



IFRS ILLUSTRATIVE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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RSM IFRS for SME Limited

SME(3.23)(a)

Company Number 01234567

Annual Report - 31 December 2023

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Independent auditor's report to the members of RSM IFRS for SME Limited

General information

The financial statements cover RSM IFRS for SME Limited as an individual entity. The financial statements are presented in Internationaland currency units, which is RSM IFRS for SME Limited's functional and presentation currency.

RSM IFRS for SME Limited is a company limited by shares, incorporated and domiciled in Internationaland. Its registered office and principal place of business are:

Registered office

10th Floor
Universal Administration Building
12 Highland Street
Cityville

Principal place of business

5th Floor
RSM Business Centre
247 Edward Street
Cityville

During the financial year the principal continuing activities of the company consisted of:

- Computer manufacturing
- Computer retailing
- Computer distribution

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2024. The directors have the power to amend and reissue the financial statements.

RSM IFRS for SME Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023



	Note	2023 CU	2022 CU		
Revenue	3	46,651,046	43,513,890	SME(5.5)(a)	
Share of profits of associates accounted for using the equity method	4	321,996	266,879	SME(5.5)(c)	
Other income	5	75,129	169,225		
Interest revenue calculated using the effective interest method		109,462	54,822	SME(11.48)(b)	
				SME(5.11)	5
Expenses					
Changes in inventories		(352,027)	(79,197)		
Raw materials and consumables used		(13,708,798)	(13,112,382)		
Employee benefits expense		(22,717,153)	(22,172,461)		
Depreciation and amortisation expense		(1,887,227)	(2,036,611)		
Net fair value loss on investment properties	6	(60,000)	-		
Other expenses		(3,589,325)	(3,237,723)		6
Finance costs	6	(224,501)	(346,023)	SME(5.5)(b)	
Profit before income tax expense		4,618,602	3,020,419		11
Income tax expense	7	(1,286,833)	(835,796)	SME(5.5)(d)	12
Profit after income tax expense for the year attributable to the owners of RSM IFRS for SME Limited	33	3,331,769	2,184,623	SME(5.5)(f)	13
Other comprehensive income				SME(5.5)(g)	7
<i>Items that will not be reclassified subsequently to profit or loss</i>				SME(5.5)(g)(i)	8
Gain on the revaluation of land and buildings, net of tax		-	140,000		
<i>Items that may be reclassified subsequently to profit or loss</i>				SME(5.5)(g)(ii)	8
Cash flow hedges transferred to profit or loss, net of tax		-	(2,083)	SME(12.29)(c)	
Cash flow hedges transferred to inventory in the statement of financial position, net of tax		(2,970)	(7,417)	SME(12.29)(c)	
Net change in the fair value of cash flow hedges taken to equity, net of tax		(7,932)	(17,814)		
Other comprehensive income for the year, net of tax		(10,902)	112,686		9
Total comprehensive income for the year attributable to the owners of RSM IFRS for SME Limited		3,320,867	2,297,309	SME(5.5)(i)	10

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	2023 CU	2022 CU		
Assets					
Current assets					
Cash and cash equivalents	8	2,892,679	631,464	SME(4.4),(4.5)	16
Trade and other receivables	9	1,435,168	1,318,927	SME(4.2)(a)	
Inventories	10	3,954,415	4,306,442	SME(4.2)(b)	
Financial assets at fair value through profit or loss	11	51,076	-	SME(4.2)(d)	
Other	12	319,916	280,626	SME(4.2)(c)	
Total current assets		8,653,254	6,537,459		
Non-current assets					
Receivables	13	14,695	14,695	SME(4.4),(4.6)	
Investments accounted for using the equity method	14	3,420,157	3,098,161	SME(4.2)(b)	
Investment properties	15	4,690,371	4,750,371	SME(4.2)(j),(k)	
Property, plant and equipment	16	12,725,726	13,401,548	SME(4.2)(ea),(f)	
Intangibles	17	173,566	211,510	SME(4.2)(e)	
Deferred tax	18	929,410	847,304	SME(4.2)(g)	
Other	19	126,981	145,251	SME(4.2)(o)	
Total non-current assets		22,080,906	22,468,840		
Total assets		30,734,160	29,006,299		
Liabilities					
Current liabilities					
Trade and other payables	20	2,001,250	1,731,710	SME(4.4),(4.7)	
Borrowings	21	612,278	461,733	SME(4.2)(l)	
Derivative financial instruments	22	122,651	107,077	SME(4.2)(m)	
Income tax	23	670,464	235,720	SME(4.2)(n)	
Employee benefits	24	835,887	814,405	SME(4.2)(p)	
Provisions	25	352,013	284,040	SME(4.2)(p)	
Other	26	342,883	306,714		
Total current liabilities		4,937,426	3,941,399		
Non-current liabilities					
Borrowings	27	2,482,414	2,244,070	SME(4.4),(4.8)	
Deferred tax	28	334,708	320,934	SME(4.2)(m)	
Employee benefits	29	1,115,466	1,086,109	SME(4.2)(o)	
Provisions	30	147,916	107,018	SME(4.2)(p)	
Total non-current liabilities		4,080,504	3,758,131		
Total liabilities		9,017,930	7,699,530		
Net assets		21,716,230	21,306,769		17
Equity					
Issued capital	31	18,295,416	18,267,810	SME(4.11)(f)	
Reserves	32	369,930	380,832	SME(4.2)(r)	
Retained profits	33	3,050,884	2,658,127	SME(4.2)(r)	
Total equity		21,716,230	21,306,769		18
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The above statement of financial position should be read in conjunction with the accompanying notes

	Issued capital CU	Reserves CU	Retained profits CU	Total equity CU	
Balance at 1 January 2022	10,492,176	268,146	2,235,182	12,995,504	SME(6.3)(c)
Profit after income tax expense for the year	-	-	2,184,623	2,184,623	SME(6.3)(c)(i)
Other comprehensive income for the year, net of tax	-	112,686	-	112,686	SME(6.3)(c)(ii)
Total comprehensive income for the year	-	112,686	2,184,623	2,297,309	SME(6.3)(a)
<i>Transactions with owners in their capacity as owners:</i>					SME(6.3)(c)(iii)
Contributions of equity, net of transaction costs (note 31)	7,775,634	-	-	7,775,634	
Dividends paid (note 34)	-	-	(1,761,678)	(1,761,678)	
Balance at 31 December 2022	18,267,810	380,832	2,658,127	21,306,769	SME(6.3)(c)
	Issued capital CU	Reserves CU	Retained profits CU	Total equity CU	
Balance at 1 January 2023	18,267,810	380,832	2,658,127	21,306,769	SME(6.3)(c)
Profit after income tax expense for the year	-	-	3,331,769	3,331,769	SME(6.3)(c)(i)
Other comprehensive income for the year, net of tax	-	(10,902)	-	(10,902)	SME(6.3)(c)(ii)
Total comprehensive income for the year	-	(10,902)	3,331,769	3,320,867	SME(6.3)(a)
<i>Transactions with owners in their capacity as owners:</i>					SME(6.3)(c)(iii)
Contributions of equity, net of transaction costs (note 31)	27,606	-	-	27,606	
Dividends paid (note 34)	-	-	(2,939,012)	(2,939,012)	
Balance at 31 December 2023	18,295,416	369,930	3,050,884	21,716,230	SME(6.3)(c)

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	2023 CU	2022 CU		
Cash flows from operating activities				SME(7.3),(7.7)(b)	22
Receipts from customers		46,129,617	43,493,830	SME(7.4)(a)	
Payments to suppliers and employees		<u>(39,615,905)</u>	<u>(38,841,131)</u>	SME(7.4)(c),(d)	
		6,513,712	4,652,699		
Interest received		108,499	54,307	SME(7.14),(7.15)	
Other revenue		398,914	336,799	SME(7.4)(b)	
Interest and other finance costs paid		(215,048)	(339,128)	SME(7.14),(7.15)	
Income taxes paid		<u>(915,749)</u>	<u>(846,071)</u>	SME(7.4)(e),(7.17)	
Net cash from operating activities		<u>5,890,328</u>	<u>3,858,606</u>		23
Cash flows from investing activities				SME(7.3),(7.10)	
Payments for investments		(46,048)	-	SME(7.5)(a)	
Payments for property, plant and equipment	16	(1,227,047)	(304,812)	SME(7.5)(a)	
Proceeds from disposal of property, plant and equipment		151,120	25,341	SME(7.5)(b)	
Proceeds from release of security deposits		<u>15,379</u>	<u>-</u>		
Net cash used in investing activities		<u>(1,106,596)</u>	<u>(279,471)</u>		24
Cash flows from financing activities				SME(7.3),(7.10)	
Proceeds from issue of shares	31	27,606	7,875,207	SME(7.6)(a)	
Proceeds from borrowings		1,200,000	-	SME(7.6)(c)	
Share issue transaction costs		-	(141,874)		
Dividends paid	34	(2,939,012)	(1,761,678)	SME(7.14),(7.16)	
Repayment of borrowings		(550,000)	(9,500,000)	SME(7.6)(d)	
Repayment of lease liabilities		<u>(133,565)</u>	<u>(60,132)</u>	SME(7.6)(e)	
Net cash used in financing activities		<u>(2,394,971)</u>	<u>(3,588,477)</u>		25
Net increase/(decrease) in cash and cash equivalents		2,388,761	(9,342)		26
Cash and cash equivalents at the beginning of the financial year		<u>503,918</u>	<u>513,260</u>		
Cash and cash equivalents at the end of the financial year	8	<u>2,892,679</u>	<u>503,918</u>		

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

SME(8.2)(a),(8.5)

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. SME(3.11)

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ('IFRS for SMEs'), as appropriate for for-profit oriented entities. SME(3.3),(3.7)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments. SME(8.5)(a)

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Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2. SME(8.6),(8.7)

Foreign currency translation

The financial statements are presented in Internationaland currency units, which is RSM IFRS for SME Limited's functional and presentation currency. SME(3.23)(d),(30.26)

Foreign currency transactions

Foreign currency transactions are translated into Internationaland currency units using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. SME(30.7),(30.10)

Revenue recognition

SME(23.30)(a)

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. SME(23.3),(23.4)

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. SME(23.28),(23.29)(a)

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. SME(29.4)

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for: SME(29.7)

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. SME(29.16)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset. SME(29.31)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously. SME(29.37)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. SME(4.4)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. SME(4.5),(4.6)

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. SME(4.7),(4.8)

Deferred tax assets and liabilities are always classified as non-current. SME(4.2)(o)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position. SME(7.2)

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Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. SME(11.13)

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Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment. SME(11.13)

Inventories

SME(13.22)(a)

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Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. SME(13.4),(13.5),(13.18)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. SME(13.4)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1. Significant accounting policies (continued)

Derivative financial instruments

SME(11.40)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. SME(12.7),(12.8)

Derivatives are classified as current or non-current depending on the expected period of realisation.

SME(4.4)

Cash flow hedges

Cash flow hedges are used to cover the company's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs. SME(11.2)(b)

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss. SME(11.2)(b)

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. SME(11.2)(b)

Associates

SME(14.12)(a)

Associates are entities over which the company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment. SME(14.8)(a)-(g)

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. SME(14.8)(h)

The company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss. SME(14.8)(i)

Investments and other financial assets

SME(11.40)

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided. SME(12.7),(12.8)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off. SME(11.33)

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss. SME(11.13)-(11.20)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows. SME(11.21),(11.25)

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Note 1. Significant accounting policies (continued)

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss. SME(16.5),(16.7)

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use. SME(16.9)

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. SME(17.31)(a)

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. SME(17.31)(a)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows: SME(17.31)(b),(c)

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. SME(17.19)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. SME(20.12)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits. SME(17.27)

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. SME(20.5)

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. SME(20.4)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability. SME(20.9),(20.11)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term. SME(20.12)

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. SME(20.15)

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. SME(18.8),(18.11)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. SME(18.27)(a),(b)

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. SME(18.27)(a),(b)

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years. SME(18.27)(a),(b)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. SME(27.7),(27.8)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. SME(27.11)

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. SME(11.13)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. SME(11.40)
SME(11.13)-(11.20)

Finance costs

Finance costs are expensed in the period in which they are incurred. SME(25.2)

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost. SME(21.4),(21.7),(21.11)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. SME(28.5)-(28.7)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. SME(28.30)

Note 1. Significant accounting policies (continued)

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

SME(28.10)(a)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. SME(11.14)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. SME(11.14)

Issued capital

Ordinary shares are classified as equity.

SME(22.3),(22.7)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. SME(22.9)

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Value-Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

SME(8.6),(8.7)

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The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below. 36

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the company has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Note 3. Revenue

	2023 CU	2022 CU	
Sales revenue			
Sale of goods	45,941,257	42,819,004	SME(23.30)(b)(i)
Rendering of services	338,756	358,087	SME(23.30)(b)(ii)
	<u>46,280,013</u>	<u>43,177,091</u>	
Other revenue			
Rent from investment properties	363,229	331,970	
Other revenue	7,804	4,829	
	<u>371,033</u>	<u>336,799</u>	
Revenue	<u>46,651,046</u>	<u>43,513,890</u>	

Note 4. Share of profits of associates accounted for using the equity method

	2023 CU	2022 CU	
Share of profit - associates	<u>321,996</u>	<u>266,879</u>	SME(14.14)

Note 5. Other income

	2023 CU	2022 CU	
Net fair value gain on other financial assets	5,028	-	SME(11.48)(a)(i)
Net fair value gain on investment properties	-	150,000	
Net gain on disposal of property, plant and equipment	42,220	19,225	SME(17.28)
Insurance recoveries	27,881	-	
Other income	<u>75,129</u>	<u>169,225</u>	

Note 6. Expenses

Profit before income tax includes the following specific expenses:

	2023 CU	2022 CU	
Cost of sales			SME(13.22)(c)
Cost of sales	14,060,825	13,191,579	
Finance costs			
Interest and finance charges paid/payable on borrowings	215,048	339,128	SME(11.48)(b)
Unwinding of the discount on provisions	9,453	6,895	
Finance costs expensed	224,501	346,023	
Net foreign exchange loss			
Net foreign exchange loss	1,287	640	SME(30.25)(a)
Net fair value loss			
Net fair value loss on investment properties	60,000	-	
Cash flow hedge ineffectiveness			
Cash flow hedge ineffectiveness	3,841	2,376	SME(12.29)(d)
Rental expense relating to operating leases			
Minimum lease payments	3,679,836	3,487,368	SME(20.16)(b)
Superannuation expense			
Defined contribution superannuation expense	1,494,183	1,456,754	SME(28.40)
Research costs			
Research costs	12,449	10,731	SME(18.29)
Write off of assets			
Inventories	53,794	11,242	SME(13.22)(d)

Note 7. Income tax expense

	2023 CU	2022 CU	
Income tax expense			SME(29.39)
Current tax	1,360,837	794,083	SME(29.39)(a)
Deferred tax - origination and reversal of temporary differences	(63,660)	41,713	SME(29.39)(c)
Adjustment recognised for prior periods	(10,344)	-	SME(29.39)(b)
Aggregate income tax expense	1,286,833	835,796	
Deferred tax included in income tax expense comprises:			
Increase in deferred tax assets (note 18)	(77,434)	(4,523)	
Increase in deferred tax liabilities (note 28)	13,774	46,236	
Deferred tax - origination and reversal of temporary differences	(63,660)	41,713	
Numerical reconciliation of income tax expense and tax at the statutory rate			SME(29.40)(c)
Profit before income tax expense	4,618,602	3,020,419	
Tax at the statutory tax rate of 30%	1,385,581	906,126	
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment expenses	3,208	4,068	
Share of profits - associates	(96,599)	(80,064)	
Sundry items	4,987	5,666	
Adjustment recognised for prior periods	1,297,177	835,796	
	(10,344)	-	SME(29.39)(b)
Income tax expense	1,286,833	835,796	

Note 7. Income tax expense (continued)

Amounts charged/(credited) directly to equity

	2023 CU	2022 CU	SME(29.40)(b)
Deferred tax assets (note 18)	(4,672)	(54,268)	
Deferred tax liabilities (note 28)	-	60,000	
	<u>(4,672)</u>	<u>5,732</u>	

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Note 8. Current assets - cash and cash equivalents

	2023 CU	2022 CU	
Cash on hand	12,643	10,983	SME(7.20)
Cash at bank	1,689,499	579,671	SME(7.20)
Cash on deposit	1,190,537	40,810	SME(7.20)
	<u>2,892,679</u>	<u>631,464</u>	

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2023 CU	2022 CU	SME(7.20)
Balances as above	2,892,679	631,464	
Bank overdraft (note 21)	-	(127,546)	
	<u>2,892,679</u>	<u>503,918</u>	

Note 9. Current assets - trade and other receivables

	2023 CU	2022 CU	
Trade receivables	1,434,905	1,318,680	SME(4.11)(b)
Less: Provision for impairment of receivables	(7,500)	(5,000)	
	<u>1,427,405</u>	<u>1,313,680</u>	
Other receivables	6,285	4,732	SME(11.42)
Interest receivable	1,478	515	
	<u>1,435,168</u>	<u>1,318,927</u>	

Note 10. Current assets - inventories

	2023 CU	2022 CU	
Raw materials	681,793	608,162	SME(4.11)(c)
Work in progress	1,604,081	1,743,870	SME(13.22)(b)
Finished goods	1,647,208	1,935,371	SME(13.22)(b)
Stock in transit	21,333	19,039	SME(13.22)(b)
	<u>3,954,415</u>	<u>4,306,442</u>	

Note 11. Current assets - financial assets at fair value through profit or loss

	2023 CU	2022 CU	
Listed ordinary shares - designated at fair value through profit or loss	26,041	-	SME(11.42)
Listed ordinary shares - held for trading	25,035	-	
	<u>51,076</u>	<u>-</u>	

The listed ordinary shares have been valued based on their quoted market prices in active markets.

SME(11.43)

Note 12. Current assets - other

	2023 CU	2022 CU
Accrued revenue	200,755	185,445
Prepayments	112,081	90,992
Security deposits	7,080	4,189
	<u>319,916</u>	<u>280,626</u>

Note 13. Non-current assets - receivables

	2023 CU	2022 CU
Other receivables	<u>14,695</u>	<u>14,695</u> SME(11.42)

Note 14. Non-current assets - investments accounted for using the equity method

	2023 CU	2022 CU
Investment in associate	<u>3,420,157</u>	<u>3,098,161</u> SME(14.12)(b)

Note 15. Non-current assets - investment properties

	2023 CU	2022 CU
Investment properties - at independent valuation	<u>4,690,371</u>	<u>4,750,371</u> SME(16.10)(e)

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

SME(16.10)(e)

Opening fair value	4,750,371	4,600,371
Revaluation increments	-	150,000
Revaluation decrements	<u>(60,000)</u>	<u>-</u>
Closing fair value	<u>4,690,371</u>	<u>4,750,371</u>

Valuations of investment properties

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent assessments by a member of the Internationaland Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

SME(16.10)(a),(b)

Lessor commitments

SME(20.30)

	2023 CU	2022 CU
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	372,269	357,951
One to five years	1,644,060	1,580,827
More than five years	<u>1,413,842</u>	<u>1,849,344</u>
	<u>3,430,171</u>	<u>3,788,122</u>

Note 16. Non-current assets - property, plant and equipment

	2023 CU	2022 CU	
Land and buildings - at independent valuation	5,850,000	5,850,000	SME(4.11)(a)
Leasehold improvements - at cost	3,358,903	2,719,360	SME(17.31)(d)
Less: Accumulated depreciation	(1,840,129)	(1,312,932)	SME(17.31)(d)
	<u>1,518,774</u>	<u>1,406,428</u>	
Plant and equipment - at cost	10,561,127	10,036,683	SME(17.31)(d)
Less: Accumulated depreciation	(5,615,827)	(4,404,838)	SME(17.31)(d)
	<u>4,945,300</u>	<u>5,631,845</u>	
Plant and equipment under lease	619,128	619,128	SME(17.31)(d)
Less: Accumulated depreciation	(207,476)	(105,853)	SME(17.31)(d)
	<u>411,652</u>	<u>513,275</u>	
	<u>12,725,726</u>	<u>13,401,548</u>	

Reconciliations

SME(17.31)(e)

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings CU	Leasehold improvements CU	Plant and equipment CU	Plant under lease CU	Total CU
Balance at 1 January 2023	5,850,000	1,406,428	5,631,845	513,275	13,401,548
Additions	-	639,543	642,818	-	1,282,361
Disposals	-	-	(108,900)	-	(108,900)
Depreciation expense	-	(527,197)	(1,220,463)	(101,623)	(1,849,283)
Balance at 31 December 2023	<u>5,850,000</u>	<u>1,518,774</u>	<u>4,945,300</u>	<u>411,652</u>	<u>12,725,726</u>

Valuations of land and buildings

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 31 December 2022 based on independent assessments by a member of the Internationaland Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

SME(17.33)(a)-(c)

Property, plant and equipment secured under finance leases

SME(17.32)(a)

Refer to note 37 for further information on property, plant and equipment secured under finance leases.

Note 17. Non-current assets - intangibles

	2023 CU	2022 CU	
Development - at cost	320,994	320,994	SME(18.27)(c)
Less: Accumulated amortisation	(160,604)	(128,650)	SME(18.27)(c)
	<u>160,390</u>	<u>192,344</u>	
Patents and trademarks - at cost	32,546	32,546	SME(18.27)(c)
Less: Accumulated amortisation	(23,150)	(19,462)	SME(18.27)(c)
	<u>9,396</u>	<u>13,084</u>	
Software - at cost	10,985	10,985	SME(18.27)(c)
Less: Accumulated amortisation	(7,205)	(4,903)	SME(18.27)(c)
	<u>3,780</u>	<u>6,082</u>	
	<u>173,566</u>	<u>211,510</u>	

Note 17. Non-current assets - intangibles (continued)

Reconciliations

SME(18.27)(e),(19.26)

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Development CU	Patents and trademarks CU	Software CU	Total CU
Balance at 1 January 2023	192,344	13,084	6,082	211,510
Amortisation expense	(31,954)	(3,688)	(2,302)	(37,944)
Balance at 31 December 2023	160,390	9,396	3,780	173,566

Note 18. Non-current assets - deferred tax

44,45

	2023 CU	2022 CU
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	32,043	-
Employee benefits	585,406	570,154
Finance leases	5,634	10,497
Provision for legal claims	2,042	-
Provision for lease make good	51,536	32,105
Provision for warranties	96,402	85,212
Accrued expenses	78,858	62,065
Revenue received in advance	24,007	29,949
	875,928	789,982
Amounts recognised in equity:		
Transaction costs on share issue	17,024	25,536
Derivative financial instruments	36,458	31,786
	53,482	57,322
Deferred tax asset	929,410	847,304
<i>Movements:</i>		
Opening balance	847,304	788,513
Credited to profit or loss (note 7)	77,434	4,523
Credited to equity (note 7)	4,672	54,268
Closing balance	929,410	847,304

SME(29.40)(e)(i)

SME(29.40)(e)(ii)

SME(29.40)(b)

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Note 19. Non-current assets - other

	2023 CU	2022 CU
Security deposits	126,981	145,251

Note 20. Current liabilities - trade and other payables

	2023 CU	2022 CU
Trade payables	1,807,695	1,572,019
Other payables	193,555	159,691
	2,001,250	1,731,710

SME(4.11)(d)

Note 21. Current liabilities - borrowings

	2023 CU	2022 CU	
Bank overdraft	-	127,546	SME(11.41)(e)
Bank loans	450,000	200,000	SME(11.41)(e)
Lease liability	162,278	134,187	
	<u>612,278</u>	<u>461,733</u>	

Refer to note 27 for further information on assets pledged as security and financing arrangements.

Note 22. Current liabilities - derivative financial instruments

	2023 CU	2022 CU	
Forward foreign exchange contracts - cash flow hedges	<u>122,651</u>	<u>107,077</u>	SME(12.27)(b)

In order to protect against exchange rate movements, the company has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 80% of anticipated foreign currency transactions for the subsequent 4 months. SME(12.27)(a),(c)

Note 23. Current liabilities - income tax

	2023 CU	2022 CU	
Provision for income tax	<u>670,464</u>	<u>235,720</u>	

Note 24. Current liabilities - employee benefits

	2023 CU	2022 CU	
Employee benefits	<u>835,887</u>	<u>814,405</u>	SME(4.11)(e)

Note 25. Current liabilities - provisions

	2023 CU	2022 CU	
Lease make good	23,869	-	SME(4.11)(e)
Legal claims	6,805	-	SME(4.11)(e)
Warranties	<u>321,339</u>	<u>284,040</u>	SME(4.11)(e)
	<u>352,013</u>	<u>284,040</u>	

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms. SME(21.14)(b),(c)

Legal claims

The provision represents a claim by a customer of the computer retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice. SME(21.14)(b),(c)

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts. SME(21.14)(b),(c)

Note 25. Current liabilities - provisions (continued)

Movements in provisions

SME(21.14)(a)

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good CU	Legal claims CU	Warranties CU
2023			
Carrying amount at the start of the year	-	-	284,040
Additional provisions recognised	-	6,805	50,893
Amounts transferred from non-current	23,869	-	-
Amounts used	-	-	(9,127)
Unused amounts reversed	-	-	(4,467)
	<u>23,869</u>	<u>6,805</u>	<u>321,339</u>
Carrying amount at the end of the year	23,869	6,805	321,339

Note 26. Current liabilities - other

	2023 CU	2022 CU
Accrued expenses	262,861	206,884
Revenue received in advance	80,022	99,830
	<u>342,883</u>	<u>306,714</u>

Note 27. Non-current liabilities - borrowings

	2023 CU	2022 CU
Bank loans	2,300,000	1,900,000
Lease liability	182,414	344,070
	<u>2,482,414</u>	<u>2,244,070</u>

SME(11.41)(e)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2023 CU	2022 CU
Bank overdraft	-	127,546
Bank loans	2,750,000	2,100,000
Lease liability	344,692	478,257
	<u>3,094,692</u>	<u>2,705,803</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the company's land and buildings.

SME(11.46)(a)

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

SME(11.46)(b)

Note 27. Non-current liabilities - borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

SME(11.42)

	2023 CU	2022 CU
Total facilities		
Bank overdraft	500,000	500,000
Bank loans	4,000,000	2,500,000
	<u>4,500,000</u>	<u>3,000,000</u>
Used at the reporting date		
Bank overdraft	-	127,546
Bank loans	2,750,000	2,100,000
	<u>2,750,000</u>	<u>2,227,546</u>
Unused at the reporting date		
Bank overdraft	500,000	372,454
Bank loans	1,250,000	400,000
	<u>1,750,000</u>	<u>772,454</u>

The bank loans are principal and interest payment loans, repayable in monthly instalments and due to mature in 2026. The variable interest rate is 8.20% (2022: 8.80%).

SME(11.42)

Note 28. Non-current liabilities - deferred tax

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	2023 CU	2022 CU
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Financial assets at fair value through profit or loss	1,508	-
Prepayments	63,083	23,231
Development costs	48,117	57,703
Net fair value gain on investment properties	27,000	45,000
	<u>139,708</u>	<u>125,934</u>
Amounts recognised in equity:		
Revaluation of property, plant and equipment	195,000	195,000
	<u>195,000</u>	<u>195,000</u>
Deferred tax liability	<u>334,708</u>	<u>320,934</u>
		SME(29.40)(e)(i)
<i>Movements:</i>		
Opening balance	320,934	214,698
Charged to profit or loss (note 7)	13,774	46,236
Charged to equity (note 7)	-	60,000
	<u>-</u>	<u>60,000</u>
Closing balance	<u>334,708</u>	<u>320,934</u>

SME(29.40)(e)(i)

SME(29.40)(e)(ii)

SME(29.40)(b)

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Note 29. Non-current liabilities - employee benefits

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	2023 CU	2022 CU
Employee benefits	<u>1,115,466</u>	<u>1,086,109</u>

SME(4.11)(e)

Note 30. Non-current liabilities - provisions

	2023 CU	2022 CU
Lease make good	<u>147,916</u>	<u>107,018</u>

SME(4.11)(e)

Note 30. Non-current liabilities - provisions (continued)

Lease make good

SME(21.14)(b),(c)

The provision represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms.

Movements in provisions

SME(21.14)(a)

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good CU
2023	
Carrying amount at the start of the year	107,018
Additional provisions recognised	55,314
Amounts transferred to current	(23,869)
Unwinding of discount	9,453
	<u>147,916</u>
Carrying amount at the end of the year	

Note 31. Equity - issued capital

	2023 Shares	2022 Shares	2023 CU	2022 CU	
Ordinary shares - fully paid	<u>14,790,386</u>	<u>14,679,962</u>	<u>18,295,416</u>	<u>18,267,810</u>	SME(4.12)(a)(ii)

Movements in ordinary share capital

SME(4.12)(a)(iv)

Details	Date	Shares	Issue price	CU
Balance	1 January 2023	14,679,962		18,267,810
Issue of shares	[date]	10,424	CU0.25	2,606
Issue of shares	[date]	<u>100,000</u>	<u>CU0.25</u>	<u>25,000</u>
Balance	31 December 2023	<u>14,790,386</u>		<u>18,295,416</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. SME(4.12)(a)(i),(iii),(v)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. SME(4.12)(a)(v)

Note 32. Equity - reserves

	2023 CU	2022 CU	
Revaluation surplus reserve	455,000	455,000	SME(4.11)(f)
Hedging reserve - cash flow hedges	<u>(85,070)</u>	<u>(74,168)</u>	
	<u>369,930</u>	<u>380,832</u>	

Revaluation surplus reserve

SME(4.12)(b)

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Hedging reserve - cash flow hedges

SME(4.12)(b)

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Note 32. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial year are set out below:

	Revaluation surplus CU	Hedging CU	Total CU	
Balance at 1 January 2023	455,000	(74,168)	380,832	
Revaluation - gross	-	(15,574)	(15,574)	
Deferred tax	-	4,672	4,672	SME(29.40)(a)
Balance at 31 December 2023	455,000	(85,070)	369,930	

Note 33. Equity - retained profits

	2023 CU	2022 CU	
Retained profits at the beginning of the financial year	2,658,127	2,235,182	55
Profit after income tax expense for the year	3,331,769	2,184,623	
Dividends paid (note 34)	(2,939,012)	(1,761,678)	
Retained profits at the end of the financial year	3,050,884	2,658,127	56

Note 34. Equity - dividends

Dividends paid during the financial year were as follows:

	2023 CU	2022 CU	
Final dividend for the year ended 31 December 2022 (2022: 31 December 2021)	2,939,012	1,761,678	
On [date] the directors declared a final dividend for the year ended 31 December 2023 to be paid on [date], a total estimated distribution of CU2,497,000 based on the number of ordinary shares on issue as at [date].			SME(32.8)

Note 35. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2023 CU	2022 CU	
Aggregate compensation	1,757,032	1,642,995	SME(33.7)

Note 36. Contingent liabilities

During the financial year there was a work related accident involving a member of staff. Although the investigation is still in progress, the directors are of the opinion, based on independent legal advice, that the company will not be found to be at fault and any compensation will be covered by the company's insurance policy. Accordingly, no provision has been provided within these financial statements.

The company has given bank guarantees as at 31 December 2023 of CU310,000 (2022: CU284,000) to various landlords.

Note 37. Commitments

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Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Investment properties

Property, plant and equipment

Intangible assets

2023 CU	2022 CU	
16,974	-	SME(16.10)(d)
116,534	114,497	SME(17.32)(b)
16,043	-	SME(18.28)(d)

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

Within one year

One to five years

More than five years

2023 CU	2022 CU	
3,810,328	3,516,174	SME(20.16)(a)(i)
16,827,487	15,528,725	SME(20.16)(a)(ii)
26,968,312	31,425,849	SME(20.16)(a)(iii)
47,606,127	50,470,748	

SME(20.16)(a)

Lease commitments - finance

Committed at the reporting date and recognised as liabilities, payable:

Within one year

One to five years

2023 CU	2022 CU	
184,122	169,183	SME(20.13)(b)(i)
190,247	374,256	SME(20.13)(b)(ii)

SME(20.13)(b)

Total commitment

Less: Future finance charges

2023 CU	2022 CU	
374,369	543,439	
(29,677)	(65,182)	

Net commitment recognised as liabilities

2023 CU	2022 CU	
344,692	478,257	

Representing:

Lease liability - current (note 21)

Lease liability - non-current (note 27)

2023 CU	2022 CU	
162,278	134,187	
182,414	344,070	
344,692	478,257	

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. SME(20.16)(c)

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of CU411,652 (2022: CU513,275) under finance leases expiring within one to five years. Under the terms of the leases, the company has the option to acquire the leased assets for predetermined residual values on the expiry of the leases. SME(20.13)(a),(c)

Note 38. Related party transactions

Parent entity

RSM IFRS for SME Limited is jointly owned by the Smith family and there is no ultimate parent entity. SME(33.5)

Key management personnel

Disclosures relating to key management personnel are set out in note 35.

Transactions with related parties

The following transactions occurred with related parties: SME(33.9)(a)

	2023 CU	2022 CU	
Payment for goods and services:			
Payment for services from associate	3,397,327	3,234,986	SME(33.10)(b)
Payment for marketing services from BE Promotions Limited (director-related entity of Brad Example)	81,238	67,905	SME(33.10)(c)

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Note 38. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

SME(33.9)(b)

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	2023 CU	2022 CU	
Current payables:			
Trade payables to associate	361,334	345,876	SME(33.10)(b)
Trade payables to BE Promotions Limited (director-related entity of Brad Example)	7,108	6,388	SME(33.10)(c)

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

SME(33.9)(b)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

SME(33.9)(b)(i)

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Note 39. Events after the reporting period

SME(32.10)

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Apart from the dividend declared as disclosed in note 34, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 40. Non-cash investing and financing activities

SME(7.18)

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	2023 CU	2022 CU
Acquisition of plant and equipment by means of finance leases	-	233,457
Leasehold improvements - lease make good	55,314	-
	<u>55,314</u>	<u>233,457</u>

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Contents

1 *Power to amend and reissue the financial statements*

Under SME(32.9), disclosure is required if the directors have the power to amend and reissue the financial statements. Refer to your company constitution to confirm if this is correct. If the directors do not have the power, remove the sentence or state:
The directors do not have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income

2 *Alternative names*

In accordance with SME(3.22), an entity may use titles for the statements other than those used in the Accounting Standards. The titles in the Accounting Standards change from time to time, but a consistent approach should be applied. An alternative is 'Statement of comprehensive income'.

3 *Two separate statements*

In accordance with SME(5.2), an entity may present the components of profit or loss either as part of a single statement of profit or loss and other comprehensive income or in a separate income statement. When a separate income statement is presented, it is part of a complete set of financial statements and shall be displayed immediately before the statement of comprehensive income.

4 *Statement of income and retained earnings*

In accordance with SME(3.18), an entity may present a single statement of income and retained earnings in place of the statement of profit or loss and other comprehensive income and statement of changes in equity, if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

5 *Expenses by function*

Instead of disclosing expenses by nature as illustrated, you can present expenses by function, for instance (with finance costs being mandatory, thus still by nature):

- Cost of sales
- Distribution
- Marketing
- Administration
- Other expenses
- Finance costs

If expenses are disclosed by function in the statement of profit or loss and other comprehensive income, then depreciation, amortisation, impairment and employee benefits expenses must be disclosed in the expenses note.

Avoid mixing expenses by both 'nature' and 'function'. There is no hybrid approach available as SME(5.11) states 'either their nature or their function'.

6 *Other expenses*

Other expenses should be less than 10% of total expenses.

7 *Other comprehensive income - gross with tax separately identified*

Instead of disclosing other comprehensive income net of tax as illustrated, you can present the individual components as gross with tax separately identified. If tax is only disclosed as an aggregate in other comprehensive income, the tax relating to each component must be disclosed separately in the notes.

8 *Other comprehensive income - grouped*

Other comprehensive income is grouped into two sections:

- Items that will not be reclassified subsequently to profit or loss (such as 'gain or loss on the revaluation of land and buildings' or 'actuarial gain or loss on defined benefit plans')
- Items that may be reclassified subsequently to profit or loss

9 *Other comprehensive income - no alternative descriptions adopted*

Although other terms may be used as long as the meaning is clear, it is common practice to only state 'Other comprehensive income' even when there is a loss, for reasons including consistency with the statement name. Other alternatives include 'Other comprehensive loss', 'Other comprehensive expense' and 'Other comprehensive income/(expense)'.

10 *Total comprehensive income - no alternative descriptions adopted*

Although other terms may be used as long as the meaning is clear, it is common practice to only state 'Total comprehensive income' even when there is a loss. Other alternatives include 'Total comprehensive loss', 'Total comprehensive expense' and 'Total comprehensive income/(expense)'.

Alternative descriptions

- 11 Profit before income tax expense
Loss before income tax expense
Profit/(loss) before income tax expense
Profit before income tax benefit
Loss before income tax benefit
Profit/(loss) before income tax benefit
Profit before income tax (expense)/benefit
Loss before income tax (expense)/benefit
Profit/(loss) before income tax (expense)/benefit
- 12 Income tax expense
Income tax benefit
Income tax (expense)/benefit
- 13 Profit after income tax expense
Loss after income tax expense
Profit/(loss) after income tax expense
Profit after income tax benefit
Loss after income tax benefit
Profit/(loss) after income tax benefit
Profit after income tax (expense)/benefit
Loss after income tax (expense)/benefit
Profit/(loss) after income tax (expense)/benefit

Statement of financial position

- 14 *Alternative names*
In accordance with SME(3.22), an entity may use titles for the statements other than those used in the Accounting Standards. The titles in the Accounting Standards change from time to time, but a consistent approach should be applied. An alternative is 'Balance sheet'.
- 15 *Current/non-current distinction and presentation based on liquidity as an alternative*
An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.
- 16 *Supporting notes*
A supporting note for every statement of financial position item is not mandatory. However, RSM IFRS for SME Limited has elected to have a supporting note for every item, regardless of whether it discloses any additional information.

Alternative descriptions

- 17 Net assets
Net liabilities
Net assets/(liabilities)
- 18 Retained profits
Accumulated losses
Retained profits/(accumulated losses)
- 19 Total equity
Total deficiency in equity
Total equity/(deficiency)

Statement of changes in equity

- 20 *Alternative names*
In accordance with SME(3.22), an entity may use titles for the statements other than those used in the Accounting Standards. The titles in the Accounting Standards change from time to time, but a consistent approach should be applied.

Statement of cash flows

- 21 *Alternative names*
In accordance with SME(3.22), an entity may use titles for the statements other than those used in the Accounting Standards. The titles in the Accounting Standards change from time to time, but a consistent approach should be applied.

- 22 *Cash flows from operating activities - indirect method*
An alternative is to apply the indirect method.

Alternative descriptions

- 23 Net cash from operating activities
Net cash used in operating activities
Net cash from/(used in) operating activities

- 24 Net cash from investing activities
 Net cash used in investing activities
 Net cash from/(used in) investing activities
- 25 Net cash from financing activities
 Net cash used in financing activities
 Net cash from/(used in) financing activities
- 26 Net increase in cash and cash equivalents
 Net decrease in cash and cash equivalents
 Net increase/(decrease) in cash and cash equivalents

Notes to the financial statements

Significant accounting policies

- 27 Going concern:
 In practical terms, a current asset deficiency or net asset deficiency will raise a going concern issue. However, in accordance with SME(3.9), when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

A simple example of a going concern note is as follows:

As at 31 December 2023 the company had a net asset deficiency of CUX,XXX,XXX, which included related party loans of CUX,XXX,XXX. However, the financial statements have been prepared on a going concern basis as Financial Assistance Pty Limited, a commonly controlled entity, has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements.

- 28 Accounting period:
 Where the current or prior financial periods are not full year's, include a disclosure, for example:
 The company's current accounting period is the year ended 31 December 2023 and its comparative accounting period is from 2 September 2022 (date of incorporation) to 31 December 2022. Therefore, the results are not directly comparable.

Basis of preparation:

- 29 Historical cost convention:
 Modify where applicable and if no assets or liabilities were revalued or held at fair value, state:
 The financial statements have been prepared under the historical cost convention.

- 30 Cash and cash equivalents:
 Where there is no bank overdraft, state:
 Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- 31 Trade and other receivables:
 Change the number of days if applicable.

- 32 Inventories:
 Change 'first in first out' to 'weighted average' or 'specific identification' if applicable. Note that 'last in first out' is not permitted.

- 33 Property, plant and equipment:
 Delete references to 'land and buildings' if not applicable.
 Valuations, by external independent valuers, of land and buildings must occur at least every 5 years.
 In addition to the straight-line basis, other depreciation methods are diminishing balance and the units of production.
 Match the listed items to the categories in the property, plant and equipment note.

- 34 Trade and other payables:
 Change the number of days if applicable.

Critical accounting judgements, estimates and assumptions

- 35 This note will be required to be significantly modified to reflect the relevant critical accounting judgements, estimates and assumptions of each entity.
- 36 Where you have no significant critical accounting judgements, estimates and assumptions, state:
 The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

37 *Restatement of comparatives*

There can be a restatement of comparatives through either a correction of error, a change in accounting policy or a reclassification.

Share of profits of associates accounted for using the equity method

Alternative descriptions:

- 38 Share of profits of associates and joint ventures accounted for using the equity method
Share of losses of associates and joint ventures accounted for using the equity method
Share of profits/(losses) of associates and joint ventures accounted for using the equity method
Share of profits of associates accounted for using the equity method
Share of losses of associates accounted for using the equity method
Share of profits/(losses) of associates accounted for using the equity method
Share of profits of joint ventures accounted for using the equity method
Share of losses of joint ventures accounted for using the equity method
Share of profits/(losses) of joint ventures accounted for using the equity method

Income tax expense

Alternative descriptions:

- 39 Income tax expense
Income tax benefit
Income tax expense/(benefit)
- 40 Decrease in deferred tax assets
Increase in deferred tax assets
Decrease/(increase) in deferred tax assets
- 41 Decrease in deferred tax liabilities
Increase in deferred tax liabilities
Decrease/(increase) in deferred tax liabilities
- 42 Amounts charged directly to equity
Amounts credited directly to equity
Amounts charged/(credited) directly to equity
- 43 Where applicable, the following should be disclosed:
Unused tax losses for which no deferred tax asset has been recognised
Potential tax benefit @ 30%

Deferred tax assets not recognised

Non-current assets - deferred tax

- 44 Deferred tax assets are always classified as non-current in the statement of financial position. SME(4.2)(o) specifically states an entity 'shall not classify deferred tax assets (liabilities) as current assets (liabilities)'.
- 45 An alternative is to offset deferred tax assets and liabilities, as explained in the income tax accounting policy:
Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Alternative descriptions:

- 46 Credited to profit or loss
Charged to profit or loss
Credited/(charged) to profit or loss
- 47 Credited to equity
Charged to equity
Credited/(charged) to equity

Current liabilities - employee benefits

- 48 An alternative is to classify 'current liabilities - employee benefits' in 'current liabilities - provisions'.

Non-current liabilities - deferred tax

- 49 Deferred tax liabilities are always classified as non-current in the statement of financial position. SME(4.2)(o) specifically states an entity 'shall not classify deferred tax assets (liabilities) as current assets (liabilities)'.

Alternative descriptions:

- 50 Charged to profit or loss
Credited to profit or loss
Charged/(credited) to profit or loss
- 51 Charged to equity
Credited to equity
Charged/(credited) to equity

Non-current liabilities - employee benefits

- 52 An alternative is to classify 'non-current liabilities - employee benefits' in 'non-current liabilities - provisions'.

Equity - retained profits

- 53 The retained profits note is not mandatory but its inclusion should be considered.

Alternative descriptions:

- 54 Equity - retained profits
 Equity - accumulated losses
 Equity - retained profits/(accumulated losses)
- 55 Retained profits at the beginning of the financial year
 Accumulated losses at the beginning of the financial year
 Retained profits/(accumulated losses) at the beginning of the financial year
- 56 Retained profits at the end of the financial year
 Accumulated losses at the end of the financial year
 Retained profits/(accumulated losses) at the end of the financial year

Equity - dividends

Where there were no dividends paid, recommended or declared during the current or previous financial year, remove the table and state:
 There were no dividends paid, recommended or declared during the current financial year.

Contingent liabilities

- 58 When you have no contingent liabilities, either remove the note, or state:
 The company had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Commitments

- 59 When you have no commitments, either remove the note, or state:
 The company had no commitments as at 31 December 2023 and 31 December 2022.

Related party transactions

- 60 Significant influence:
 An additional class of related party is significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement. A party with significant influence typically holds more than 20% of the voting rights in the entity.
- 61 Transactions with related parties:
 Where there were no transactions with related parties, state:
 There were no transactions with related parties during the current and previous financial year.
- 62 Receivable from and payable to related parties:
 Where there were no receivable from and payable to related parties, state:
 There were no trade receivables from or trade payables to related parties at the current and previous reporting date.
- 63 Terms and conditions:
 Modify terms and conditions wording as required. An example is as follows:
 Transactions involving the sale of goods and purchase of goods between related parties are made in accordance with a transfer pricing agreement. Interest received and interest paid on loans is calculated monthly on LIBOR + 1.25%. There is no security held or guarantees given on related party loans.

Events after the reporting period

Where there were no matters subsequent to the end of the financial year, state:
 No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Where there were matters subsequent to the end of the financial year disclosed, state the following below these matters:
 No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Non-cash investing and financing activities

Additional examples of non-cash investing and financing activities are as follows:
 Shares issued under employee share plan
 Shares issued under dividend reinvestment plan
 Shares issued in relation to business combinations
 Shares issued on conversion of loan
 Loans from banks
 Loans from related parties
 Loans to related parties