

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 03: FINANCIAL STATEMENTS



Lecturer: Antoine Portelli

Date: 28 January 2023

**Undergraduate Diploma in
Business Administration**

What we covered in Lecture 02

- Accounting Terms
- The Accounting Equation
- The Trial Balance



Accounting Terms

- Fixed Assets
- Investments
- Current Assets
- Long-Term Liabilities
- Current Liabilities
- Capital / Equity
- Retained Earnings

Accounting Terms

- Revenues / Sales
- Cost of Sales
- Opening Stock, Purchases, Closing Stock
- Operating Expenses
- Administrative Expenses
- Financial Expenses
- Depreciation
- Taxation



The Accounting Equation



- $ASSETS = CAPITAL + LIABILITIES$
- $\&$
- $Net\ Current\ Assets = Current\ Assets - Current\ Liabilities$

Trial Balance

Trial balance for George's Catering on the 31 st of May 2010			
	FOLIO	DEBIT \$	CREDIT \$
Baking equipment	100	12,000	
Debtors	101	0	
Bank	102	14,800	
Capital	300		15,000
Drawings	301	500	
Loan	200		1,000
Creditors	201		0
Services rendered	400		15,500
Salaries	500	4,000	
Telephone expense	501	200	
		<u>31,500</u>	<u>31,500</u>

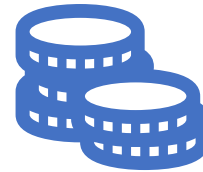
Today's Agenda



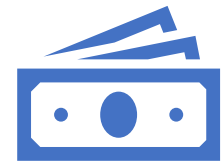
Trial Balance



Income Statement



Balance Sheet



Cashflow
Statement

Financial Statements



International Accounting Standards

- A complete set of financial statements comprises:
 - a statement of financial position,
 - a statement of profit or loss and other comprehensive income,
 - a statement of changes in equity;
 - a statement of cash flows.



International Accounting Standards

IAS 1 Presentation of Financial Statements

- Was reissued in September 2007 and applies to annual periods beginning on or after 1 January 2009
- It prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods as well as with the financial statements of other entities.
- Sets out the overall requirements for the presentation of financial statements, guidelines for their structure, minimum requirements for their content and certain overriding concepts such as the going concern, the accrual basis of accounting and the current/non-current distinction



International Accounting Standards

IAS 7 Statement of Cash Flows

- requires an entity to present a statement of cash flows using either the 'direct' or the 'indirect' method
- to provide information on the historical changes in cash and cash equivalents
- by classifying cash flows into operating activities, investing activities or financing activities



Financial Accounts

- The financial accounts are
- Legally required
- Focused on history (reports on the prior period)
- Are reported in a specific format
- Their rules are prescribed by standards
- Are defined to be reported annually, semi-annually, quarterly or even monthly
- Are mostly of monetary nature



Statutory financial statements

- Income Statement
- Statement of Financial Position
- Cashflow Statement
- Audited Financial Statements
- Tax Returns
- VAT Returns



Income statement ... or profit & loss a/c ?

- Provides information on the results of the business activity for the particular period
- **Revenue**: Turnover; Sales of Goods; Provision of Services; Other Income
- **Cost of Sales**: Opening/Closing Stock; Purchases; Manufacturing Costs
- **GROSS PROFIT**
- **Expenses**: Marketing; Administration; Financial
- **Depreciation**
- **NET PROFIT** before TAX



The Income Statement

- The Income Statement is also called Profit and loss account
- A business determines whether it would have made a profit or loss for a particular period of time, normally one year
- Has a pre-set format
- May have comparative figures for previous period



The Income Statement

<i>Income Statement for the year ended 31st December 2015</i>		
	€	€
Sales		6,700
<i>Less Cost of Sales:</i>		
Opening Stock	300	
Add Purchases	4,260	
	4,560	
Less Closing Stock	-550	-4,010
<i>Gross Profit</i>		2,690
<i>Less Expenses:</i>		
Wages	520	
Water & Electricity	190	
Rent	240	
General Expenses	70	
Carriage Outwards	110	-1,130
<i>Net Profit</i>		1,560

Income Statement

INCOME STATEMENTS

	Year ended 31 January				
	Notes	Group		Company	
		2022	2021	2022	2021
	€'000	€'000	€'000	€'000	
Revenue	4	91,768	73,016	49,321	41,391
Cost of sales	23	(57,359)	(47,004)	(26,591)	(23,028)
Gross profit		34,409	26,012	22,730	18,363
Selling and distribution costs	23	(10,655)	(8,912)	(7,497)	(6,689)
Administrative expenses	23	(10,308)	(11,427)	(5,740)	(6,910)
Operating profit		13,446	5,673	9,493	4,764
Finance income	26	-	-	35	25
Finance costs	27	(1,282)	(1,246)	(957)	(975)
Profit before tax		12,164	4,427	8,571	3,814
Tax income/(expense)	28	264	(1,094)	1,500	(934)
Profit for the year		12,428	3,333	10,071	2,880
Basic and diluted earnings per share for the year attributable to shareholders	30	€0.4143	€0.1111		

Statement of Comprehensive Income

STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 January				
	Group		Company		
	2022	2021	2022	2021	
	Note	€'000	€'000	€'000	€'000
Profit for the year		12,428	3,333	10,071	2,880
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Cash flow hedges net of deferred tax	16	106	98	106	98
Other comprehensive income for the year		106	98	106	98
Total comprehensive income for the year attributable to equity shareholders		12,534	3,431	10,177	2,978

The notes on pages 65 to 95 are an integral part of these consolidated financial statements.

Balance sheet... or statement of financial position !

- Provides a SNAP SHOT of the status and position of the Business Organisation at a PARTICULAR moment in time, e.g. 31 December 2021
- 3 main sections:
 - ASSETS
 - LIABILITIES
 - EQUITY / RETAINED EARNINGS



WHAT ARE ASSETS ?

What the business possesses

- Fixed Assets
 - Tangible / Intangible
- Current Assets
 - Stock
 - Receivables (or Debtors)
 - Cash in Hand
 - Bank holdings



...and liabilities ?

- What the business owes
- LONG-TERM LIABILITIES
- Bank Loans (due over 1 year)
- CURRENT LIABILITIES
- Payables (or Creditors)
- Accruals
- Bank Overdrafts
- Statutory Dues (Tax/VAT/FSS)



Assets minus liabilities = equity

Value of what the business possesses

LESS

Value of what the business owes to others

RESULTS IN

Net Value of Business

EQUITY (SHARE CAPITAL)

Retained Earnings (past profits)



Samples of Financial Statements

G2G P.L.C

Financial Statements for the year ended 31 December 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Investment in Gold	8	4,130,882	3,960,766
Deferred Tax		78,660	-
Total current assets		4,209,542	3,960,766
Current assets			
Financial assets at fair value through profit or loss	7	148,827	315,199
Prepayments and deferred income		6,679	11,679
Cash at bank and in hand	9	2,145	6,791
Accrued income		87,500	-
Total current assets		245,151	333,669
Total assets		4,454,693	4,294,435
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	46,588	46,588
Accumulated losses		68,775	(87,563)
Total equity		115,363	(40,975)
LIABILITIES			
Current liability			
Other payables	11	98,348	269,078
Total current liabilities		98,348	269,078
Non-current liabilities			
Borrowings	13	3,000,000	3,000,000
Derivative financial liabilities	14	1,240,982	1,066,332
Total non-current liabilities		4,240,982	4,066,332
Total liabilities		4,339,330	4,335,410
Total equity and liabilities		4,454,693	4,294,435

The accompanying notes are an integral part of these financial statements. The financial statements on pages 4 to 20 were authorised and signed by the board of directors on 14 September 2022.

Antonio Rossi
Director

Ettore Spinocchia
Director

Samples of Financial Statements

G2G P.L.C
Financial Statements for the year ended 31 December 2021

Profit or loss and other comprehensive income
for the year ended 31 December 2021

	Notes	2021 €	2020 €
Interest income	4	258,908	171,409
Administrative expenses	6	(42,725)	(31,629)
Operating profit		216,183	139,780
Net fair value movements on investment in gold	8	170,116	467,755
Net fair value movements on financial instruments at fair value through profit or loss	7/ 12	(173,622)	(474,725)
Finance costs		(135,000)	(135,000)
Profit for the year		77,677	(2,190)
Income tax credit/ (expense)		78,660	-
Total comprehensive profit for the year		156,337	(2,190)

The accompanying notes are an integral part of these financial statements.

5



Statement of Financial Position

STATEMENTS OF FINANCIAL POSITION

ASSETS

	Notes	As at 31 January			
		Group		Company	
		2022	2021	2022	2021
		€'000	€'000	€'000	€'000
Non-current assets					
Property, plant and equipment	5	126,939	121,944	118,448	113,863
Right-of-use assets	6	8,254	5,526	185	187
Intangible assets	7	2,352	604	1,729	-
Investments in subsidiaries	8	-	-	9,702	9,202
Deferred tax assets	20	7,486	7,565	8,398	8,455
Trade and other receivables	10	696	865	696	865
Total non-current assets		145,727	136,504	139,158	132,572
Current assets					
Inventories	9	16,341	13,752	8,351	8,263
Trade and other receivables	10	23,139	19,630	22,282	24,827
Current tax assets		5	5	-	-
Cash and cash equivalents	11	15,720	17,148	3,057	2,664
Total current assets		55,205	50,535	33,690	35,754
Total assets		200,932	187,039	172,848	168,326

Statement of Financial Position

EQUITY AND LIABILITIES

	Notes	As at 31 January			
		Group		Company	
		2022	2021	2022	2021
		€'000	€'000	€'000	€'000
Capital and reserves attributable to owners of the Company					
Share capital	12	9,000	9,000	9,000	9,000
Revaluation and other reserves	14, 15	49,409	49,409	46,137	46,137
Hedging reserve	16	(100)	(206)	(100)	(206)
Retained earnings		70,879	61,451	66,564	59,493
Total equity		129,188	119,654	121,601	114,424
Non-current liabilities					
Trade and other payables	22	2,648	2,802	2,648	2,802
Lease liabilities	19	6,811	4,394	191	349
Derivative financial instruments	17	45	156	45	156
Borrowings	18	24,081	33,328	24,081	33,328
Provisions for other liabilities and charges	21	2	25	2	25
Total non-current liabilities		33,587	40,705	26,967	36,660
Current liabilities					
Trade and other payables	22	32,905	21,940	22,462	14,517
Lease liabilities	19	1,479	1,253	149	142
Current tax liabilities		1,751	904	-	-
Derivative financial instruments	17	110	161	110	161
Borrowings	18	1,903	2,411	1,550	2,411
Provisions for other liabilities and charges	21	9	11	9	11
Total current liabilities		38,157	26,680	24,280	17,242
Total liabilities		71,744	67,385	51,247	53,902
Total equity and liabilities		200,932	187,039	172,848	168,326

[No Title]

Statement of Changes in Equity

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2020		9,000	(304)	49,409	58,118	116,223
Comprehensive income						
Profit for the year		-	-	-	3,333	3,333
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	-	98	-	-	98
Total other comprehensive income		-	98	-	-	98
Total comprehensive income		-	98	-	3,333	3,431
Balance at 31 January 2021		9,000	(206)	49,409	61,451	119,654
Balance at 1 February 2021		9,000	(206)	49,409	61,451	119,654
Comprehensive income						
Profit for the year		-	-	-	12,428	12,428
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	-	106	-	-	106
Total other comprehensive income		-	106	-	-	106
Total comprehensive income		-	106	-	12,428	12,534
Transactions with owners						
Dividends paid	13	-	-	-	(3,000)	(3,000)
Total transactions with owners		-	-	-	(3,000)	(3,000)
Balance at 31 January 2022		9,000	(100)	49,409	70,879	129,188

Company Announcements



COMPANY ANNOUNCEMENT

Condensed Interim Financial Statements 2022

Date of Announcement: 28 July 2022
Reference No: APSB30

The following is a Company Announcement issued by APS Bank plc (or the "Bank") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

The Board of Directors of APS Bank plc met on 28 July 2022 and approved the attached Condensed Interim Financial Statements for the period ended 30 June 2022.

As the world is slowly transitioning into a post-pandemic era, economic instability is threatened once again from various directions – the geopolitical crisis emanating from the Russia-Ukraine war, continued global supply-side disruptions across various industries and inflationary threats which are leading to interest rate normalisation policies with cross-border economic effects. Amid these unprecedented challenges, the Bank posted record interim results which were in part reversed by the negative trends, albeit unrealised, of the investment in APS SICAV sub-funds at the Group level.

The following is an extract from the Condensed Interim Financial Statements for the period ended 30 June:

	The Group		The Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Profit before tax (€ mio)	1.9	12.2	13.6	11.5
Net interest income (€ mio)	29.8	26.3	29.0	25.6
Operating income before net impairments (€ mio)	27.0	30.4	36.4	29.1
Operating costs (€ mio)	(23.0)	(19.8)	(22.8)	(19.3)
Net impairment (losses/ gains) (€ mio)	(0.1)	1.7	(0.1)	1.7
ROAE (%)	(2.2)	7.7	9.1	7.8
Capital Adequacy Ratio (%)	19.5	17.5	20.3	17.3
Cost/Income (%)	85.1	65.2	62.5	66.4
	Jun-22	Dec-21	Jun-22	Dec-21
Loan book (€ mio)	2,198	2,066	2,198	2,066
Total assets (€ mio)	3,054	2,795	3,050	2,773
Customer deposits (€ mio)	2,619	2,432	2,620	2,433
Total equity (€ mio)	259	221	253	198

Registered Office: APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012 – Malta
Registration Number C2192 | Website: www.apbank.com.mt | E-mail: investor.relations@apbank.com.mt | Tel.: 25603000
APS Bank plc is regulated by the Malta Financial Services Authority as a Credit Institution under the Banking Act 1994 and licensed to carry out Investment Services activities under the Investment Services Act 1994. The Bank is also registered as a Total Insurance Intermediary under the Insurance Distribution Act 2018.



Financial Performance

For the six months ended 30 June 2022, APS Bank registered €1.9 million profit before tax at the Group level (2021: €12.2 million) and €13.6 million profit before tax at the Bank level (2021: €11.5 million).

The Group's revenues remain largely driven by net interest income which grew to €29.8 million for the period under review, 13.2% higher than the comparable figure of €26.3 million for 2021. Despite the tight interest rate conditions which prevailed, the growth in the lending book across both personal and commercial credit lines, and to a lesser extent in the syndicated book, created opportunities for spread. Interest payable remained around the same level of 1H2021 at €6.9 million, evincing the management's ability to achieve more efficient cost of funding with stable interest pricing on higher deposit liabilities.

Net fee and commission income grew by 35.1% over 2021, reaching €3.8 million. This growth is driven by general business activity in loans, payments and cards and a wider customer base which provides new sources of revenue generation.

For the six months under review, the Group's other operating income went into red territory of €0.6 million. This was largely due to the recent financial markets instability and rising fixed income yields which negatively affected the investment in the Group's sub funds. These results reflect the performance of major bonds and equity indices, both in Malta and internationally, which have retraced by double-digit figures since the start of the year. Other operating revenues from business operations amounted to €1.6 million, increasing by €1.1 million over the comparative period.

Operating expenses for the six months ended 30 June 2022 were €23.0 million, up by €3.2 million or 15.9% on 2021. Main contributors include a higher accrual of €1.0 million in relation to the Deposit Compensation Scheme ("DCS") stemming from the Legal Notice 193 which brought forward a transitory period originally intended to be concluded in 2024. Staff costs also increased, reflecting rising labour prices across all levels and also the Group's commitment to attract and retain highly skilled resources, and invest in their wellbeing and training. Other increases are noticeable for most classes of insurance, security and certain sub-contracted services. Concurrently, various initiatives are under way to improve efficiency through greater automation, digitisation of records, centralisation of processes from the network and greater use of robotics and new technologies.

Net impairment charges amounted to €0.1 million, in contrast with the €1.7 million writeback for 1H2021 that had resulted from a reversal of impairment overlays reserved in the prior, Covid-19 financial year. The Group consistently maintains a prudent view of credit in line with its risk appetite and respectful of general economic conditions and outlook.

Financial Position

Total assets stood at €3.05 billion for the reporting period, further expanding by €259.3 million or 9.3% in the past six months. This growth was largely steered by the increase in the Bank's lending book which since end-2021 grew by 6.4% to €2.2 billion. Home lending to retail customers remained a main driver for the growth, affirming the Bank's strong market position in this segment. The liquidity stock also grew significantly during the six months under review, with the treasury fixed-income portfolio increasing by €47.0 million to reach €375.1 million while cash and reserves with the Central Bank of Malta growing to €291.4 million compared to the €207.7 million at December 2021. Correspondingly, funding through short-term deposits increased by €205.7 million against a reduction of €118.6 million in term deposits, thus further improving the deposit portfolio mix. Amounts owed to banks stood at €70.1 million, increasing by €12.9 million on December 2021.

Registered Office: APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012 – Malta
Registration Number C2192 | Website: www.apbank.com.mt | E-mail: investor.relations@apbank.com.mt | Tel.: 25603000
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The period under review also saw the Bank conclude the final phase of its 2018-2022 Capital Development Plan, which has motorised the growth of recent years. Early in June, the Bank closed an Initial Public Offering (IPO) of 110 million ordinary shares at an offer price of €0.62 per share, raising €66 million of new equity. The highly successful IPO, which was closed prematurely due to heavy oversubscription, led to the listing of the Bank's entire share capital on the Malta Stock Exchange. At end-June the Bank's CET1 ratio stands at 16.4% and the Capital Adequacy Ratio (CAR) at 20.3%.

Dividend

The Board is recommending an interim net dividend of €1,800,000 (gross dividend of €2,769,231), payable through the issuance of new ordinary shares at the nominal value of €0.25 per ordinary share. The net dividend equates to 0.50 cents per ordinary share (gross dividend of 0.77 cents per ordinary share). Subject to any regulatory approvals required, an Extraordinary General Meeting ("EGM") will be convened to approve the issuance of new shares in satisfaction of this interim dividend. A separate announcement will be issued in due course announcing the date of the EGM for later in the year and after the summer period.

CEO Marcel Cassar commented:

"As anticipated in our Quarterly Financial Update of April, the first half of 2022 got off to an extraordinary start as the impetus which developed on the back of a post-Covid economic rebound experienced a new series of shocks. Most prominently, the invasion of Ukraine and the amplified supply chain issues in both energy and food prices have fuelled inflationary pressures and resultant interventions from Central Banks. Such global developments are felt also in our widely open economy through higher costs of inputs and imported goods, being partly offset by Government subsidies which however contribute to a build-up in public debt. Against this backdrop, the Maltese economy is experiencing strong growth, boosted by a healthier than expected tourism season and buoyed by the removal from the FATF grey list.

While an increase in interest rates should generally be expected to benefit bank margins, it may also impact the ability of certain borrowers to service their repayments, raising the spectre of asset quality deterioration. It is still early to forecast how this new phase of interest rate normalisation will evolve; however the Bank is entering it with a strong balance sheet, fortified by a high capital pile, ample liquidity and a conservative risk appetite resulting from a tried and tested business model.

As the market absorbs the policy adjustments and hopefully moves into a calmer environment, we should expect values of financial instruments to slowly regain the unrealised losses of recent months. Throughout this first half, APS Bank continued strengthening the fundamentals in the core business lines, asset quality and capital. The balance sheet is stronger, fortified by a high capital pile, ample liquidity, and conservative risk appetite resulting from a tried business model. Riding on the back of a hugely successful IPO, we look at the months ahead with confidence and optimism for the opportunities they may hold.

The Condensed Interim Financial Statements for the period ending 30 June 2022 can be viewed on the Bank's website <https://www.apbank.com.mt/financial-information>.

Unquote



Graziella Bray B.A., L.L.D, FCG
Company Secretary

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Profitability

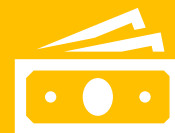
Profitability



Financial Items: Sales, Purchases, Expenses Paid, Incomes Received.



Non-Financial Items: Depreciation, Revaluations, Accruals, Prepayments, Provisions.



Both have a direct affect on the business profitability. Why?

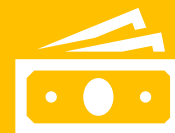
Importance of Profitability



Profitability represents the main measure of success within an organisation

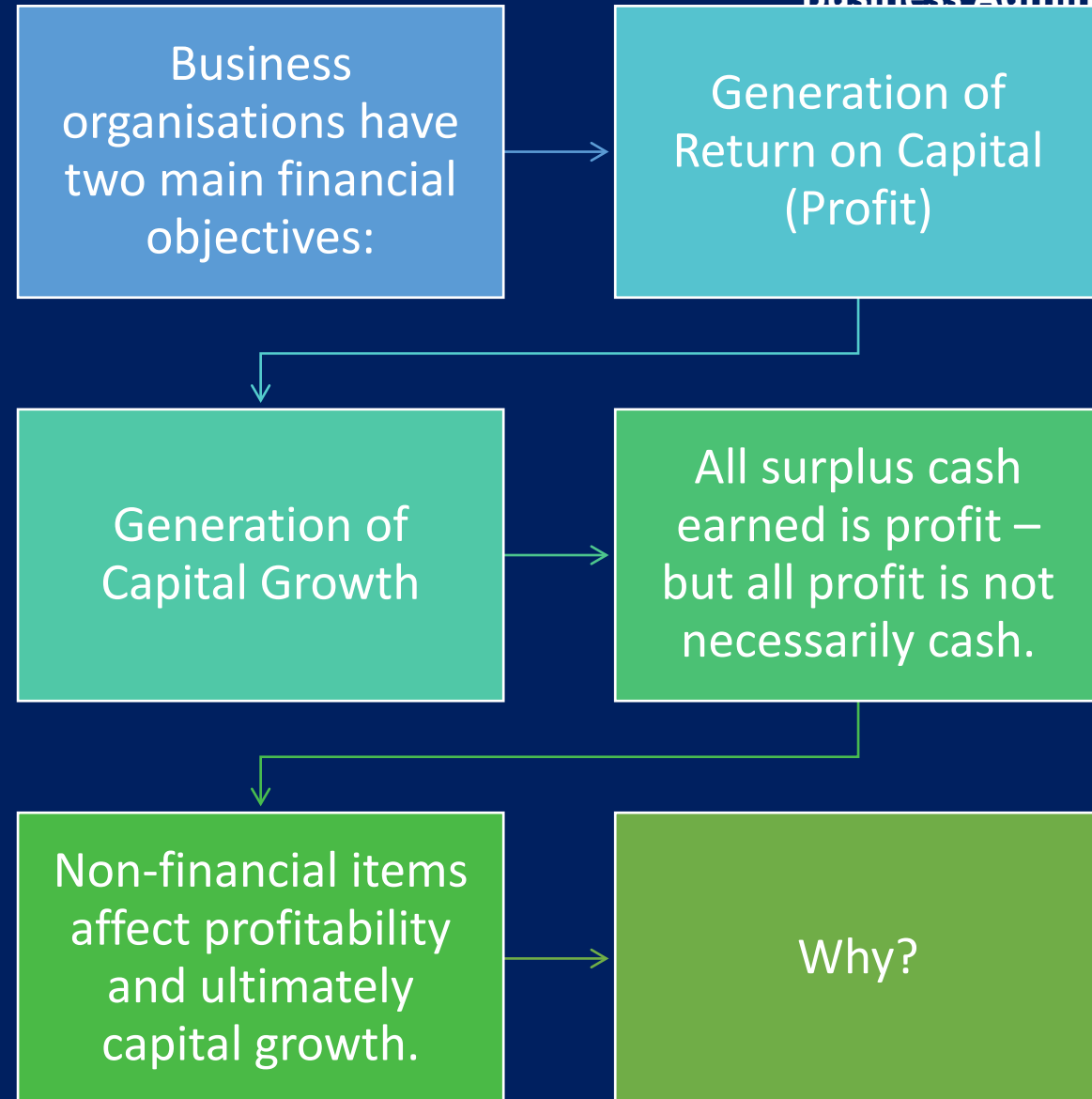


Hence owners or shareholders will decide whether the business is sufficiently profitable for them to retain their investment



This decision is based upon the owners' cost of capital

Cash vs Profit



Cashflow Statement

Cash

comprises cash
(notes and coins) in
hand;

and deposits in
banks or similar
institutions that are
available on
demand.

Cash equivalents – short term

highly liquid
investments that are
readily convertible to
known amounts of
cash and which are
subject to an
insignificant risk of
changes in value.

Class Work

Building Financial Statements

- Trial Balance sample
- Identify which Accounts go in the Income Statement
- Mark those Accounts which go into the Balance Sheet
- Build an Income Statement
- Prepare the Balance Sheet



NAXXAR RETAIL COMPANY LIMITED**TRIAL BALANCE****AS AT 31 DECEMBER 2022**

	DR	CR
	€	€
Accounting Fees	2,800	
Accruals		2,306
Bank Balances	1,134	
Bank Charges	921	
Bank Loans (over 12 months repayments)		26,000
Buildings	58,000	
Closing Stock		19,445
Creditors		3,250
Debtors	11,810	
Insurance	305	
Investments in Shares of Other Companies	15,000	
Legal Fees	5,500	
Motor Expenses	1,960	
Motor Vans	3,500	
Opening Stock	24,330	
Prepayments	1,200	
Purchases - Foreign	14,420	
Purchases - Local	16,550	
Rent	1,560	
Retained Earnings		35,521
Salaries and Wages	4,850	
Sales - Clothing & Accessories		55,400
Sales - Shoes		26,645
Share Capital		20,000
Shop Fixtures	3,960	
Stock at End of Year	19,445	
Sundry Expenses	806	
Water & Electricity expenses	516	
	188,567	188,567

**Undergraduate Diploma in
Business Administration**

Undergraduate Diploma in Business Administration

	DR	CR	CLASSIFY	
	€	€	Income Statement	Balance Sheet
Accounting Fees	2,800			
Accruals		2,306		
Bank Balances	1,134			
Bank Charges	921			
Bank Loans (over 12 months repayments)		26,000		
Buildings	58,000			
Closing Stock		19,445		
Creditors		3,250		
Debtors	11,810			
Insurance	305			
Investments in Shares of Other Companies	15,000			
Legal Fees	5,500			
Motor Expenses	1,960			
Motor Vans	3,500			
Opening Stock	24,330			
Prepayments	1,200			
Purchases - Foreign	14,420			
Purchases - Local	16,550			
Rent	1,560			
Retained Earnings		35,521		
Salaries and Wages	4,850			
Sales - Clothing & Accessories		55,400		
Sales - Shoes		26,645		
Share Capital		20,000		
Shop Fixtures	3,960			
Stock at End of Year	19,445			
Sundry Expenses	806			
Water & Electricity expenses	516			
	188,567	188,567		



NAXXAR RETAIL COMPANY LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

		€
REVENUE		
TOTAL REVENUE		
COST OF SALES		
COST OF GOODS SOLD		
GROSS PROFIT		
EXPENSES		
TOTAL EXPENSES		
NET PROFIT / (LOSS)		

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NAXXAR RETAIL COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2022

	€
FIXED ASSETS	
TOTAL FIXED ASSETS	
INVESTMENTS	
CURRENT ASSETS	
TOTAL CURRENT ASSETS	
TOTAL ASSETS	
REPRESENTED BY:	
EQUITY	
TOTAL EQUITY	
LONG-TERM LIABILITIES	
CURRENT LIABILITIES	
TOTAL CURRENT LIABILITIES	
TOTAL EQUITY & LIABILITIES	

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NAXXAR RETAIL COMPANY LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2022**

	€
<u>REVENUE</u>	
Sales - Clothing & Accessories	55,400
Sales - Shoes	26,645
TOTAL REVENUE	82,045
<u>COST OF SALES</u>	
Opening Stock	24,331
Purchases - Foreign	14,420
Purchases - Local	16,551
Closing Stock	- 19,445
COST OF GOODS SOLD	35,857
<u>GROSS PROFIT</u>	46,188
<u>EXPENSES</u>	
Accounting Fees	2,800
Bank Charges	921
Insurance	305
Legal Fees	5,500
Motor Expenses	1,960
Rent	1,560
Salaries and Wages	4,850
Sundry Expenses	806
Water & Electricity expenses	516
TOTAL EXPENSES	19,218
<u>NET PROFIT / (LOSS)</u>	26,970

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**WORKED
EXAMPLE**



NAXXAR RETAIL COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2022

	€
<u>FIXED ASSETS</u>	
Buildings	58,000
Shop Fixtures	3,960
Motor Vans	3,500
<u>TOTAL FIXED ASSETS</u>	65,460
<u>INVESTMENTS</u>	
Investments in Shares of Other Companies	15,000
<u>CURRENT ASSETS</u>	
Stock at End of Year	19,445
Debtors	11,810
Prepayments	1,200
Bank Balances	1,134
<u>TOTAL CURRENT ASSETS</u>	33,589
<u>TOTAL ASSETS</u>	114,049
REPRESENTED BY:	
<u>EQUITY</u>	
Share Capital	20,000
Retained Earnings	35,521
Profit for the Year	26,972
<u>TOTAL EQUITY</u>	82,493
<u>LONG-TERM LIABILITIES</u>	
Bank Loans (over 12 months repayments)	26,000
<u>CURRENT LIABILITIES</u>	
Creditors	3,250
Accruals	2,306
<u>TOTAL CURRENT LIABILITIES</u>	5,556
<u>TOTAL EQUITY & LIABILITIES</u>	114,049

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**WORKED
EXAMPLE**



Classification of Cash

- The statement of cash flows presents three classifications of cash flows:
 - Operating activities
 - Investing activities
 - Financing activities



Cash from Operating Activities

- Net inflow or outflow from trading operations, after tax and cash paid to meeting financing costs.
- Equal to the sum of cash receipts from trade receivables, and cash receipts from cash sales where relevant, less sums paid to buy inventories, rent, wages etc.



Cash from Investing Activities

Includes:

- Cash payments made to acquire additional non-current assets.
- Cash receipts from disposal of non-current assets.
- Cash receipts from financial investments made outside the business (e.g. interest on loans).



Cash from Financing Activities

Includes:

- Long-term financing of the business
- e.g. borrowings and finance from share issues
- Repayment or redemption of finance as well as raising finance.



Cash Flow Statement Format

Cash flows from **OPERATING** activities

PLUS or **MINUS**

Cash flows from **INVESTING** activities

PLUS or **MINUS**

Cash flows from **FINANCING** activities

EQUALS

NET increase (or decrease) in **cash equivalents** over the period



Statement of Cash Flows

STATEMENTS OF CASH FLOWS

	Year ended 31 January				
	Group		Company		
	2022	2021	2022	2021	
Notes	€'000	€'000	€'000	€'000	
Cash flows from operating activities					
Cash generated from operations	31	27,534	26,408	26,613	10,738
Interest received		-	-	35	3
Interest paid on lease liabilities		(269)	(224)	(11)	(7)
Interest paid on borrowings		(1,013)	(1,022)	(946)	(944)
Income tax paid		(369)	(618)	-	-
Net cash generated from operating activities		25,883	24,544	25,691	9,790
Cash flows from investing activities					
Purchase of property, plant and equipment		(12,678)	(10,138)	(11,026)	(9,008)
Proceeds from disposal of property, plant and equipment		75	155	61	120
Additions to investments in subsidiaries		-	-	(500)	-
Institutional investment grants received		-	2,500	-	2,500
Additions to intangibles		(557)	(33)	(500)	-
Net cash used in investing activities		(13,160)	(7,516)	(11,965)	(6,388)
Cash flows from financing activities					
Proceeds from borrowings		-	2,700	-	2,700
Payments of current and non-current borrowings		(10,183)	(2,997)	(10,183)	(2,997)
Principal payments of lease liabilities		(1,321)	(1,379)	(150)	(144)
Dividends paid		(3,000)	-	(3,000)	-
Net cash used in financing activities		(14,504)	(1,676)	(13,333)	(441)
Net movement in cash and cash equivalents		(1,781)	15,352	393	2,961
Cash and cash equivalents at beginning of year		17,148	1,796	2,664	(297)
Cash and cash equivalents at end of year	11	15,367	17,148	3,057	2,664

The notes on pages 65 to 95 are an integral part of these consolidated financial statements.



UNDERSTANDING FINANCIAL STATEMENTS.

DAVIDSON
INSTITUTE





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