taxable at the rate of 19.0%	(2)	29
Tax effect of non-deductible expenses	(6)	(148)
Actual tax expense	(1 006)	(872)

11. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Profit attributable to ordinary equity holders, GBP'000	2 181	1 381
Weighted average number of shares outstanding	30 929 568	30 929 568
Basic and diluted earnings per share (GBP'000 per share)	0.00007	0.00004

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the period multiplied by a time weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they were issued at the start of the year and presented as comparative figures.

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year

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12. PROPERTY, PLANT AND EQUIPMENT

Group

	Land	Buildings and Constructions	Plant and equipment	Overhead Crane	Electric Installation and equipment	Steel Casting Furnace	Vehicles	Other fixed assets	Total
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Cost									
At 1st January 2021	1 463	701	4 869	931	687	616	125	51	9 443
Acquisitions	-	45	206	-	-	-	-	14	265
Disposals	-	-	-	-	-	-	-	-	-
Exchange differences	(5)	(2)	(14)	(3)	(2)	(2)	(1)	(1)	(30)
At 31st December 2021	1 458	744	5 061	928	685	614	124	64	9 678
Acquisitions	-	-	225	-	4	-	-	-	229
Disposals	-	-	-	-	-	-	-	-	-
Exchange differences	(124)	(63)	(452)	(79)	(59)	(52)	(10)	(5)	(844)
At 31st December 2022	1 334	681	4 834	849	630	562	114	59	9 063
Accumulated depreciation									
At 1st January 2021	-	376	1 832	157	145	125	67	40	2 742
Charge for the year	-	18	160	38	27	24	3	3	273
Disposals	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	(4)	(1)	-	-	-	(1)	(6)
At 31st December 2021	-	394	1 988	194	172	149	70	42	3 009
Charge for the year	-	18	166	37	26	23	3	4	277
Disposals	-	-	-	-	-	-	-	-	-
Exchange differences	-	(36)	(185)	(19)	(17)	(14)	(7)	(4)	(282)
At 31st December 2022	-	376	1 969	212	181	158	66	42	3 004
Net book amount:									
At 31st December 2021	1 458	350	3 073	734	513	465	54	22	6 669
At 31st December 2022	1 334	305	2 865	637	449	404	48	17	6 059

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13. OTHER NON-CURRENT ASSETS

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Security deposits	62	67
	62	67

14. INVESTMENTS

	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Long-term investments		
Fixed Deposit Receipt (FDR)	2 922	170
	2 922	170
Short-term investments		
Fixed Deposit Receipt (FDR)	3 297	3 477
	3 297	3 477

Fixed Deposit Receipt (FDR) is a deposit in banks of fixed amount for a fixed period at a fixed rate of interest. The defining criteria for a fixed deposits are that the money cannot be withdrawn before maturity, otherwise, interest has not been received, but only the original sum of money which was deposited.

The group has FDR accounts in banks with high ratings, such as AA1 in the long term and ST-1 in the short-term along with a stable outlook.

15. INVENTORIES

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Raw materials	2 452	2 804
Finished goods	2 086	2 303
Others spare parts	1 589	1 756
Total	6 127	6 863

16. TRADE AND OTHER ACCOUNTS RECEIVABLE

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Trade receivables, gross	5 812	5 264
Allowance for credit losses	(20)	(22)
Trade receivables	5 792	5 242
Unpaid capital	-	5
Other accounts receivable	4	-
Financial assets	5 796	5 247
Advances to suppliers of raw materials	750	690
Advances to other suppliers	-	451
Other assets	-	28
Non-financial assets	750	1 169
Total trade and other receivables	6 546	6 416

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All balances are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The Group's trade receivables are not due, except for those bad debt reserve was created, therefore, and the recoverability risk is considered low.

Movement of allowance for credit losses:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
At 1st January	22	22
Accrued	-	-
Utilised	-	-
Exchange differences	(2)	-
At 31st December	20	22

17. CASH AND CASH EQUIVALENTS

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Cash in hand	59	51
Cash at bank	513	3 402
Fixed Deposit Receipt (FDR)	395	688
Total	967	4 141

18. LOANS AND BORROWINGS

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Non-current		
Secured bank loans	5 342	7 925
Unsecured loan from a related party	-	73
	5 342	7 998
Current		
Current portion of non-current secured bank loans	1 139	471
Secured bank loans	3 247	4 058
Unsecured loan from a related party	75	-
	4 461	4 529
Interest on loans and borrowings	410	265
	410	265
Total	10 213	12 792

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Changes in principal amount of bank loans:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
At 1st January	12 454	1 788
Proceeds for the year	14 768	14 907
Repayment for the year	(16 601)	(4 335)
Exchange differences	(893)	94
At 31st December	9 728	12 454

Changes in interest accrued:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
At 1st January	265	1 942
Accrued for the year	771	1 360
Paid for the year	(586)	(3 015)
Exchange differences	(40)	(22)
At 31st December	410	265

Maturity of non-current borrowings:

	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Between one to two years	1 465	2 715
Between two and five years	3 877	5 283
	5 342	7 998

The weighted average effective interest rate at all reporting dates for all loans was 9% in 2022 (2021: 9%)

Pledged assets

The bank loans as at 31 December 2022 and 31 December 2021 were secured as follows:

- All group's non-current and current assets
- Personal guarantee of the Directors of the group.

Unsecured loan from a related party

As at 31st December 2022, a short-term unsecured loan from the related party includes a loan from the beneficial owner GBP'000 75 (31st December 2021: GBP'000 73).

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19. DEFERRED TAX

Deferred tax is calculated in full on all temporary differences using the applicable tax rates. The applicable corporate tax rate in the UK is 19%. The applicable corporate tax rate in Bangladesh is 30%.

Group

The movement on the deferred taxation account for the year ended 31st December 2022 is as follows:

	1 st January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Effect from translation into presentation currency	31 st December 2022
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Deferred tax liabilities/(assets)					
Property, plant and equipment	(110)	14	-	8	(88)
Deferred tax (assets)	(110)	14	-	8	(88)
Deferred tax liabilities	-	-	-	-	-

The movement on the deferred taxation account for the period ended 31st December 2021 is as follows:

	1 st January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Effect from translation into presentation currency	31 st December 2021
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Deferred tax liabilities/(assets)					
Property, plant and equipment	(116)	6	-	-	(110)
Loans and borrowings	1 149	15	(1 150)	(14)	-
	1 033	21	(1 150)	(14)	(110)
Deferred tax (assets)	(116)	6	-	-	(110)
Deferred tax liabilities	1 149	15	(1 150)	(14)	-

Company

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
At 1st January	7 635	7 541
	-	-
Reversal due to reclassification from revaluation reserves to share capital	(5 867)	-
Additional tax on revaluation increase	978	94
At 31st December	2 746	7 635

Deferred tax liability has been recognised in respect of temporary differences due to fair value revaluation of investment in subsidiary recognised through other comprehensive income.

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20. PROVISIONS

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Contribution to workers profit participation fund (WPPF)	150	143
Total	150	143

Movements in provision for Workers Profit Participation Fund (WPPF) and Welfare Fund:

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
At 1st January	143	120
Arising during the year	165	142
Utilised	(144)	(118)
Exchange differences	(14)	(1)
At 31st December	150	143

21. INVESTMENT IN SUBSIDIARY

Company	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Balance at 1st January	40 982	40 487
Additions	-	-
Change in fair value recognised in OCI	5 145	495
Balance at 31st December	46 127	40 982

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Holding %	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Saleh Steel Industries Ltd	Bangladesh	Steel production	93.5	46 127	40 982

On 6th December 2020, the Company subscribed 935,000 shares for a nominal amount of 100 TK each share, which equals 93.5% in shareholdings of Saleh Steel Industries Ltd and is due to pay GBP'000 729 as of 31st December 2022 (31st December 2021: GBP'000 794).

The net profit of Saleh Steel Industries Ltd. for 2022 was GBP'000 2 321 (2021: GBP'000 1 638), share capital as of 31st December 2022 was GBP'000 863 (31st December 2021: GBP'000 863), and Retained Earnings GBP'000 16 316 (31st December 2021: GBP'000 13 995).

The Company has elected to measure the investment in the subsidiary at fair value through other comprehensive income (FVOCI).

The fair value was based on an independent valuation report. The fair value of the subsidiary has been estimated by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market.

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The fair value estimate is based on key assumptions:

- The compound annual growth rate (CARG) for revenue between 2022 and 2026 is expected to be 13% (between 2021 and 2025 was expected to be 11%).
- An assumed discount rate of 13,7% is calculated based on the capital assets pricing model (2021: 9,5%).
- A terminal value, calculated based on long-term sustainable growth rates for the industry of 3,5%, has been used to determine income for future years (2021: 3,5%).

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31st December 2022 and 31st December 2021 shown below:

Sensitivity analysis and impact on profit or loss and equity for the year ended 31st December 2022:

Significant unobservable inputs		Profit or loss		Other comprehensive income (net of tax)	
		Increase GBP'000	Decrease GBP'000	Increase GBP'000	Decrease GBP'000
Revenue annual growth rate*	15%	-	-	1 459	-
	11%	-	-	-	(1 333)
Discount rate*	14,7%	-	-	-	(4 695)
	12,7%	-	-	5 782	-
Long-term growth rate*	4%	-	-	1 499	-
	3%	-	-	-	(1 359)

Sensitivity analysis and impact on profit or loss and equity for the period ended 31st December 2021:

Significant unobservable inputs		Profit or loss		Other comprehensive income (net of tax)	
		Increase GBP'000	Decrease GBP'000	Increase GBP'000	Decrease GBP'000
Revenue annual growth rate*	13%	-	-	1 820	-
	9%	-	-	-	(1 693)
Discount rate*	10,5%	-	-	-	(4 931)
	8,5%	-	-	7 113	-
Long-term growth rate*	4%	-	-	1 586	-
	3%	-	-	-	(1 343)

* Holding all other variables constant

In relation to the fair valuation of the investment in the subsidiary, the parent company is exposed to market risk. The market is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and liquidity risk.

Interest risk

The parent company is exposed to the risk of changes in market interest rates related primarily to the impact on the estimate of the discount rate used for the valuation of the investment in the subsidiary.

The parent company estimates that in current market conditions, there may be fluctuations in the interest rates in Bangladesh, a country of the subsidiary's operations. However, the Bangladesh government is expected to maintain the base rates unchanged for the foreseeable future. If there is a base rate change due to a higher level of inflation, such changes are expected to be insignificant.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the investment in the subsidiary will fluctuate because of changes in foreign exchange rates. The parent's exposure to the risk of changes in foreign exchange rates relates primarily to the subsidiary's operating activities when revenue or expense is denominated in Bangladeshi taka. In recent years, the exchange rate of the Bangladeshi Taka against foreign currencies has shown a trend of depreciation. However, it is anticipated that this trend will stabilise in 2023.

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Commodity price risk

The parent company is affected by the price volatility of certain commodities, which drives both costs of production and the price of finished goods. Its subsidiary operating activities include the production of billet metal and mild steel rod from raw material scrap. The parent company expects that the steel products price will remain at the current level or temporarily increase due to increased local demand for steel in the near future, then stabilise.

22. SHARE CAPITAL AND OTHER RESERVES

Group

	2022 Number of shares	2022 GBP'000	2021 Number of shares	2021 GBP'000
Authorised				
Ordinary shares of £1 each	30 929 568	30 930	30 929 568	30 930
Issued				
Issue of shares	-	-	30 928 568	30 930
Balance at 31st December	30 929 568	30 930	30 929 568	30 930

Bonus shares issue

By resolution of the Annual General Meeting held on 21st June 2021, the Company was renamed J.O. Steel Holdings PLC and converted to the legal form of PLC. On the 4th of August 2021, J.O. Steel Holdings PLC performed a bonus issue of 30 879 568 ordinary shares with a nominal value of £1 and a total value of £30,879,568. This issue of new shares was to existing members in the same proportions as their existing holdings. No payment was made by members as the bonus shares were paid up using the company's reserves.

Other Reserve and Translation differences

	2022 GBP'000	2021 GBP'000
Other reserve	(30 879 568)	(30 879 568)
Translation differences	(1 564 000)	(205 000)

Other Reserve relates to an accounting construct established following a bonus issue of shares by J.O. Steel Holdings PLC on 4th August 2021. This reserve, amounting to £30,879,568, represents a reallocation within equity, created to counterbalance the bonus shares issued and maintain the overall equity structure. It involved the capitalisation of distributable reserves without any external cash inflow or alteration in total equity. The reserve is non-distributable and does not denote cash reserves.

Translation differences arise from the translation of financial statements of foreign operations into the Group's presentation currency. These differences, integral to the equity component, are a result of applying the closing rate method, where assets and liabilities of foreign operations are translated at the exchange rate on the reporting date, while income and expenses are translated at exchange rates at the approximate average rates.

23. FAIR VALUE RESERVE THROUGH OCI, NET OF TAX

Company

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Items that will not be classified to profit or loss:		
Fair value through other comprehensive income:		
Valuation (losses)/gains on fair value through other comprehensive income investment in subsidiary	5 145	495
Tax relating items that will not be reclassified	(978)	(94)
	4 167	401

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24. PAYABLES

Company	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Other accounts payable	728	793
Accruals	86	40
	814	833

25. EMPLOYEES AND DIRECTORS

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Salaries and related social security costs	965	897
	965	897

The group's average number of employees during the year was as follows:

	For year ended 31 st December 2022	For year ended 31 st December 2021
Directors	5	6
Administrative and managing personnel	50	50
Workers	450	447
	505	503

All staff cost is incurred by the group component. Holding company has no employees, except two Directors.

	For year ended 31 st December 2022 GBP'000	For year ended 31 st December 2021 GBP'000
Director's remuneration	-	-
	-	-

26. RELATED PARTIES

In accordance with IAS 24 Related Party Disclosures, parties are considered parties, one of which has the ability to control or substantially affect the operational and financial decisions of the other party. When deciding whether or not parties are related, the content of the relationship between the parties is taken into account, and not only their legal form.

Related parties may enter into transactions that would not be made between unrelated parties. The prices and conditions of such transactions may differ from the prices and terms of transactions between unrelated parties.

Related party transactions were on an arm's length basis and were in the ordinary course of the business.

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Type of operation/balance		
Unsecured loan from a related party	75	73

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As at 31st December 2022 liability under the loan from group's ultimate controlling party was GBP'000 75.

27. CONTINGENT LIABILITIES

The parent company and group had no contingent liabilities as at 31st December 2022 and as at 31st December 2021.

28. COMMITMENTS

The parent company and group had no capital or other commitments as at 31st December 2022 and as at 31st December 2021.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital risk management

The group's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the group's growth; and
- to provide capital for the purpose of strengthening the group's risk management capability.

The group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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Financial Risk Factors

The carrying amount of each class of financial assets and liabilities included in the statement of financial position is as follows:

Group	31 st December 2022 GBP'000	31 st December 2021 GBP'000
Financial assets:		
Other non-current assets	62	67
Long-term investments	2 922	170
Trade and other accounts receivable	5 792	5 247
Short-term investments	3 297	3 477
Cash and cash equivalents	967	4 141
	13 040	13 102
Financial liabilities:		
Loans and borrowings	10 213	12 792
Trade and other accounts payable	268	492
	10 481	13 284

The group is exposed to market risk, credit risk and liquidity risk. When reviewing the operating activity of the subsidiary, the group Directors take into consideration the management of these risks, identify relevant metrics, measure them and manage the outcomes. These risks are summarised below.

The fair values of the group's financial assets and liabilities measured at amortised cost approximate their carrying amounts at the reporting date. The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the group for similar financial instruments.

Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate due to changes in market parameters, such as interest rates and other price risks. Market risk includes the following types of risk: interest rate risk and foreign currency risk. Financial instruments exposed to market risk include loans and borrowings, trade and other payables, cash and cash equivalents, trade and other receivables.

Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates to the group's subsidiary company operating in Bangladeshi taka (BDT), while the group's presentation currency is the British Pound (GBP).

Interest rate risk

Interest rate risk arises from a possible change in interest rates that affects the financial statements. The group borrows on the basis of interest rates, which are set separately for each loan agreement with each of the financial institutions.

Changes in interest rates primarily affect long-term loans, changing their future cash flows. At the time of borrowing, management uses its judgment to decide whether a fixed or variable rate will be more favourable to the group over the expected maturity. Information on maturities and interest rates on loans and borrowings is provided in Note 18.

The group has no significant financial instruments with floating interest rates. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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Interest rate sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates as well as from loans and borrowings.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2021: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Impact on post-tax profit		Impact on other components of equity	
	+1%	-1%	+1%	-1%
	GBP'000	GBP'000	GBP'000	GBP'000
31 December 2022	(32)	32	-	-
31 December 2021	(67)	67	-	-

Increase of the interest rate by 1% would lead to decrease of group's profit by GBP'000 32 for the year ended 31 December 2022.

Credit risk

Credit risk is the risk of financial loss in the event of non-fulfilment by the counterparty of its contractual obligations. The group has no significant concentration of credit risk. The group has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Also, the group has policies to limit the amount of credit exposure to any banking institution, considering, among other factors, the credit ratings of the banks with which deposits are held.

Credit risk management also includes regular monitoring of the ability of counterparties to repay debt in full on time, analysis of its financial condition and its solvency.

The maximum amount of the group's credit risk can fluctuate significantly and depends on both the individual risks inherent in specific assets and the overall market risks. As at 31st December 2022 and 31st December 2021, the maximum amount of credit risk on financial balance sheet assets is equal to the carrying amount of these assets, excluding offsetting assets and liabilities.

Trade receivables consist of a large number of group's subsidiary's customers in various geographical areas of Bangladesh.

Expected credit losses

The group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2022 and 31 December 2021 respectively as well as the corresponding historical credit losses during that period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

J.O. STEEL HOLDINGS PLC

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet all its liabilities as they fall due. The group correlates the contractual liabilities of customers and the maturities of its liabilities, as well as plans liquidity based on the useful lives of its assets. In order to manage liquidity risk, the group monitors the expected future cash flows from customer transactions on a daily basis as part of the asset/liability management process. All liabilities of the group are secured by highly liquid assets.

The group's exposure to liquidity risk is as follows:

31st December 2022	Carrying amounts GBP'000	Contractual cash flows GBP'000	1 year or less GBP'000	1-5 years GBP'000	More than 5 years GBP'000
Loans and borrowings	10 213	11 922	5 466	6 456	-
Trade and other accounts payable	268	268	268	-	-
	10 481	12 190	5 734	6 456	-

31st December 2021	Carrying amounts GBP'000	Contractual cash flows GBP'000	1 year or less GBP'000	1-5 years GBP'000	More than 5 years GBP'000
Loans and borrowings	12 792	13 933	5 278	8 655	-
Trade and other accounts payable	492	492	492	-	-
	13 284	14 425	5 770	8 655	-

30. SUBSEQUENT EVENTS

Although the war in Ukraine and the Israeli-Palestinian conflict have a disruptive impact on the global supply chain, demand and economy, management does not expect any material impact on J.O. Steel Holdings Plc business.

There were no other significant events that occurred between the closing date and the date of authorisation of these consolidated financial statements for the issue.

31. ULTIMATE CONTROL PARTY

The ultimate controlling party of J.O. Steel Holdings PLC is Javed Opgenhaffen.