Disclaimer

This Annual Financial Statements (AFS) example is provided as a general example to assist CIBA members in preparing financial statements. The purpose of this example is to offer a practical framework that demonstrates the required structure and key elements of compliant financial statements, in line with applicable accounting standards.

As a professional body, CIBA is committed to empowering its members by offering tools and resources that align with our mission to uphold excellence in accounting practices. This example is intended to serve as a foundational guide, offering insight into best practices for AFS preparation.

Please note: This example is for guidance purposes only and is not intended to replace professional judgment or a comprehensive solution for financial statement preparation. We strongly recommend the use of automated financial statement preparation software, to ensure compliance with current accounting standards, improve efficiency, and reduce errors.

While this example provides a solid starting point, automated systems are more suited to handling complexities, ensuring accuracy, and maintaining compliance. Members are encouraged to adapt this example as needed but should prioritize automated solutions for final AFS preparation.

CIBA remains dedicated to supporting members by providing educational resources and tools while promoting the use of technology to streamline accounting processes.

ABCD Proprietary Limited (Registration number 2024/085214/06)
Annual Financial statements
for the year ended 29 February 2024

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company operates in the manufacturing sector of the engineering industry in South Africa, producing precision-engineered components for industries such as automotive, mining, and construction. It focuses on the design, development, and production of high-quality products for both local and international markets.
Directors	Joe Soap Susan Schutte
Registered office	Building 2A, Schoeman Street Randburg Ferndale 2194
Business address	23 Oceanview Drive Sandstone Business Park, Suite 402 Cape Town 8001
Independent reviewer / Auditor	XUZ Incorporated
Company registration number	2020/0058/019
Tax reference number	123456789
Level of assurance	These financial statements have been compiled / Independently Reviewed in compliance with the applicable requirements of the Companies Act 71 of
Preparer	SJ Schutte

Content

Preparer Details:

Date Annua Financial Statements Issued:

Director's Responsibilities and Approval

The directors, as required by the Companies Act 71 of 2008, are collectively responsible for ensuring that adequate accounting records are maintained and for the accuracy and integrity of the financial statements and related financial information included in this report. It is their duty to ensure that the financial statements fairly represent the company's financial position at the end of the financial year, as well as the results of its operations and cash flows for the reporting period, in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The external auditor is engaged to provide an independent opinion on the financial statements.

The financial statements have been prepared in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities, and are based on sound accounting policies consistently applied, supported by reasonable and prudent judgements and estimates.

The directors recognize their ultimate responsibility for the company's system of internal financial control and place considerable importance on maintaining a strong control environment. To enable the directors to fulfil these responsibilities, the company has implemented standards for internal controls aimed at minimizing risk in a cost-effective manner. These standards include proper delegation of responsibilities within a well-defined framework, effective accounting procedures, and sufficient segregation of duties to ensure an acceptable level of risk. These controls are regularly monitored throughout the company, and all employees are expected to adhere to the highest ethical standards, ensuring that the company's business operations are conducted in a manner that is, in all reasonable circumstances, above reproach. The company's risk management approach focuses on identifying, assessing, managing, and monitoring all significant risks. While operational risk cannot be completely eliminated, the company endeavours to minimize it through appropriate infrastructure, controls, systems, and ethical behaviour, which are managed within established procedures and constraints.

Based on the information and explanations provided by management, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records can be relied upon for the preparation of the financial statements. However, it should be noted that any system of internal financial control can offer only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year ending 28 February 2025 and, based on this review and the company's current financial position, are satisfied that the company has, or has access to, adequate resources to continue its operations for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the external auditor, and their report is presented on pages 5 to 6.

The financial statements, set out on pages 7 to 17, which have been prepared on a going concern basis, were approved by the directors on 24 July 2024 and were duly signed by them.

Director 1 **Director 2**

Directors Report

1. Incorporation

The company was formally incorporated on 19 August 2020, marking the official registration of its legal entity. On the same day, the company obtained its certificate to commence business, granting it the necessary authorization to begin its operations. This seamless process allowed the company to transition from incorporation to active trading without delay, ensuring compliance with all regulatory requirements and enabling it to pursue its business objectives immediately

2. Financial Performance

For the year ended 31 December 2023, the company's revenue grew by 12% to R500 million, compared to R445 million in 2022, mainly due to higher demand for our products and expansion into new markets. Profit before tax increased to R85 million, up from R78.5 million in the previous year, thanks to better cost control and improved efficiency. Operating costs rose slightly, causing our profit margins to decrease from 18% to 17%, but the company still generated R60 million in cash from operations, up from last year's R55 million.

Further details on the company's financial performance are available in the attached Annual Financial Statements (AFS).

3. Share Capital

As at 31 December 2023, the company's authorized share capital consists of 10,000,000 ordinary shares with a par value of R1.00 each. The issued share capital comprises 5,000,000 ordinary shares, fully paid up, amounting to R5,000,000.

During the financial year, no additional shares were issued, and there were no changes to the authorized or issued share capital. The company does not hold any treasury shares as of the reporting date.

4. Dividends

The company's dividend policy entails the consideration of both an interim and a final dividend for each financial year. Additionally, the director may, at their discretion, consider declaring a special dividend when deemed appropriate. However, if there is a perceived need to retain funds for expansion or operational requirements, the director may decide to withhold dividend payments.

For the current year, the director has decided not to recommend the declaration of any dividends.

5. Directors

Name	Date Appointed
Joe Soap	1-Jan-24
Susan Schutte	15-Oct-20

Directors Report

6. Director's interests in contracts

During the financial year, no contracts were entered into in which the directors or officers of the company had an interest that significantly impacted the company’s business.

7. Events after the reporting period

The Directors are not aware of any significant events that have occurred between the financial year-end and the date of this report that may materially impact the financial position or results of the company. All significant events that could affect the company’s future performance, including potential acquisitions, strategic partnerships, or other material changes, have been disclosed where applicable. The Board remains committed to closely monitoring any developments and taking the necessary steps to safeguard the company’s interests and ensure sustained growth.

8. Going Concern

The directors have reviewed the company’s financial position and performance for the year ended 29 February 2024, as well as the company’s future cash flow forecasts and available resources. Based on this review, the directors believe that the company has adequate financial resources to continue operating as a going concern for the foreseeable future.

The company maintains a strong balance sheet, with sufficient liquidity and access to credit facilities, and has continued to generate positive cash flows from its core operations. No material uncertainties have been identified that would cast significant doubt on the company’s ability to meet its obligations as they fall due.

Consequently, the directors are confident that the company will continue in operational existence and have prepared the financial statements on a going concern basis.

9. Independent Reviewer

In accordance with the requirements of the Companies Act of South Africa, the company’s financial statements for the year ended [insert financial year-end date] were reviewed by [insert name of the Independent Reviewer or firm], who has been appointed as the independent reviewer. The Independent Reviewer’s report, which expresses an opinion on whether anything has come to their attention that causes them to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework, is included in this annual report.

Independent Compilers Report

INDEPENDENT COMPILER'S REPORT
To the Management of [Company Name]

Report on the Compilation of Financial Statements

We have compiled the accompanying financial statements of [Company Name], which comprise the statement of financial position as at [Date], the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

The management of [Company Name] is responsible for the preparation and fair presentation of these financial statements in accordance with [applicable financial reporting framework], and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to compile the financial statements in accordance with International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements* . We have applied our expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence, and due care.

A compilation engagement involves assisting management with the preparation and presentation of financial statements, but does not include an audit or a review. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with [applicable financial reporting framework].

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management. Accordingly, we do not express any form of assurance on these financial statements.

Statement of Financial Position as at 29 February 2024

	Note	2024 R	2023 R
ASSETS			
Non Current Assets			
Property Plant and Equipment	**2**	95,000.00	99,000.00
		95,000.00	99,000.00
Current Assets			
Trade Receivables	**3**	87,000.00	94,500.00
Cash and Cash Equivalents	**4**	48,262.00	53,815.00
Inventory	**5**	80,000.00	86,000.00
		215,262.00	234,315.00
TOTAL ASSETS		310,262.00	333,315.00
Equity & Liabilities			
Equity			
Share Capital		100.00	100.00
Retained Earnings		129,000.00	115,000.00
		129,100.00	115,100.00
LIABILITIES			
Non Current Liabilities			
Other Financial Liabilities	**6**	50,000.00	75,000.00
Deferred tax liabilities	**7**	457.00	507.00
		50,457.00	75,507.00
Current Liabilities			
Trade and other payables	**8**	83,892.00	98,106.00
Other Financial Liabilities	**6**	25,000.00	25,000.00
Provision for leave Pay	**9**	17,005.00	15,897.00
Taxation Payable	**10**	4,808.00	3,705.00
		130,705.00	142,708.00
TOTAL EQUITY AND LIABILITIES		310,262.00	333,315.00

BALANCE		-	-

Statement of Comprehensive Income

	Note	2024 R	2023 R
Revenue	**11**	467,500.00	378,000.00
Cost of Sales	**12**	(300,000.00)	(197,000.00)
Gross Profit		167,500.00	181,000.00
Other Income	**13**	2,500.00	2,000.00
Operating Expenses		(145,235.00)	(159,188.00)
Operating profit	**14**	24,765.00	23,812.00
Investment revenue	**15**	2,000.00	1,600.00
Finance Cost	**16**	(7,500.00)	(10,000.00)
Profit Before Taxation		19,265.00	15,412.00
Taxation	**17**	(5,265.00)	(4,212.00)
Profit for the year		14,000.00	11,200.00
Other Comprehensive Income		-	-
Total Comprehensive Income		**14,000.00**	**11,200.00**

Statement of Changes in Equity

	Stated Capital	Reserves	Retained Earnings	Total Equity
	R	R	R	R
Balance at 01 March 2022	100.00	-	103,800.00	103,900.00
Profit for the year	-	-	11,200.00	11,200.00
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	11,200.00	11,200.00
Balance at 01 March 2023	100.00	-	115,000.00	115,100.00
Profit for the year	-	-	14,000.00	14,000.00
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	14,000.00	14,000.00
Dividends	-	-	-	-
Total changes	-	-	14,000.00	14,000.00
Balance at 29 February 2024	100.00	-	129,000.00	129,100.00

Statement of Cashflows

	Note	2024 R	2023 R
Cashflow from operating activities			
Cash Receipts from Customers		475,000.00	425,000.00
Cash Paid to Suppliers & Employees		404,448.00	361,745.00
Cashflow from Operating Activities	18	70,552.00	63,255.00
Interest Income	15	2,000.00	1,600.00
Finance Cost	16	(26,700.00)	(20,026.00)
Taxation Paid	10	(3,705.00)	-
Net cash from operating activities		42,147.00	44,829.00
Cashflow from Investing activities			
Loans advanced to group companies		-	-
Proceeds from loans from group companies		-	-
Additions to Property, Plant and Equipment		(22,700.00)	(33,700.00)
Net Cash from Investing activities		(22,700.00)	(33,700.00)
Cash flows from financing activities			
Proceeds from issuing shares or other equity instruments		-	
Proceeds from long-term borrowings		-	
Repayment of borrowings		(25,000.00)	(25,000.00)
Payment of dividends		-	
Payment of lease obligations (if applicable under IFRS 16)		-	
Net Cash from financing Activities		(25,000.00)	(25,000.00)
Total cash movement for the year		**(5,553.00)**	**(13,871.00)**
Cash at the beginning of the year		53,815.00	67,686.00
Total cash at end of the year		**48,262.00**	**53,815.00**
Closing Cash		48,262.00	53,815.00
Balance Check		-	-

Accounting Policies

1. Basis of Preparation

The financial statements have been prepared in accordance with the **International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)**, issued by the International Accounting Standards Board (IASB), and the **Companies Act 71 of 2008 of South Africa**.

These financial statements are prepared on a **going concern basis**, which assumes that the company will continue to operate for the foreseeable future and will be able to meet its obligations as they fall due.

The financial statements are prepared using the **historical cost convention**, except for the following items, which are measured at fair value:
Financial instruments: Certain financial assets and liabilities, such as derivatives, are measured at fair value through profit or loss.
Biological assets: Biological assets, such as vineyards or livestock, are measured at fair value less costs to sell, in accordance with IFRS for SMEs.
Investment properties: Investment properties, defined as land or buildings held for rental income or capital appreciation, are measured at fair value, with any changes in fair value recognized in profit or loss.

The financial statements are presented in **South African Rand (ZAR)**, which is the company's functional and presentation currency, and all amounts are rounded to the nearest thousand unless otherwise indicated.

1.1 Significant Judgements and Sources of Estimation Uncertainty

Critical Judgements in Applying Accounting Policies
Management applied critical judgements in determining the useful lives and residual values of assets, as well as assessing the recoverability of trade receivables and loans receivable. These judgements, although based on available information at the reporting date, are inherently uncertain and could significantly affect the financial statements.

Key Sources of Estimation Uncertainty
The financial statements include assets and liabilities whose carrying amounts were determined based on estimations that involve significant judgement. Specifically, estimations regarding the useful lives and residual values of assets, as well as the recoverability of trade receivables and loans receivable, involve assumptions that could result in material adjustments in future financial periods. These key estimation assumptions carry a significant risk of adjustment in the next financial year, depending on the outcomes of these estimates.

Accounting Policies

1.2 Financial Instruments

Initial Measurement
Financial instruments are initially recorded at the transaction price, which includes transaction costs, except for financial assets and liabilities measured at fair value through profit or loss. If the arrangement effectively constitutes a financing transaction, the financial instrument is initially measured at the present value of future payments, discounted at a market interest rate applicable to a similar debt instrument.

Financial Instruments at Amortised Cost
This category includes loans, trade receivables, and trade payables. Debt instruments that meet the criteria outlined in Section 11.8(b) of the standard are subsequently measured at amortised cost, using the effective interest method. For debt instruments classified as current assets or liabilities, they are measured at the undiscounted amount of cash expected to be received or paid, unless the arrangement constitutes a financing transaction.

At each reporting date, the carrying amounts of these assets are reviewed for any objective evidence of impairment. If such evidence is found, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is lower, the asset's carrying value is reduced accordingly, with the impairment loss immediately recognised in profit or loss.

1.3 Tax

Current Tax Assets and Liabilities
Current tax liabilities are recognised for any unpaid amounts related to the current or prior periods. If the amount already paid for the current or prior periods exceeds the tax due, the excess is recognised as an asset. The recognised tax liability considers the potential outcomes of any review by the tax authorities.

Tax Expenses
Tax expenses are recognised in the same component of total comprehensive income or equity as the related transaction or event that gave rise to the tax expense.

Deferred Taxation
Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for deductible temporary differences, to the extent that it is probable that future taxable profits will be available to utilize those assets. Deferred tax assets and liabilities are measured using the tax rates expected to apply when the assets are realised or the liabilities are settled, based on the tax rates and laws enacted or substantively enacted at the reporting date. Changes in deferred tax assets or liabilities are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or equity, in which case the deferred tax is recognised in the same

Accounting Policies

1.4 Share Capital and Equity

Classification and Recognition
An equity instrument is defined as any contract that evidences a residual interest in the assets of the company after deducting all liabilities. The company classifies ordinary shares as equity instruments.

Issuance of Share Capital
Ordinary shares are recognised as 'share capital' in equity at the par value. Any excess amount received over the par value upon the issuance of shares is classified as 'share premium' in equity. Transaction costs directly attributable to the issuance of equity instruments are deducted from equity, net of any related income tax benefit.

Reacquisition of Own Equity Instruments (Treasury Shares)
When the company reacquires its own equity instruments, these instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issuance, or cancellation of the company’s own equity instruments. The consideration paid or received for these transactions is recognised directly in equity.

1.5 Provisions and Contingencies

Recognition of Provisions
Provisions are recognised when the company has a present 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 of the amount can be made.

Measurement of Provisions
Provisions are measured at the present value of the expected expenditure required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Exclusions
Provisions are not recognised for future operating losses. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingencies
Contingent liabilities are disclosed when there is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the company. Contingent assets are not recognised but are disclosed when an inflow of economic benefits is probable.

Accounting Policies

1.6 Revenue

Revenue Recognition
Revenue is recognised when the company has transferred the significant risks and rewards of ownership of goods to the buyer, or when services have been rendered in accordance with an agreement, provided that the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, discounts, and other deductions.

Sale of Goods
Revenue from the sale of goods is recognised when the company has delivered the goods to the customer, the customer has accepted the goods, and the collectability of the related receivable is reasonably assured.

Rendering of Services
Revenue from services is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is determined based on surveys of work performed or other reliable measures of performance. When the outcome of a transaction involving the rendering of services cannot be measured reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

Interest Income
Interest income is recognised using the effective interest rate method, which allocates interest income over the relevant period based on the carrying amount of the financial asset.

Service Fees
Service fees included in the price of products are recognised as revenue over the period in which the related service is performed.

1.7 Borrowing Costs
Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are directly attributable to the acquisition, construction, or production of a qualifying asset. In such cases, the borrowing costs are capitalised as part of the cost of the asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed as incurred in profit or loss.

1.8 Foreign Exchange

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in Rand at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies at the reporting date are translated using the closing exchange rate.

Accounting Policies

Exchange Differences on Monetary Items
Exchange differences arising on the settlement or translation of monetary items are recognised in profit or loss in the period in which they occur. These differences are recognised as part of operating profit unless they are capitalised as part of the cost of a qualifying asset

Exchange Differences on Non-Monetary Items
For non-monetary items measured at fair value, the exchange differences are recognised in profit or loss if the gain or loss on the non-monetary item is also recognised in profit or loss. If the gain or loss is recognised in other comprehensive income, the associated exchange difference is also recognised in other comprehensive

1.9 Property, Plant, and Equipment (PPE)

Recognition and Measurement
Property, plant, and equipment (PPE) are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. PPE is initially recognised at cost, which includes all expenditures directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management. This includes the purchase price, import duties, non-refundable purchase taxes, and any directly attributable costs, such as delivery, installation, and testing costs.

Subsequent costs, such as maintenance and repairs, are recognised as expenses in profit or loss unless they enhance the future economic benefits of the asset, in which case they are capitalised.

Subsequent Measurement
After initial recognition, PPE is measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation is not applied.

Depreciation
Depreciation is recognised in profit or loss on a systematic basis over the useful life of each asset. The depreciable amount of an asset is its cost less its residual value. Residual values, useful lives, and depreciation methods are reviewed at least annually, and any changes in estimates are accounted for prospectively.

The following methods are used to allocate the depreciable amount of an asset over its useful life:

Buildings: Straight-line method over 20 to 50 years
Plant and machinery: Straight-line method over 10 to 20 years
Furniture and fixtures: Straight-line method over 5 to 10 years
Motor vehicles: Straight-line method over 3 to 5 years
Computer equipment: Straight-line method over 3 to 5 years

If the useful life or residual value of an asset is revised, the change is accounted for prospectively as a change in accounting estimate

Accounting Policies

Impairment

At each reporting date, the company reviews the carrying amounts of PPE to determine whether there is any indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount, and the impairment loss is recognised in profit or loss.

Derecognition

PPE is derecognised when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Component Approach

Where significant components of an item of PPE have different useful lives, they are accounted for as separate items of PPE and depreciated separately. Each component's cost is depreciated over its respective useful life.

Government Grants

Where government grants are received for the acquisition of PPE, the grant is deducted from the cost of the asset in determining the carrying amount. The grant is recognised in profit or loss over the useful life of the depreciated asset as a reduction in depreciation expense.

1.10 Inventory

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss

1.11 Trade Receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Accounting Policies

1.12 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position

1.13 Trade Payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method

1.14 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. The company leases certain items of property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The group leases out (as an operating lease) an office building that it owns. The asset is included in the statement of financial position as an investment property. Rental income is recognised in accordance with the rental income

Notes to the Annual Financial Statements

2. Property Plant and Equipment

Summary of Property Plant and Equipment

	2024			2023		
	Cost	*Accumulated Depreciation*	*Carrying Value*	*Cost*	*Accumulated Depreciation*	*Carrying Value*
Furniture & Fittings	*87,500.00*	*37,500.00*	*50,000.00*	*75,400.00*	*23,400.00*	*52,000.00*
Computer Equipment	52,500.00	*22,500.00*	*30,000.00*	44,950.00	*13,950.00*	*31,000.00*
Leasehold Improvements	26,250.00	*11,250.00*	*15,000.00*	23,200.00	*7,200.00*	*16,000.00*
	166,250.00	**71,250.00**	**95,000.00**	**143,550.00**	**44,550.00**	**99,000.00**

Reconciliation of Property Plant and Equipment - 2024

	Opening Balance	Additions	Disposals	Depreciation	Closing Balance
Furniture & Fittings	52,000.00	12,100.00	-	(14,100.00)	50,000.00
Computer Equipment	31,000.00	7,550.00	-	(8,550.00)	30,000.00
Leasehold Improvements	16,000.00	3,050.00	-	(4,050.00)	15,000.00
	99,000.00	**22,700.00**	**-**	**(26,700.00)**	**95,000.00**

Reconciliation of Property Plant and Equipment - 2023

	Opening Balance	Additions	Disposals	Depreciation	Closing Balance
Furniture & Fittings	41,576.00	20,999.00	-	(10,575.00)	52,000.00
Computer Equipment	29,000.00	8,413.00	-	(6,413.00)	31,000.00
Leasehold Improvements	14,750.00	4,288.00	-	(3,038.00)	16,000.00
	85,326.00	**33,700.00**	**-**	**(20,026.00)**	**99,000.00**

Property Plant and Equipment pledged as security

The following assets have been pledged as security:
Provide details of any assets pledged as security

Notes to the Annual Financial Statements	2024	2023

3. Trade and Other Receivables

	2024	2023
Trade Receivables	70,000.00	75,000.00
VAT Receivable	5,000.00	6,000.00
Prepayments	10,000.00	11,000.00
Other Receivables	2,000.00	2,500.00
	87,000.00	**94,500.00**

Trade Receivables Pledged as security
Provide details here

4. Cash and Cash Equivalents

The cash balances of the company is represented by the following:

	2024	2023
Nedbank Bank Account	32,762.00	36,215.00
ABSA Call Deposit Account	15,000.00	17,000.00
Petty Cash	500.00	600.00
	48,262.00	**53,815.00**

5. Inventory

	2024	2023
Finished Goods	40,000.00	42,000.00
Work in Progress	30,000.00	32,000.00
Raw Materials	10,000.00	12,000.00
	80,000.00	**86,000.00**

6. Long Term Borrowings

	2024	2023
ABSA Bank Medium Term Loan	75,000.00	100,000.00
Current Portion	25,000.00	25,000.00
Non Current Portion	50,000.00	75,000.00

The loan is secured by the Debtors of the Company (Refer to Note 3). The loan carry interest at prime plus 0.5% annually and is repayable over 48 months.

Notes to the Annual Financial Statements	2024	2023

7. Deferred Taxation

Major Components of the deferred taxation balance

Deferred Taxation Asset

	2024	2023
Property, Plant and Equipment	985.00	874.00
Provisions	1,258.00	1,589.00
	2,243.00	2,463.00

Deferred Taxation Liability

	2024	2023
Property, Plant and Equipment	-	-
Prepayments	2,700.00	2,970.00
	2,700.00	2,970.00
Net Deferred Taxation Assets / (Liability)	(457.00)	(507.00)

Reconciliation of deferred taxation

	2024	2023
Opening Balance	(507.00)	-
Movement in Property Plant and Equipment	(111.00)	874.00
Movement in Provisions	278.00	1,589.00
Movement in Prepayments	(117.00)	(2,970.00)
	(457.00)	(507.00)

8. Trade and other Payables

	2024	2023
Trade Payables	65,897.00	78,945.00
Accrual City of JHB	12,500.00	13,587.00
Accrual Accounting Fees	1,897.00	985.00
Other Accruals	3,598.00	4,589.00
	83,892.00	98,106.00

9. Provision for leave Pay	Opening Balance	Accrued	Utilised	Closing Balance
Leave Pay 2024	15,897.00	(8,756.00)	9,864.00	17,005.00
Leave Pay 2023	17,894.00	(9,875.00)	7,878.00	15,897.00

Notes to the Annual Financial Statements	2024	2023

10. Taxation Payable

Balance at the beginning of the year	(3,705.00)	-
Current tax for the current year recognised in profit or loss	(4,808.00)	(3,705.00)
Balance at the end of the year	4,808.00	3,705.00
Cash Paid for taxes in current year	(3,705.00)	-

11. Revenue

Sale of Goods	237,500.00	194,000.00
Spare Parts Sold	115,000.00	92,000.00
Service of Machines	115,000.00	92,000.00
	467,500.00	**378,000.00**

12. Cost of Sales

Cost of Goods Sold	220,000.00	150,000.00
Cost of Services	80,000.00	47,000.00
	300,000.00	**197,000.00**

13. Other Income

Rental of Storage Space	800.00	600.00
Scrap Sales	1,700.00	1,400.00
	2,500.00	**2,000.00**

14. Operating profit

Operating profit include the following expenses:

Legal Fees	1,589.00	2,897.00
Professional Consulting Fees	2,589.00	1,897.00
Salary Cost	80,000.00	75,000.00
Depreciation	26,700.00	20,026.00
	110,878.00	99,820.00

15. Investment Revenue

Interest from Bank	2,000.00	1,600.00
Other Interest	-	-
	2,000.00	**1,600.00**

Notes to the Annual Financial Statements	2024	2023
16. Finance Cost		
Interest Bank Account	-	-
Interest Loan ABSA Bank	7,500.00	10,000.00
	7,500.00	**10,000.00**
17. Taxation		
Current Taxation		
South African Normal Taxation	4,808.00	3,705.00
South African Normal Taxation - Prior Period over / (under) provided	-	-
Withholding Taxes	-	-
Capital Gains Tax	-	-
	4,808.00	3,705.00
Deferred Taxation		
South African deferred taxation current year	457.00	507.00
South African Deferred Taxation - Prior Period over / (under) provided	-	-
	457.00	507.00
Taxation for the year	**5,265.00**	**4,212.00**
Reconciliation of Tax Expense		
Accounting Profit	19,265.00	15,412.00
Taxation at 27%	5,201.55	4,161.24
Tax Effect of adjustment on taxable income		
Exempt Income	63.45	50.76
Non Deductible Expenses	-	-
Capital Gains Tax Differential	-	-
Prior Period Adjustment	-	-
	5,265.00	**4,212.00**

Notes to the Annual Financial Statements	2024	2023

18. Cash Generated from Operations

	2024	2023
Net profit Before Taxation	19,265.00	15,412.00
Adjust for:		
Depreciation	26,700.00	20,026.00
Profit or loss on sale of assets	-	-
Movement in provisions	(1,108.00)	1,997.00
Investment Income	(2,000.00)	(1,600.00)
Finance Cost	7,500.00	10,000.00
Other Non Cash Items	(7,519.00)	
Changes in Working Capital:		
(Increase) / Decrease in inventories	6,000.00	4,000.00
(Increase) / Decrease in Trade and Other receivables	7,500.00	3,500.00
(Increase) / Decrease in Trade and other Payables	14,214.00	9,920.00
	70,552.00	63,255.00

19. Related Parties

Relationship	
Common Shareholder	XYZ Proprietary Limited
Subsidiary	DEF Proprietary Limited
Common Director	GHI Proprietary Limited

Related Party Balances

	2024	2023
Trade receivables from Related Party		
Related Party 1	-	-
Related Party 2	-	-
Trade Payable from Related Party		
Related Party 1	-	-
Related Party 2	-	-
Loan Payable to Related Parties		
Related Party 1	-	-
Related Party 2	-	-
Loans Receivable from Related Parties		
Related Party 1	-	-
Related Party 2	-	-

Notes to the Annual Financial Statements	2024	2023

20. Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue to operate in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of business.

The directors have assessed the ability of the company to continue as a going concern and are satisfied that the company has the necessary resources to continue its operations for the foreseeable future. In making this assessment, the directors have considered the current financial position, cash flow forecasts, available funding, and any potential risks to the business.

While certain risks exist, including [mention any specific risks like economic conditions, market challenges, etc.], the company has implemented appropriate measures to mitigate these risks. Based on the current assessment, there is no reason to believe that the company will not continue to be a going concern in the next 12 months.

Therefore, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and, as a result, the financial statements continue to be prepared on a going concern basis.

21. Subsequent Events

The directors are required to consider events occurring after the reporting date up to the date of approval of the financial statements. The following significant events have occurred after the reporting period but before the financial statements were authorized for issue

[Specific Event 1: Example – Acquisition of a Subsidiary]

On [insert date], the company finalized the acquisition of [Name of Subsidiary], a [brief description of the acquired business]. The acquisition aligns with the company’s strategic objectives to expand its operations in [industry or market]. The total consideration for the acquisition amounted to [insert amount]. This acquisition will be accounted for in the financial year ending [insert future year].

[Specific Event 2: Example – Legal Settlement]

On [insert date], the company reached a settlement agreement with [Name of Party] in relation to the ongoing legal dispute regarding [brief description of the dispute]. The company agreed to pay a settlement amount of [insert amount], which will be recognized in the subsequent financial period. This settlement will not materially impact the company’s financial position going forward.

Detailed Income Statement

	Note	2024 R	2023 R
Revenue	**11**	467,500.00	378,000.00
Cost of Sales	**12**	(300,000.00)	(197,000.00)
Gross Profit		167,500.00	181,000.00
Other Income	**13**	2,500.00	2,000.00
Operating Expenses		(145,235.00)	(159,188.00)
Operating Expenses 1		15,897.00	17,486.70
Operating Expenses 2		5,879.00	6,466.90
Operating Expenses 3		9,875.00	10,862.50
Operating Expenses 4		2,589.00	2,847.90
Operating Expenses 5		45,699.00	50,268.90
Operating Expenses 6		1,598.00	1,757.80
Operating Expenses 7		7,895.00	8,684.50
Operating Expenses 8		5,897.00	6,486.70
Operating Expenses 9		7,896.00	8,685.60
Operating Expenses 10		6,589.00	7,247.90
Operating Expenses 11		4,598.00	5,057.80
Operating Expenses 12		9,874.00	10,861.40
Operating Expenses 13		3,589.00	3,947.90
Operating Expenses 14		7,896.00	8,685.60
Operating Expenses 15		4,598.00	5,057.80
Operating Expenses 16		4,866.00	4,782.10
Operating profit	**14**	24,765.00	23,812.00
Investment revenue	**15**	2,000.00	1,600.00
Finance Cost	**16**	(7,500.00)	(10,000.00)
Profit Before Taxation		19,265.00	15,412.00
Taxation	**17**	(5,265.00)	(4,212.00)
Profit for the year		14,000.00	11,200.00
Other Comprehensive Income		-	-
Total Comprehensive Income		**14,000.00**	**11,200.00**

Tax calculation

	Note	2024 R	2023 R
Profit Before Taxation		19,265.00	15,412.00
Adjustments for permanent differences		-	-
Less exempt dividend income			
Less exempt capital profit			
- Less capital profit			
- Add taxable capital gain			
Add non-deductible fines			
Add-non deductible donations			
Adjustments for temporary differences		-	-
Add depreciation			
Less wear and tear allowance			
Less non-capital profit on sale; or			
Add loss on sale			
Add recoupment on sale; or			
Less scrapping allowance on sale			
Add income received in advance (closing balance)			
Less income received in advance (opening balance)			
Less expenses prepaid (closing balance)			
Add expenses prepaid (opening balance)			
Add provisions (closing balance)			
Less provisions (opening balance)			
Taxable profit / loss		-	-
Income tax at 27%		-	-