

**RECO INDUSTRIES LIMITED**

**ANNUAL REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**Goldgate  
Certified Public Accountants**

**RECO INDUSTRIES LIMITED**  
**Annual report and financial statements**  
For the year ended 30th June 2019

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# **RECO INDUSTRIES LIMITED**

## **Annual report and financial statements**

For the year ended 30th June 2019

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### **COMPANY INFORMATION**

#### **DIRECTORS:**

P.T. Rwabogo

Brian Rwabogo

#### **SECRETARY:**

Mrs. Dalson Rwabogo

#### **BUSINESS ADDRESS**

Plot 32-42 68, 2nd Street

Kasese ,Industrial Area,

P.o.Box 215,

#### **AUDITORS**

Goldgate

Certified Public Accountants

P.O.Box 35657

Kampala

#### **BANKERS**

Stanbic Bank

Centenary Bank

# RECO INDUSTRIES LIMITED

## Annual report and financial statements

For the year ended 30th June 2019

### DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the business for the year ended 30 June 2019 which discloses the state of affairs of the business.

### PRINCIPAL ACTIVITIES

The principal activity of the company was manufacture of Mattresses, Processed Foods, Plastics and Rentals.

### RESULTS

	2019 Shs.	2018 Shs.
Profit Before Tax	3,595,555,272	3,277,671,392
Taxation	(343,056,605)	(512,130,927)
<b>Profit/(Loss) for the year</b>	<b>3,252,498,668</b>	<b>2,765,540,465</b>

### AUDITORS

During the year, Goldgate; Certified Public Accountants were appointed as auditors and have expressed their willingness to continue in office in accordance with the Ugandan Companies Act 2012.

BY ORDER OF THE DIRECTORS.

  
.....  
Director

Date: 23/08/2019

# RECO INDUSTRIES LIMITED

## Annual report and financial statements

For the year ended 30th June 2019

### STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the business as at the end of the financial year and of its profit or loss for the year. It is also required that the Directors ensure that the business maintains proper accounting records that disclose with responsible accuracy, the financial position of the business. The Directors are also responsible for safeguarding the assets for the business.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

### OPINION

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the business as at 30 June 2019 and of its profit/loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Ugandan Companies Act.

Nothing has come to the attention of the Directors to indicate that the business will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Directors on 23/08/2019 and signed by:

  
.....  
DIRECTOR



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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
RECO INDUSTRIES LIMITED  
FOR THE YEAR ENDED 30 JUNE 2019**

**Report on the financial statements**

We have audited the accompanying financial statements of Reco Industries Limited, set out on pages 6 to 17 which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, and the cash flows for the year then ended and a summary of significant policies and other explanatory notes.

**Directors' responsibility 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 Standard for Small and Medium-sized Entities and the requirements of the Ugandan Companies Act. This responsibility includes; designing, implementing and maintaining internal presentation of control relevant to the preparation and fair financial statements that are free from material selecting and applying misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the business' preparation and fair presentation of the financial statements 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 business' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**REPORT OF THE INDEPENDENT AUDITORS TO  
RECO INDUSTRIES LIMITED  
FOR THE YEAR ENDED 30 JUNE 2019 (Cont'n)**

**Opinion**

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the business as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Ugandan Companies Act.

**Report on other legal requirements**

As required by the Ugandan Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have kept by the directors, so far as appears from our examination of those books; and
- iii) the company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of of accounts.

**Goldgate  
Certified Public Accountants**



Date.....  
Kampala.



**RECO INDUSTRIES LIMITED****Annual report and financial statements**

For the year ended 30th June 2019

**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Notes</b>	<b>2019 Shs.</b>	<b>2018 Shs.</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	2 (a)	38,785,317,193	38,646,162,503
Intangible Asset	2 (b)	200,711,200	213,255,650
Capital Advance	3	1,031,732,084	1,031,732,084
<b>Total</b>		<b>40,017,760,477</b>	<b>39,891,150,237</b>
<b>Current Assets</b>			
Inventory	5	3,656,384,632	3,630,544,662
Trade and other receivables	6	10,992,209,669	5,275,626,160
Related party receivables	7	6,218,766,473	5,141,799,722
Tax Claimable	20	98,145,675	-
Cash at Bank and Hand	7(b)	361,021,150	550,614,629
<b>Total</b>		<b>21,326,527,599</b>	<b>14,598,585,173</b>
<b>Total Assets</b>		<b>61,344,288,076</b>	<b>54,489,735,410</b>
<b>EQUITY AND LIABILITIES</b>			
Capital	8	600,000,000	600,000,000
Reserves		29,229,040,502	27,777,406,105
Retained Earnings		20,480,908,472	17,228,409,804
<b>Directors' funds</b>		<b>50,309,948,974</b>	<b>45,605,815,909</b>
<b>Non-Current Liabilities</b>			
Leases	4	1,164,973,429	2,476,203,943
Long term Loan- STBU	4	6,640,606,079	212,879,126
		<b>7,805,579,508</b>	<b>2,689,083,069</b>
<b>Current Liabilities</b>			
Overdraft	7(a)	2,150,589,058	3,664,762,171
Payables	10	169,594,322	91,945,212
Accruals	11	168,547,831	159,802,495
Tax Payable	20	-	875,672,183
Deffered Tax	21	740,028,384	1,402,654,371
<b>Total Current Liabilities</b>		<b>3,228,759,595</b>	<b>6,194,836,432</b>
<b>Total Liabilities</b>		<b>11,034,339,103</b>	<b>8,883,919,501</b>
<b>Total Equity and Liabilities.</b>		<b>61,344,288,077</b>	<b>54,489,735,410</b>

The accounting policies on page 10-11 and the notes on pages 12 -17 form an integral part of these financial statements.

The Financial Statements were approved by the Directors on 23/08/2019 and were signed on its behalf by:

 Director



**RECO INDUSTRIES LIMITED****Annual report and financial statements**For the year ended 30th June 2019

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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2019 Shs.	2018 Shs.
Revenue	12	15,611,152,227	15,116,042,873
Cost of Sales	13	8,799,909,006	8,655,391,414
Gross Profit		6,811,243,221	6,460,651,459
Operating expenses			
Selling and Distribution Costs	14	206,980,802	247,307,717
Employment Expenses	15	1,005,933,004	998,762,992
Administrative Expenses	16	465,983,092	658,151,131
Other Operating Expenses	17	155,822,814	159,613,143
Marketing Costs	18	355,785,016	-
Finance Costs	19	1,025,183,220	1,119,145,084
Total		<u>3,215,687,948</u>	<u>3,182,980,067</u>
Operating profit		<u>3,595,555,272</u>	<u>3,277,671,392</u>
Net Profit/(Loss) before tax.		3,595,555,272	3,277,671,392
Taxation	20	(343,056,605)	(512,130,927)
Net profit/(loss) for the year		<u><u>3,252,498,668</u></u>	<u><u>2,765,540,465</u></u>

The accounting policies on page 10-11 and the notes on pages 12 -17 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

	<b>Capital U.Shs</b>	<b>Revaluation Reserves U.Shs</b>	<b>Retained Earnings U.Shs</b>	<b>Total U.Shs</b>
1-Jul-17	600,000,000	17,983,681,790	14,462,869,338	33,046,551,128
Additions	-	-	2,765,540,465	2,765,540,465
Reconciliation reversal	-	-	-	-
Revaluation	-	8,735,874,443	-	8,735,874,443
Prior Year adjustments	-	1,057,849,872	-	1,057,849,872
Drawings	-	-	-	-
<b>30-Jun-18</b>	<b>600,000,000</b>	<b>27,777,406,105</b>	<b>17,228,409,804</b>	<b>45,605,815,909</b>

	<b>Capital U.Shs</b>	<b>Revaluation Reserves U.Shs</b>	<b>Retained Earnings U.Shs</b>	<b>Total U.Shs</b>
1-Jul-18	600,000,000	27,777,406,105	17,228,409,804	45,605,815,909
Additions	-	-	3,252,498,668	3,252,498,668
Reconciliation reversal	-	-	-	-
Revaluation	-	1,441,894,526	-	1,441,894,526
Prior Year adjustments	-	9,739,871	-	9,739,871
Drawings	-	-	-	-
<b>30-Jun-19</b>	<b>600,000,000</b>	<b>29,229,040,502</b>	<b>20,480,908,472</b>	<b>50,309,948,974</b>

The accounting policies on page 10-11 and the notes on pages 12 -17 form an integral part of these financial statements.

**RECO INDUSTRIES LIMITED****Annual report and financial statements**For the year ended 30th June 2019

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**CASH FLOW STATEMENT**

	2019 Shs.	2018 Shs.
<b>Cash flows from operating activities</b>		
Net Profit/(loss) for the year	3,595,555,272	3,277,671,392
Adjustment for depreciation	1,867,950,886	2,152,129,353
Interest Expense	825,162,897	948,885,004
<b>Operating profit before working capital changes</b>	<b>6,288,669,055</b>	<b>6,378,685,749</b>
Increase / Decrease in stock	(25,839,970)	(588,649,962)
Increase / Decrease in trade and other receivables	(5,716,583,509)	(265,251,456)
Increase / Decrease in trade payables	77,649,110	(12,784,061)
Increase / Decrease in Accruals	8,745,336	(5,150,214)
<b>Cash generated from operations</b>	<b>(5,656,029,033)</b>	<b>5,506,850,056</b>
Tax Paid	(1,979,500,450)	(2,145,034,263)
Interest Paid	(802,878,576)	(912,433,078)
<b>Net Cash generated from operations</b>	<b>(2,149,739,004)</b>	<b>2,449,382,715</b>
<b>Cash flows from investing activities</b>		
Purchase of Assets	(565,211,050)	(666,538,658)
Proceeds from Disposal	-	-
Acquisition of intangible Asset	-	-
<b>Net cash used in investing activities</b>	<b>(565,211,050)</b>	<b>(666,538,658)</b>
<b>Cash flows from financing activities</b>		
Lease facility	(1,311,230,514)	(805,843,181)
Borrowings	6,427,726,953	(337,469,232)
Realated party receivables	(1,076,966,751)	(746,300,292)
Related party payables	-	-
<b>Net cash used in financing activities</b>	<b>4,039,529,688</b>	<b>(1,889,612,705)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,324,579,634</b>	<b>(106,768,648)</b>
Cash and cash equivalence at the beginning of the ye:	(3,114,147,542)	(3,007,378,894)
Cash and cash equivalents at the end of the year	(1,789,567,908)	(3,114,147,542)

The accounting policies on page 10-11 and the notes on pages 12 -17 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

#### a) Presentation of financial statements.

The Financial Statements have been prepared in accordance with Financial Reporting Standards, and the Companies Act of Uganda. The Financial Statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

#### b) Revenue recognition:

Turnover comprises the aggregate amount invoiced for Mattresses, Processed Foods, Plastics and Rentals.

#### c) Fixed Assets:

All Fixed Assets are stated at cost. Depreciation is calculated on a written down basis to write off the cost of assets to their residual values over their estimated useful lives as follows:

Land	0%
Factory Buildings	4%
Motor Vehicles	25%
Plant & Machinery	12.5%
Fixtures & Fittings	10%
Computers	30%

#### d) Stocks

Inventories are stated at lower of cost and net realizable value. Cost is determined by the First-in-First out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business.

#### e) Operating Results

Operating results are determined after taking into account:

- i) Income that relates to business during the year.
- ii) Accrued Income, which is the proportion of income earned in the current year but not received during the year.
- iii) Costs incurred in the generation of income during the year of income.

#### f) Translation of Foreign Currencies

Transactions in Foreign currencies during the year are converted into Uganda Shillings at rates ruling at the transaction dates. Assets and liabilities at the Statement of Financial Position date which are expressed in foreign currencies are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversions and translations are dealt with in the Statement of Comprehensive Income in the year in which they arise.

#### g) Trade Receivables:

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

#### h) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at hand and deposits held with Banks net of bank overdrafts if any.

#### i) Provisions

Provisions are recognized when the Directors have a present legal and constructive obligation as a result of past events. If it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, a reliable estimate of the obligation can be made.

#### j) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year



## NOTES TO THE FINANCIAL STATEMENTS (Cont'n.)

### k)Taxation

Current Taxation is provided in the Statement of Comprehensive Income on the basis of the result for the year as shown in the financial statements adjusted in accordance with the provisions of the Income Tax Act. Deferred taxation is provided for using the liability method for all temporary differences arising between the tax bases of the assets and liabilities and the carrying values for financial reporting purpose.

### l)Deferred Tax

Deferred Income tax liabilities are recognised for all tax temporary differences, except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability and, at the same time of transaction affects neither the accounting profit or the loss and except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income taxes are recognised for all deductible temporary differences carried forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carried forward unused tax assets and unused losses can be utilized ;except where the deferred income tax asset or liability and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and deferred tax assets are only recognised to the extent that it is probable that the temporary differences in the foreseeable future and tax profit will be available against which the temporary

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be to allow all or part of the deferred income tax asset to be utilized.

**RECO INDUSTRIES LIMITED**  
**Annual report and financial statements**  
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**NOTES TO THE FINANCIAL STATEMENTS (Cont'n.)**

**2. (a). Fixed Assets Schedule**

Particulars	Land & Buildings	Factory Buildings	Motor Vehicles	Plant & Machinery	Furniture & Fittings	Computers	Total
Rate	0%	4%	25%	12.5%	10%	30%	
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
1-Jul-18	22,679,725,664	3,495,500,970	1,951,927,927	22,310,318,715	365,293,685	111,374,964	50,914,141,925
Additions	250,000,000	315,211,050	-	-	-	-	565,211,050
Revaluation	1,441,894,526	-	-	-	-	-	1,441,894,526
Disposal	-	-	-	-	-	-	-
30-Jun-19	24,371,620,190	3,810,712,020	1,951,927,927	22,310,318,715	365,293,685	111,374,964	52,921,247,501

Depreciation							
1-Jul-18	-	554,313,915	1,058,827,927	10,436,091,586	129,117,554	89,628,440	12,267,979,422
Charge for the year (FPA)	-	130,255,924	223,275,000	1,484,278,391	23,617,613	6,523,957	1,867,950,886
Depreciation write off	-	-	-	-	-	-	-
30-Jun-19	-	684,569,839	1,282,102,927	11,920,369,977	152,735,167	96,152,397	14,135,930,308

**Net Book value**

30-Jun-19	24,371,620,190	3,126,142,181	669,825,000	10,389,948,738	212,558,518	15,222,567	38,785,317,193
30-Jun-18	22,679,725,664	2,941,187,055	893,100,000	11,874,227,129	236,176,131	21,746,524	38,646,162,503

**2 (b). Intangible Assets**  
These relate to SAP software , an MIS tool that will facilitate quick flow of information in the company.  
Its Amortisation is at 5% pa at straight line basis.

Particulars	SAP Software	
	2019	2018
Rate	0%	0%
Cost	Shs	Shs
1st July	250,889,000	250,889,000
Additions	-	-
30th June	250,889,000	250,889,000
Amortisation		
1st July	37,633,350	25,088,900
Charge for the year (FPA)	12,544,450	12,544,450
30th June	50,177,800	37,633,350
Net Book value		
30th June	200,711,200	213,255,650

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	2019 Shs.	2018 Shs.
<b>3. Capital Advance</b>		
Hotel Margherita Ltd	<u>1,031,732,084</u>	<u>1,031,732,084</u>
<b>4. Finance Lease Facility</b>		
Balance Bf	2,476,203,943	3,282,047,124
(Less) Lease Rentals during the year	<u>(1,311,230,514)</u>	<u>(805,843,181)</u>
<b>Total</b>	<u><b>1,164,973,429</b></u>	<u><b>2,476,203,943</b></u>
<b>Other Non- Current Liabilities</b>		
Long Term Loan-UDB	6,640,606,079	-
Long Term Loan-STBU	-	212,879,126
<b>Total</b>	<u><b>6,640,606,079</b></u>	<u><b>212,879,126</b></u>
<b>5. Inventory</b>		
Raw Materials	202,157,852	587,824,457
Work in Progress	182,542,015	365,690,058
Finished Goods	410,325,654	393,460,134
Packing Materials	801,045,125	317,572,564
Spare Parts	310,160,324	355,835,387
By-Products	181,245,601	41,254,001
Other stock	1,568,908,061	1,568,908,061
<b>Total Inventory</b>	<u><b>3,656,384,632</b></u>	<u><b>3,630,544,662</b></u>
<b>6. Trade and Other Recievables</b>		
Trade Receivables	3,214,562,129	2,658,451,002
Prepayments ( Suppliers)	7,691,785,124	2,124,512,450
Staff Debtors	9,256,125	24,521,600
VAT Offset	-	450,051,908
Non Trade Debtors	-	18,089,200
Other Prepayments	76,606,291	-
<b>Total</b>	<u><b>10,992,209,669</b></u>	<u><b>5,275,626,160</b></u>
<b>7. Related Party Receivables</b>		
Inter company	3,986,521,253	2,889,634,717
Other receivables	-	466,713,955
Directors' A/c	2,232,245,220	1,785,451,050
<b>Total</b>	<u><b>6,218,766,473</b></u>	<u><b>5,141,799,722</b></u>

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	2019 Shs.	2018 Shs.
<b>7. Cash and Cash Equivalents</b>		
<b>a) Bank Overdrafts &amp; Short term Loans</b>		
Short term grain purchase	-	-
Stanbic	(1,781,341,839)	(2,642,762,171)
Centenary	(369,247,219)	(1,022,000,000)
<b>Total</b>	<b>(2,150,589,058)</b>	<b>(3,664,762,171)</b>
<b>b) Cash and Bank</b>		
Cash at hand	1,106,500	2,263,189
Stanbic Kasese	529,377	218,170
Stanbic Kampala- Forex	-	454,209,850
Stanbic AYEDI	-	98,542
Housing finance Current Account	7,105,145	57,564,500
Housing finance- Forex	561,240	31,716,300
Centenary Bank-Kasese	289,156,919	981,157
Centenary Bank-Kla Forex	-	1,347,500
Centenary Bank-Kla-Local	-	2,215,421
NC Bank	21,806,585	-
Barclays Bank	6,749,831	-
Barclays Forex	34,005,553	-
	<b>361,021,150</b>	<b>550,614,629</b>
<b>Total Cash &amp; Cash Equivalents</b>	<b>(1,789,567,908)</b>	<b>(3,114,147,542)</b>
<b>8. Capital</b>		
<b>Authorised Share Capital</b>		
6000 Ordinary Shares of Ugx.100,000 @	600,000,000	600,000,000
<b>Issued &amp; fully paid up.</b>		
6000 Ordinary Shares of Ugx.100,000 @	600,000,000	600,000,000
	<b>600,000,000</b>	<b>600,000,000</b>
<b>9. Related Party Balances</b>		
Related party payables	-	-
<b>10. Trade Payables</b>		
Trade creditors	121,348,512	91,945,212
Other Creditors	48,245,810	-
<b>Total Payables</b>	<b>169,594,322</b>	<b>91,945,212</b>
<b>11. Accruals</b>		
PAYE	19,703,500	17,548,251
NSSF	12,005,307	16,539,314
VAT	21,899,050	-
Power	18,559,867	17,654,021
Water	1,675,851	2,112,541
Salaries & Reimbursements	41,325,125	32,933,450
Security	6,111,804	10,721,362
Medical	1,645,895	2,047,000
Fuel	584,560	4,257,000
Telephone	3,125,601	1,690,378
Audit Expenses	17,314,500	10,395,000
Interest Expenses	22,284,321	36,451,926
Local service tax	-	-
Rent & rates	2,312,450	7,452,252
Other Accruals	-	-
<b>Total Payables</b>	<b>168,547,831</b>	<b>159,802,495</b>



NOTES TO THE FINANCIAL STATEMENTS (Cont'n.)

	2019 Shs.	2018 Shs.
<b>12. Revenue</b>		
Foam Products	649,307,845	626,990,121
Food Products	8,713,122,021	8,436,375,460
Papain Products	-	384,500
Rutafa	5,032,057,221	4,847,251,000
Rental	634,585,200	645,152,122
Sundry Income	447,215,420	430,431,215
Other Income	134,864,520	129,458,455
<b>Total</b>	<b>15,611,152,227</b>	<b>15,116,042,873</b>
<b>13. Cost of Sales</b>		
Opening Stock of Finished products	393,460,134	310,916,595
<b>Manufactured Products. Appx I.</b>	<b>8,816,774,526</b>	<b>8,737,934,953</b>
<b>Sub Total</b>	<b>9,210,234,660</b>	<b>9,048,851,548</b>
Closing Stock of Finished Goods	(410,325,654)	(393,460,134)
<b>Total Cost of Sales</b>	<b>8,799,909,006</b>	<b>8,655,391,414</b>
<b>14. Selling and Distribution</b>		
Selling and Distribution Costs	128,996,785	134,355,675
Motor Vehicle fuel	25,601,114	23,180,629
Motor Vehicle Repairs	47,887,451	46,245,012
Clearing and Forwarding	4,495,452	43,526,401
<b>Total</b>	<b>206,980,802</b>	<b>247,307,717</b>
<b>15. Employment expenses.</b>		
Salaries and wages	779,514,520	745,264,520
Staff Meals	34,124,502	30,819,414
Uniforms	-	3,311,203
Staff Medication	12,287,845	14,654,200
Scholarships/Trainings	6,125,450	21,229,600
Staff quarters power	-	-
Staff accomodation	29,885,300	30,618,500
Workmaship compesation	17,527,723	15,915,613
Senior staff residence repairs	-	-
Leave pay and passage	6,895,210	6,106,400
Junior Staff quarters repair	-	-
Recruitment Expenses	3,454,310	4,568,523
Staff Quarters water	-	-
Employer's Nssf Contribution	98,029,662	104,645,807
Termination Benefits	8,937,149	14,294,512
Employee bonus	9,151,333	7,334,700
<b>Total</b>	<b>1,005,933,004</b>	<b>998,762,992</b>

	2019 Shs.	2018 Shs.
<b>16. General Administration expenses</b>		
Office Expenses	8,895,296	9,636,201
Printing and stationery	6,174,753	5,615,131
Foreign Business Travel	42,483,319	50,752,122
Subscriptions & Newspapers	1,733,863	1,265,500
Professional & Consultancy charges	24,895,924	8,098,384
Internet & Communications	17,021,551	17,458,001
Company Licenses	1,736,041	1,780,555
Insurance	19,705,535	20,210,805
Donations	2,909,400	2,984,000
Telephone & Communications	6,923,025	7,100,538
Internal travel & subsistence	16,539,978	35,425,618
Stamp duty	-	1,451,200
Social Responsibility	60,191,399	37,119,384
Postage	3,356,438	3,442,500
Penalties	-	-
Depreciation on Assets	253,416,570	455,811,192
<b>Total</b>	<b>465,983,092</b>	<b>658,151,131</b>
<b>17. Other Operating expenses</b>		
Land Rates	14,691,995	15,068,713
Electricity	10,461,553	9,704,157
Water	7,831,259	7,519,240
Work field transport	20,902,135	24,515,010
Repair & Maintenance	31,252,579	32,053,927
Land Valuation Expenses ,survey	14,156,719	12,468,430
Security	52,669,368	55,045,506
Equipment Hire	1,643,314	1,685,450
Generator expenses	2,213,892	1,552,710
<b>Total</b>	<b>155,822,814</b>	<b>159,613,143</b>
<b>18. Marketing Costs</b>		
Discounts allowed	-	-
Business Promotion	355,785,016	-
Advertisements	-	-
<b>Total</b>	<b>355,785,016</b>	<b>-</b>
<b>19. Finance &amp; Statutory Expenses.</b>		
Directors' Expense	112,150,014	94,521,500
Professional Audit Fees	19,500,000	18,650,000
Bank interest	825,162,897	948,885,004
Bank Charges	10,693,318	10,967,506
Exchange loss	7,660,240	9,907,938
Professional Legal fees	5,430,750	5,570,000
Loan Procurement Exp.	44,586,001	30,643,136
<b>Total</b>	<b>1,025,183,220</b>	<b>1,119,145,084</b>

**RECO INDUSTRIES LIMITED**  
**Annual report and financial statements**  
**For the year ended 30th June 2019**

	<b>2019</b>	<b>2018</b>
	<b>Shs.</b>	<b>Shs.</b>
<b>20. Taxation</b>		
Opening bal.	875,672,183	2,017,646,802
Corporation tax for the period	1,005,682,592	1,003,059,644
	<b>1,881,354,775</b>	<b>3,020,706,446</b>
Tax Payments / deposits for the period	1,979,500,450	2,145,034,263
<b>Tax payable</b>	<b>(98,145,675)</b>	<b>875,672,183</b>
<b>21.1. Deferred Tax Computation</b>		
<b>Carrying Amount</b>		
Building	3,126,142,181	2,941,187,055
Motor Vehicles	669,825,000	893,100,000
Plant & Machinery	10,389,948,738	11,874,227,129
Furniture & Fittings	212,558,518	236,176,131
Computers	15,222,567	21,746,524
Work in progress	182,542,015	365,690,058
<b>Total Carrying Amount</b>	<b>14,596,239,018</b>	<b>16,332,126,897</b>
Tax Base	12,129,477,738	11,656,612,326
Taxable Temporary Difference	2,466,761,280	4,675,514,570
<b>Deferred tax @30%</b>	<b>740,028,384</b>	<b>1,402,654,371</b>
<b>Movement in Deferred Tax</b>	<b>(662,625,987)</b>	<b>1,402,654,371</b>
<b>Income Tax Expense</b>		
Current Tax	1,005,682,592	1,003,059,644
Deferred Tax liability	(662,625,987)	(490,928,717)
<b>Total</b>	<b>343,056,605</b>	<b>512,130,927</b>
<b>Deferred Tax</b>		
Balance b/f	1,402,654,371	1,893,583,088
Deferred Tax liability	(662,625,987)	(490,928,717)
<b>Deferred Tax As At 30.06.2019</b>	<b>740,028,384</b>	<b>1,402,654,371</b>

**22. Currency**

These Financial Statements are presented in Uganda Shillings.

**23. Contingencies**

In the opinion of the Directors, the business did not have any contingent liabilities as at 30 June, 2019.

**24. Events after Statement of Financial Position date**

The Directors are not aware of any matter or circumstance arising since the end of the financial year.

**25. Financial reporting period**

The financial reporting period is twelve months to 30 June , 2019

## APPENDIX

### Appendix I

#### MANUFACTURING ACCOUNT FOR THE YEAR ENDED 30 JUNE 2019.

	2019 Shs.	2018 Shs.
<b>A:</b>		
Opening Stock:		
Raw materials	587,824,457	790,341,176
Work in Progress	365,690,058	874,818,175
Packing Materials	317,572,564	642,961,645
Add: Purchases	5,988,301,959	4,891,344,319
	<u>7,259,389,038</u>	<u>7,199,465,315</u>
Less: Closing Stocks		
Work in Progress	(202,157,852)	(365,690,058)
Packing Materials	(182,542,015)	(317,572,564)
Closing Stock raw materials	(801,045,125)	(587,824,457)
Raw Materials Consumed	<u>6,073,644,046</u>	<u>5,928,378,236</u>
<b>B:</b>		
Opening Stock of Spare Parts	355,835,387	422,857,109
Spare Purchases	19,450,029	18,458,200
<b>Sub Total</b>	<u>375,285,416</u>	<u>441,315,309</u>
Closing Stock of Spare parts	(310,160,324)	(355,835,387)
	<u>65,125,092</u>	<u>85,479,922</u>
<b>C:</b>		
<b>Direct Costs</b>		
Power	319,114,021	308,103,406
Water	11,121,452	10,151,231
Salaries & Wages	571,182,889	547,215,420
Loading and Off Loading	20,594,500	20,121,500
Generator Costs	4,678,950	4,404,520
Labaratory Expenses	28,459,852	31,245,210
Machinery Repairs	13,546,241	16,261,441
Carriage Inwards	-	-
Processing Aid	7,612,545	8,125,411
Factory building repairs	7,048,165	7,356,886
Farm expenses	80,112,458	74,773,609
Depreciation - Machinery & Plant	1,614,534,315	1,696,318,161
<b>Total direct Costs</b>	<u>2,678,005,388</u>	<u>2,724,076,795</u>
<b>Cost of Production</b>	<u><u>8,816,774,526</u></u>	<u><u>8,737,934,953</u></u>



**Appendix II**  
**TAX COMPUTATION**

	<b>2019</b>
	<b>Shs</b>
Net profit for the year	3,595,555,272
<b>Add:</b>	
Depreciation	1,867,950,886
Donations	2,909,400
<b>Adjusted Taxable Income</b>	<b>5,466,415,558</b>
Depreciation allowance	1,839,334,761
<b>I.B.A</b>	<b>274,805,492</b>
	<b>2,114,140,252</b>
<b>Adjusted net income</b>	<b>3,352,275,306</b>
<b>Corporation tax at 30%</b>	<b>1,005,682,592</b>

**Appendix III**  
**Capital Allowances Schedule:**

<b>Particulars</b>	<b>Class I</b>	<b>Class II</b>	<b>Class IV</b>	<b>Total</b>
	<b>Computers</b>	<b>M/V, Equipment</b>	<b>Int, Machinery, Furniture</b>	
<b>Rate</b>	<b>40%</b>	<b>35%</b>	<b>20%</b>	
<b>W.D.V</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
1-Jul-18	2,443,335	595,629,750	8,149,435,072	8,747,508,157
Additions	-	-	-	-
<b>30-Jun-19</b>	<b>2,443,335</b>	<b>595,629,750</b>	<b>8,149,435,072</b>	<b>8,747,508,157</b>
<b>Depreciation</b>				
Depr. Allowance	977,334	208,470,412.38	1,629,887,014	1,839,334,761
<b>W.D.V</b>				
<b>30-Jun-19</b>	<b>1,466,001</b>	<b>387,159,337</b>	<b>6,519,548,058</b>	<b>6,908,173,396</b>

**Industrial Building Allowance**

	<b>Factory Buildings</b>
<b>Rate</b>	<b>Total</b>
	<b>5%</b>
	<b>Shs</b>
1-Jul-18	4,998,356,769
Additions	497,753,065
<b>30-Jun-19</b>	<b>5,496,109,834</b>
<b>I.B.A</b>	<b>274,805,492</b>
<b>30-Jun-19</b>	<b>5,221,304,342</b>