

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements
for the year ended 30 June 2020

Audited Financial Statements
in compliance with Companies Act 2012, Uganda

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial statements for the year ended 30 June 2019

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RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

General Information

Country of Incorporation and Domicile	Uganda
Nature of Business and Principal Activities	To support and encourage Rwenzori families including but not limited to the identified Rwenzori communities to gain better livelihoods, build wealth and strong local economy by farming production and trading based on environmentally sound and fair trade principles.
Directors	Yorokamu Abainenamar Francis Gimara Pauline Tiffen
Business Address	Plot 6 Acacia Avenue 3 floor Acacia P.O BOX 7131 Kampala
Auditor	PAKS AND CO CERTIFIED PUBLIC ACCOUNTANTS Plot 7 Rahid Khamis Road, Old Kampala, Executive House, Ground floor suite 3 & 4 P.O Box 40366, Nakawa

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Directors' Responsibilities and Approval

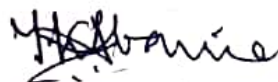
The directors are required by the Companies Act 2012, Uganda to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

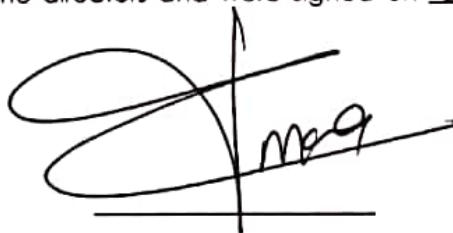
The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The annual financial statements set out on pages 9 to 24 which have been prepared on the going concern basis, were approved by the directors and were signed on 21/Dec/20 on their behalf by:



Yorokamu Abainenamar



Francis Gimara

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Directors' Report

The directors present their report for the year ended 30 June 2020.

1. Review of financial results and activities

Main business and operations

The principal activity of the company is to support and encourage rwenzori families including but not limited to the identified rwenzori communities to gain better livelihoods, build wealth and strong local economy by farming production and trading based on environmentally sound and fair trade principles.. There were no major changes herein during the year.

The company generated a profit after tax for the year ended 30 June 2020 of Sh38,796,547 (2019: Sh6,602,373).

Company revenue increased from Sh1,413,349,609 in the prior year to Sh2,313,927,453 for the year ended 30 June 2020.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have given due consideration to the potential impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges the directors are of the view that the company has sufficient resources to continue as a going concern.

3. Directors

The directors of the company during the year and up to the date of this report are as follows:

Yorokamu Abainenamar

Francis Gimara

Pauline Tiffen

4. Independent Auditors

The Company's Auditors Paks and Co being eligible have expressed to continue in office in accordance with Section 167(2) of the Companies Act 2012.

Our Ref: **FIRM REGN NO: AF0097**

Date:.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RWENZORI SUSTAINABLE TRADE CENTER LIMITED FOR THE YEAR ENDED 30 JUNE 2020.

Opinion

We have audited the accompanying financial statements of **RWENZORI SUSTAINABLE TRADE CENTER LIMITED** on pages 9-12 which comprise the Statement of Financial Position as at 30 June 2020, the Statement of comprehensive income, Statement of Changes in Equity, Statement of Cash Flows and a Summary of Significant Accounting Policies and other explanatory information from pages 13-29.

In our opinion, the financial statements present fairly in all material respects the financial position of **RWENZORI SUSTAINABLE TRADE CENTER LIMITED** as at 30 June 2020 and of its cash flows and financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with international Standards on Auditing. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards board for Accountants code of ethics for professional accountants (IESBA code) Together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OF RWENZORI SUSTAINABLE TRADE CENTER LIMITED FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED).

There were no key audit Matters reported in the period.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and those charged with Governance for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal controls as Directors determine are necessary to enable the preparation of financial statements are free from material misstatements, whether due to fraud or error. In preparing those financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or cease operations or has no realistic alternative but do so.

Auditor's responsibilities for the Audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OF RWENZORI SUSTAINABLE TRADE CENTER LIMITED FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED).

ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatements of the financial statements either due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate to qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieve fair presentation.

Obtain appropriate audit evidence regarding the financial information of the business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

Our Ref: FIRM REGN NO: AF0097.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OF RWENZORI SUSTAINABLE TRADE CENTER LIMITED FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED).

We communicate with those charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable related safeguards. From the matters communicated with those charged with Governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter when in extremely rare circumstances we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

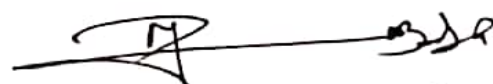
Report on other legal and regulatory requirements

As required by the Uganda's company's act we report to you, based on our audit that:

- We have obtained all the information and explanations to the best of our knowledge and belief for purposes of an audit.
- In our opinion proper books of accounts have been maintained so far as appears from our examination of those books
- And the accompanying financial statements are in agreement with the books of accounts.

The engagement partner on this audit resulting in this independent auditor's opinion was CPA Paul Banadda Kiyingi practice no P0097

PAKS & CO
PAKS AND CO Certified Public Accountants
Plot 7 Rashid Khamis Road Old Kampala
Ground Floor Sult 3 and 4 Executive House
P.O.BOX 40366
Nakawa, Uganda


CPA Paul Banadda Kiyingi P0097
Engagement Partner

Date: 26/Dec/2020.....

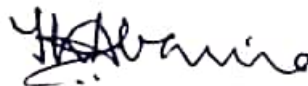


RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

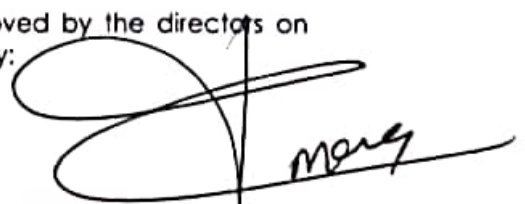
Statement of Financial Position
Figures in Sh

	Notes	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	4	11,853,359	22,436,840
Intangible assets	5	545,417	930,417
Total non-current assets		12,398,776	23,367,257
Current assets			
Trade and other receivables	6	1,242,840,419	1,352,556,925
Prepayments	9	-	1,440,000
Cash and cash equivalents	10	445,061,565	889,070,292
Total current assets		1,687,901,984	2,243,067,217
Total assets		1,700,300,760	2,266,434,474
Equity and liabilities			
Equity			
Retained income		69,637,437	30,840,890
Liabilities			
Non-current liabilities			
Deferred tax liabilities	7	2,294,009	1,791,657
External loans	12	1,002,560,719	1,700,163,216
Total non-current liabilities		1,004,854,728	1,701,954,873
Current liabilities			
Trade and other payables	11	612,916,401	532,478,506
Current tax liabilities	8	12,892,194	1,160,205
Total current liabilities		625,808,595	533,638,711
Total liabilities		1,630,663,323	2,235,593,584
Total equity and liabilities		1,700,300,760	2,266,434,474

The financial statements on pages 9-12 were approved by the directors on
...24/Dec/2020... and signed on its behalf by:



Yorokamu Abainenamar



Francis Gimara

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Statement of Comprehensive Income
Figures In Sh

	Notes	2020	2019
Revenue	13	2,313,927,453	1,413,349,609
Cost of sales	14	(1,692,275,200)	(667,928,174)
Gross profit		621,652,253	745,421,435
Administrative expenses	15	(165,694,626)	(171,041,167)
Other expenses	16	(319,650,355)	(438,133,281)
Profit from operating activities	17	136,307,272	136,246,987
Finance costs	18	(78,116,179)	(123,092,752)
Profit before tax		58,191,093	13,154,235
Income tax expense	19	(19,394,546)	(6,551,862)
Profit for the year		38,796,547	6,602,373

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Equity

Figures in Sh	Retained Income	Total
Balance at 1 July 2018 as previously reported	-	-
Increase (decrease) due to corrections of prior period errors	24,238,517	24,238,517
Balance at 1 July 2018 as restated	<u>24,238,517</u>	<u>24,238,517</u>
Changes in equity		
Profit for the year	6,602,373	6,602,373
Total comprehensive Income	<u>6,602,373</u>	<u>6,602,373</u>
Balance at 30 June 2019 as restated	<u>30,840,890</u>	<u>30,840,890</u>
Balance at 1 July 2019 as previously reported	-	-
Increase (decrease) due to corrections of prior period errors	30,840,890	30,840,890
Balance at 1 July 2019 as restated	<u>30,840,890</u>	<u>30,840,890</u>
Changes in equity		
Profit for the year	38,796,547	38,796,547
Total comprehensive income	<u>38,796,547</u>	<u>38,796,547</u>
Prior year adjustment		
Balance at 30 June 2020 as restated	<u>69,637,437</u>	<u>69,637,437</u>

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Statement of Cash Flows
Figures in Sh

	Notes	2020	2019
Cash flows from operations			
Profit for the year		38,796,547	6,602,373
Adjustments to reconcile profit			
Adjustments for income tax expense		19,394,546	6,551,862
Adjustments for finance costs		78,116,179	
Adjustments for decrease / (increase) in trade accounts receivable		86,146,885	(1,027,450,610)
Adjustments for decrease / (increase) in prepayments		1,440,000	(1,440,000)
Adjustments for decrease in other operating receivables		23,569,621	
Adjustments for (decrease) / increase in trade accounts payable		(39,969,469)	1,060,640,018
Adjustments for increase in other operating payables		120,407,364	
Adjustments for depreciation and amortisation expense		385,000	8,423,003
Total adjustments to reconcile profit		296,738,088	46,724,273
Net cash flows from operations		335,534,635	53,326,646
Interest paid		(78,116,179)	
Income taxes paid	20	(7,160,205)	
Net cash flows from operating activities		250,258,251	53,326,646
Cash flows from / (used in) investing activities			
Proceeds from sales of property, plant and equipment		2,795,520	-
Purchase of property, plant and equipment		(350,000)	(890,000)
Purchases of non-cash assets pledged as collateral			(1,720,000)
Cash flows from / (used in) investing activities		2,445,520	(2,610,000)
Cash flows (used in) / from financing activities			
Proceeds from other financial liabilities		(697,602,497)	778,057,420
Cash flows (used in) / from financing activities		(696,712,498)	644,207,724
Net (decrease) / increase in cash and cash equivalents		(444,008,727)	694,924,370
Cash and cash equivalents at beginning of the year		889,070,292	194,145,922
Cash and cash equivalents at end of the year	10	445,061,565	889,070,292

Accounting Policies

1. General Information

Rwenzori Sustainable Trade Center Limited ("the Company") is a company limited by Guarantee incorporated in Uganda. Rwenzori Sustainable Trade Center Limited (RSTC) is a not for profit organization incorporated on 30th November 2015.

2. Basis of preparation and summary of significant accounting policies

The financial statements of RWENZORI SUSTAINABLE TRADE CENTER LIMITED have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act 2012, Uganda. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, certain property, plant and equipment, biological assets and derivative financial instruments at fair value. They are presented in Ugandan Shilling.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities 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 3.

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

2.1 Prepayments

Prepayments consist of various payments that have been made in advance for goods and services to be received in future. Prepayments are measured at amortised cost, and are derecognised when the goods and services to which the prepayment relate have been received.

2.2 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the entity operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the entity. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2.3 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid absences, an expense is recognised as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences, the expense is recognised only when the absences occur.

The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. Property, plant and equipment**4.1 Accounting policies**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the directors.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Asset class	Useful life / depreciation rate
Motor vehicles	25.00%
Fixtures and fittings	12.50%
Office equipment	12.50%
Computer equipment	33.30%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains / (losses)' in the statement of comprehensive income.

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
Figures in Sh

Property, plant and equipment continued...

4.2 Balances at year end and movements for the year

	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 30 June 2020					
Balance at 1 July 2019	25,355,100	8,996,000	4,665,000	7,432,000	46,448,100
At cost	(15,213,060)	(3,373,500)	(1,255,833)	(4,168,867)	(24,011,260)
Accumulated depreciation	10,142,040	5,622,500	3,409,167	3,263,133	22,436,840
Net book value					
Movements for the year ended 30 June 2020					
Additions		-	350,000		350,000
Depreciation	(5,071,020)	(1,124,500)	(519,375)	(1,423,067)	(8,137,962)
Disposals	(2,795,520)	-			(2,795,520)
Property, plant and equipment at end of year	2,275,500	4,498,000	3,239,792	1,840,066	11,853,358
Closing balance at 30 June 2020					
At cost	11,377,500	8,996,000	5,015,000	7,432,000	32,820,500
Accumulated depreciation	(9,102,000)	(4,498,000)	(1,775,208)	(5,591,933)	(20,967,141)
Net book value	2,275,500	4,498,000	3,239,792	1,840,067	11,853,359

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
Figures In Sh**2020****2019****5. Intangible assets****Reconciliation of changes in intangible assets**

	Computer software	Total
Reconciliation for the year ended 30 June 2020		
Balance at 1 July 2019		
At cost	1,925,000	1,925,000
Accumulated amortisation	(994,583)	(994,583)
Net book value	930,417	930,417
Movements for the year ended 30 June 2020		
Amortisation	(385,000)	(385,000)
Intangible assets at end of period	545,417	545,417
Closing balance at 30 June 2020		
At cost	1,925,000	1,925,000
Accumulated amortisation	(1,379,583)	(1,379,583)
Net book value	545,417	545,417

6. Trade and other receivables**6.1 Accounting policies**

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

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

6.2 Trade and other receivables comprise:

Trade receivables	-	86,146,885
Loans revolving fund loans	61,519,000	37,608,400
Loans & Advances	1,181,321,419	1,044,114,763
Accrued income	-	184,686,877
Total trade and other receivables	1,242,840,419	1,352,556,925

Notes to the Financial Statements
Figures in Sh

2020

2019

7. Deferred tax

7.1 Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the entity. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

7.2 The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax liabilities:

- Deferred tax liability to be recovered after more than 12 months

(2,294,009) (1,791,657)

(2,294,009) (1,791,657)

Net deferred tax liabilities

(2,294,009) **(1,791,657)**

8. Current tax assets and liabilities

8.1 Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the entity operates and generates taxable income.

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
Figures in Sh**2020****2019***Current tax assets and liabilities continued...***8.2 Current tax assets and liabilities comprise the following balances**

Net current tax liability from all items being set off	(18,892,194)	(4,760,205)
Current tax liabilities that cannot be set off	6,000,000	3,600,000
Total current tax liability per the statement of financial position	(12,892,194)	(1,160,205)

9. Prepayments**9.1 Accounting policies**

Prepayments consist of various payments that have been made in advance for goods and services to be received in future. Prepayments are measured at amortised cost, and are derecognised when the goods and services to which the prepayment relate have been received.

9.2 Prepayments comprise the following balances

Prepayment	-	1,440,000
	-	1,440,000

10. Cash and cash equivalents**10.1 Accounting policies****Measurement**

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

Cash and cash equivalents comprise cash held at bank. The carrying amount of these assets approximates their fair value.

10.2 Cash and cash equivalents comprise:

Cash		
Balances with banks	445,061,565	889,070,292
Total cash	445,061,565	889,070,292
Total cash equivalents	-	-

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
Figures in Sh**2020****2019****11. Trade and other payables****11.1 Accounting policies**

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

11.2 Trade and other payables comprise:

Trade creditors	49,851,514	89,820,983
NSSF Payable	3,376,650	2,938,050
Payee Payable	5,916,100	5,312,200
WHT payable	3,436,688	357,600
Bundibugyo Diversification Prog	321,819,690	358,933,000
Other payables	147,913,814	72,756,673
Audit fees payable	3,000,000	2,360,000
Floods support-Bundibugyo	77,601,945	-
Total trade and other payables	<u>612,916,401</u>	<u>532,478,506</u>

12. External loans**12.1 Accounting policies**

External loans are recognised initially at the transaction price, including transaction costs except where the liability will subsequently be measured at fair value, once the company becomes party to the contractual provisions of the instrument. Where where fair values can be measured reliably without undue cost or effort, these liabilities are subsequently measured at fair value with the changes in fair value being recognised in profit or loss.

These are loans from a UK based company called Olema which lends to the Comapny at 8% and the company lends to its farmers at 10% to bulk their produce for export.

12.2 External loans comprise:

External Loans	<u>1,002,560,719</u>	<u>1,700,163,216</u>
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13. Revenue**13.1 Accounting policies**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from the sale of goods is recognised when:

- significant risks and rewards of ownership of the goods have been transferred to the buyer;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of transactions involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The stage of completion of a transaction may be determined by a variety of methods, depending on the nature of the transaction:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
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Revenue continued...

13.2 Revenue comprises:

Donations	-	494,915,919
Craft sales:Raffia Sales	47,494,000	25,378,000
Craft sales	1,603,346,344	433,072,711
Packaing income	217,500	261,783,320
Other income	416,244,686	25,182,032
Interest income	200,214,808	168,705,627
Sponsorship	4,540,000	2,990,000
Agency fees	41,330,115	-
Needle Sales	540,000	1,322,000
Total revenue	2,313,927,453	1,413,349,609

14. Cost of sales

Cost of sales comprise:

Transport and transhipment	-	6,996,530
Product Sample expenses	-	534,000
Purchases-Resale items	1,523,873,650	528,588,194
Buying session	2,497,000	-
Packaging costs	165,904,550	131,809,450
Total cost of sales	1,692,275,200	667,928,174

15. Administrative expenses

Administrative expenses comprise:

Office expenses	8,939,100	11,858,000
Freight and shipping costs	384,000	-
Internet	8,540,000	4,465,000
Auditors remuneration	3,000,000	2,360,000
Bank charges	21,189,437	14,022,913
Work shop and Forums	37,250,000	35,649,790
Board expenses	18,007,801	21,953,565
Field expenses	64,444,288	78,001,899
Telephone and fax	3,940,000	2,730,000
Total administrative expenses	165,694,626	171,041,167

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements
Figures in Sh

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16. Other expenses

Other expenses comprise:

	385,000	385,000
Amortisation	-	8,137,962
Depreciation	8,137,962	-
Depreciation	1,940,000	2,880,000
Dues and subscription	266,609,999	258,548,400
Employee benefit expenses	909,431	17,603,549
Exchange loss	127,700	1,224,595
Fines and penalties	1,600,000	-
Legal fees	1,100,000	15,725,000
Other expenses	1,096,000	3,948,900
Printing and stationery	-	96,467,875
Professional fees	31,490,518	-
Quality control expenses	-	20,400,000
Rent expenses	-	949,000
Repairs and maintenance	200,000	2,780,000
Sales and marketing	720,000	-
Tax	1,993,745	7,285,000
Training	3,340,000	1,798,000
Travel - local	-	-
Total other expenses	319,650,355	438,133,281

17. Profit from operating activities

18. Finance costs

18.1 Accounting policies

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

18.2 Finance costs included in profit or loss:

Interest expenses	78,116,179	123,092,752
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Notes to the Financial Statements
Figures in Sh

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19. Income tax expense

19.1 Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the entity operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the entity. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

19.2 Income tax recognised in profit or loss:

Current tax		
Current year	(18,892,194)	(4,760,205)
Total current tax	(18,892,194)	(4,760,205)

19.3 Deferred tax

Deferred tax	(502,352)	(1,791,657)
Total deferred tax	(502,352)	(1,791,657)

Total income tax expense	(19,394,546)	(6,551,862)
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20. Income tax paid

Amounts receivable / (payable) at the beginning of the year	(1,160,205)	-
Amounts (receivable) / payable at the end of the year	12,892,194	1,160,205
Taxation expense (credit)	(19,394,546)	(6,551,862)
Less deferred tax included in taxation expense	502,352	1,791,657
	(7,160,205)	(3,600,000)

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Detailed Income Statement
Figures In Sh

		2020	2019
Revenue	13		
Agency fees		41,330,115	-
Donations		-	494,915,919
Interest income		200,214,808	168,705,627
Interest received		1,603,346,344	433,072,711
Other income		416,244,686	25,182,032
Packaging income		217,500	261,783,320
Raffia sales		47,494,000	25,378,000
Seawing Needle sales		540,000	1,322,000
Sponsorship		4,540,000	2,990,000
Total revenue		2,313,927,453	1,413,349,609
Cost of sales	14		
Buying session		(2,497,000)	-
Packaging costs		(165,904,550)	(131,809,450)
Product sample expenses		-	-
Products Sample Expenses		-	(534,000)
Purchases		(1,523,873,650)	(528,588,194)
Transport and Transhipment		-	(6,996,530)
Total cost of sales		(1,692,275,200)	(667,928,174)
Gross profit		621,652,253	745,421,435
Administrative expenses	15		
Auditors remuneration		(3,000,000)	(2,360,000)
Bank charges		(21,189,437)	(14,022,913)
Board expenses		(18,007,801)	(21,953,565)
Field expenses		(64,444,288)	(78,001,899)
Freight and shipping costs		(384,000)	-
Internet		(8,540,000)	(4,465,000)
Office expenses		(8,939,100)	(11,858,000)
Telephone and fax		(3,940,000)	(2,730,000)
Work shop and Forums		(37,250,000)	(35,649,790)
Total administrative expenses		(165,694,626)	(171,041,167)

RWENZORI SUSTAINABLE TRADE CENTER LIMITED

Annual Financial Statements for the year ended 30 June 2020

Detailed Income Statement

Figures in Sh

	2020	2019
Other expenses	16	
Amortisation - intangible assets	(385,000)	(385,000)
Depreciation	(8,137,962)	-
Depreciation - property, plant and equipment	-	(8,137,962)
Dues and subscription	(1,940,000)	(2,880,000)
Employee costs - directors	(66,146,099)	(63,746,400)
Employee expense - executives and managers	(24,306,000)	(23,504,400)
Employee expense - salaries	(164,042,700)	(159,545,400)
Employee expense - wages	(12,115,200)	(11,752,200)
Exchange loss	(909,431)	(17,603,549)
Fines and penalties	(127,700)	(1,224,595)
Legal fees	(1,600,000)	-
Other expenses	(1,100,000)	(15,725,000)
Printing and stationery	(1,096,000)	(3,948,900)
Professional fees	-	(96,467,875)
Quality control expenses	(31,490,518)	-
Rent expenses	-	(20,400,000)
Repairs and maintenance	-	(949,000)
Sales and marketing	(200,000)	(2,780,000)
Tax	(720,000)	-
Training	(1,993,745)	(7,285,000)
Travel - local	(3,340,000)	(1,798,000)
Total other expenses	<u>(319,650,355)</u>	<u>(438,133,281)</u>
Profit from operating activities	17	<u>136,307,272</u>
Finance costs	18	
Interest expenses	(78,116,179)	(123,092,752)
Total finance costs	<u>(78,116,179)</u>	<u>(123,092,752)</u>
Profit before tax		<u>58,191,093</u>
Income tax	19	
Current tax	(18,892,194)	(4,760,205)
Deferred tax	(502,352)	(1,791,657)
Total income tax expense	<u>(19,394,546)</u>	<u>(6,551,862)</u>
Profit for the year		<u>38,796,547</u>
		<u>6,602,373</u>

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Income Tax Computation

Figures in Sh

	2020	2019
Profit before tax	58,191,093	13,154,235
Wear and tear	(3,867,776)	(7,034,442)
Depreciation per statement of comprehensive income	8,137,962	8,137,962
Amortisation	385,000	385,000
Fines and penalties	127,700	1,224,595
	<u>4,782,886</u>	<u>2,713,115</u>
Taxable income	<u>62,973,979</u>	<u>15,867,350</u>
Normal tax	18,892,194	4,760,205
Deferred tax	502,352	1,791,657
Total per statement of comprehensive income	<u>19,394,546</u>	<u>6,551,862</u>
Provisional tax	(6,000,000)	(3,600,000)
Deferred tax	(502,352)	(1,791,657)
Total per statement of financial position - (Asset)/Liability	<u>12,892,194</u>	<u>1,160,205</u>

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Income Tax Computation

Deferred tax

Motor vehicles
Office Furniture
Computer equipment

	Book value	Tax value	Difference	30 %
Motor vehicles	2,275,000	2,708,956	(433,956)	(130,187)
Office Furniture	7,737,792	6,169,178	1,568,614	470,584
Computer equipment	1,840,067	1,300,219	539,848	161,954
	<u>11,852,859</u>	<u>10,178,353</u>	<u>1,674,506</u>	<u>502,352</u>

Deferred tax Liability/Asset at 30 % of the difference in book to tax values:

502,352

RWENZORI SUSTAINABLE TRADE CENTER LIMITED
Annual Financial Statements for the year ended 30 June 2020

Income Tax Computation

WEAR AND TEAR ALLOWANCE FOR YEAR ENDING 30 JUNE 2020

	Class I 40% Ushs	Class II 35% Ushs	Class IV 20% Ushs	Total Ushs
WDV as at 01 July 2018	3,231,720	10,712,530	8,691,840	8,691,840
Additions	380,000	-	510,000	510,000
Total	3,611,720	10,712,530	9,201,840	9,201,840
Qualifying assets	<u>3,611,720</u>	<u>10,712,530</u>	<u>9,201,840</u>	<u>9,201,840</u>
Wear & tear allowance	<u>1,444,688</u>	<u>3,749,386</u>	<u>1,840,368</u>	<u>1,840,368</u>
WDV as at 30 June 2019	<u>2,167,032</u>	<u>6,963,145</u>	<u>7,361,472</u>	<u>7,361,472</u>
WDV as at 01 July 2019	2,167,032	6,963,145	7,361,472	7,361,472
Additions	-	-	350,000	350,000
Disposals	-	(2,795,520)	-	-
Total	2,167,032	4,167,625	7,711,472	14,046,129
Qualifying assets	<u>2,167,032</u>	<u>4,167,625</u>	<u>7,711,472</u>	<u>14,046,129</u>
Wear & tear allowance	<u>866,813</u>	<u>1,458,669</u>	<u>1,542,294</u>	<u>3,867,776</u>
WDV as at 30 June 2020	<u>1,300,219</u>	<u>2,708,956</u>	<u>6,169,178</u>	<u>10,178,353</u>

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