

MOUNTAIN BEVERAGES LIMITED

**BUSINESS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Mountain Beverages Limited
Business Report and Financial Statements
For the Year ended 30 June 2021

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Mountain Beverages Limited
Business Report and Financial Statements
For the Year ended 30 June 2021

Directors' report

The director submit this report together with the audited financial statements for the year ended 30 June 2021, which disclose the state of affairs of the company.

INCORPORATION AND REGISTERED OFFICE

The company is registered in Uganda under the Companies Act and is domiciled in Uganda. The address of its registered office is:

Mountain Beverages Limited
Kampala, Uganda

PRINCIPAL ACTIVITIES

The principal activities of the company are to carry on the business of production and distribution of beverages

EVENTS AFTER THE REPORTING DATE

There is no material event that has occurred between the reporting date and the date of this report that would require adjustment for disclosure in these financial statements.

RESULTS AND DIVIDEND

The net profit for the year of Shs 15,575,365. (30 June 2017: Net loss of Shs 13,089,132) has been added to retained deficits. The director does not recommend a dividend.

DIRECTOR

The director who held office during the period and to the date of this report was:

30-Jun-17

Mr: Kasule Jeremy

ACCOUNTANTS

The JHB Finances Limited, have expressed their willingness to continue in office in accordance with Section 167(2) of the Companies Act No.1 of 2012.

By order of the Board

SECRETARY

_____2021

Statement of Directors' Responsibilities

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

The director is responsible and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and as required by the Uganda Companies Act. This responsibility includes: designing, implementing and maintaining internal control systems relevant to the preparation fair presentable of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in circumstances.

The director accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS). The director is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit. The director further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Director

2021

JHB FINANCES LIMITED

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**RE: THE INDEPENDENT MANAGEMENT REPORT TO THE
DIRECTOR OF MOUNTAIN BEVERAGES LIMITED.****Opinion**

We have audited the accompanying financial statements of Mountain Beverages Limited. In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Mountain Beverages Limited 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 in Uganda, 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 and appropriate to provide a basis for our opinion.

Key Audit matters.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no significant matters that were addressed in the context of our audit of the financial statements as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Companies Act of Uganda 2012, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 to cease operations, or has no realistic alternative but to 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 misstatement, 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 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 achieves fair presentation.
- Conclude on the appropriateness of management's 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 modify 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide 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 were of most significance in the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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 Ugandan companies Act of 2012, we report to you based on our audit, that:

1. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
3. The company's statement of financial position and the statement of comprehensive income are in agreement with the books of account.

JHB Finances Limited

_____2021

Mountain Beverages Limited
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Statement of Comprehensive Income

	Notes	30-Jun-21 Shs	30-Jun-20 Shs
Revenue	1	133,223,075	68,302,000
Cost of sales	2	<u>(70,834,154)</u>	<u>(38,603,359)</u>
Gross Profit		<u>62,388,921</u>	<u>29,698,641</u>
Administrative expenses	3	(39,168,400)	(43,977,400)
Operating expenses	4	<u>(224,000)</u>	<u>(3,544,000)</u>
Operating profit/loss		<u>22,996,521</u>	<u>(17,822,759)</u>
Finance cost	5	<u>(746,000)</u>	<u>(876,000)</u>
Profit/loss before tax		<u>22,250,521</u>	<u>(18,698,759)</u>
Tax credit	6	<u>(6,675,156)</u>	<u>5,609,627</u>
Net profit/loss for the year		<u><u>15,575,365</u></u>	<u><u>(13,089,132)</u></u>

Mountain Beverages Limited
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Statement of Financial Position

ASSETS	Notes	30-Jun-21 Shs	30-Jun-20 Shs
Non current assets			
Property, Plant and Equipment	8	<u>39,878,000</u>	<u>62,850,400</u>
Total non current assets		<u>39,878,000</u>	<u>62,850,400</u>
Current assets			
Cash and cash equivalents	9	14,230,000	257,600
Inventory	2	62,408,000	41,203,000
Trade & other receivables	10	3,071,000	3,014,000
Deferred tax asset	7	<u>5,845,357</u>	<u>12,520,512</u>
Total current assets		<u>85,554,357</u>	<u>56,995,112</u>
TOTAL ASSETS		<u>125,432,357</u>	<u>119,845,512</u>
EQUITY & LIABILITIES			
Equity			
Share capital	11	10,000,000	10,000,000
Capital reserve		140,000,000	140,000,000
Retained deficit		<u>(32,729,965)</u>	<u>(48,305,331)</u>
Total Equity		<u>117,270,035</u>	<u>101,694,669</u>
Non current liabilities			
Due to related parties		<u>3,662,322</u>	<u>16,604,843</u>
Total non current liabilities		<u>3,662,322</u>	<u>16,604,843</u>
Current liabilities			
Trade & other payables	12	<u>4,500,000</u>	<u>1,546,000</u>
Total current liabilities		<u>4,500,000</u>	<u>1,546,000</u>
TOTAL EQUITY & LIABILITIES		<u>125,432,357</u>	<u>119,845,512</u>

The financial statements and accounting policies on pages 6 to 16 were approved for issue by the director on _____ 2021 and signed on its behalf by:

_____ **Director**

Mountain Beverages Limited
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Statement of Changes in Equity

Year ended 30-Jun-2020		Share capital Shs	Capital reserve Shs	Retained deficits Shs	Total Shs
At 01 Jul 2019	11	10,000,000	140,000,000	(35,216,199)	114,783,801
Net loss for the year		-	-	(13,089,132)	(13,089,132)
At end of the year		<u>10,000,000</u>	<u>140,000,000</u>	<u>(48,305,331)</u>	<u>101,694,669</u>
Year ended 30-Jun-2021					
At 01 Jul 2020	11	10,000,000	140,000,000	(48,305,331)	101,694,669
Net profit for the year		-	-	15,575,365	15,575,365
At end of the year		<u>10,000,000</u>	<u>140,000,000</u>	<u>(32,729,965)</u>	<u>117,270,035</u>

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Statement of Cash Flows

	Notes	30-Jun-21 Shs	30-Jun-20 Shs
Operating used/generated from operating activities			
Cash used/generated from operating activities	14	<u>26,914,921</u>	<u>(1,742,918)</u>
Net cash used/generated from operating activities		<u>26,914,921</u>	<u>(1,742,918)</u>
Investing activities			
Purchase of Property, Plant & Equipment	8	<u>-</u>	<u>(17,334,000)</u>
Net cash used in investing activities		<u>-</u>	<u>(17,334,000)</u>
Financing activities			
Due to related parties		<u>(12,942,521)</u>	<u>13,106,318</u>
Net Cash from financing activities		<u>(12,942,521)</u>	<u>13,106,318</u>
Increase in cash and cash equivalents		<u>13,972,400</u>	<u>(5,970,600)</u>
Movement in cash and cash equivalents			
At the start of the year		257,600	6,228,200
Increase/decrease in cash and cash equivalents		<u>13,972,400</u>	<u>(5,970,600)</u>
At the end of year	9	<u>14,230,000</u>	<u>257,600</u>

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Uganda Shillings (Shs) and prepared under the historical cost convention as modified by the revaluation of certain Plant and equipment and the carrying of investment property and available-for-sale investments at fair values.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(c) Translation of foreign currency

Transactions in foreign currencies during the year are converted into Uganda Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the Statement of Comprehensive Income in the year in which they arise.

(d) Trade receivables

Trade receivables are carried at amortised invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(e) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Accounting policies (continued)

(f) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(g) Accounting for leases

Leases of property, plant and equipment where the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit and loss account over the lease year. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

(h) Property, plant and equipment

All categories of plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent values, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each period the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated loss

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual Value as follows:

Land & Buildings	05% per annum
Motor Vehicle	20% per annum
Kitchen and Other Equipment	20% per annum
Furniture, fixtures and fittings	20% per annum
Machinery and Equipment	20% per annum

Equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of re-valued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Motor Vehicle was depreciated for only 10 months

(i) Comparatives

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

Mountain Beverages Limited
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Notes forming part of the financial statements.

1	Revenue	30-Jun-21	30-Jun-20
		Shs	Shs
	Sales	121,823,075	42,101,000
	Other incomes	11,400,000	26,201,000
	Total revenue	133,223,075	68,302,000
2	Cost of sales	30-Jun-21	30-Jun-20
		Shs	Shs
	Opening Inventory	41,203,000	36,402,000
	Add:		
	Purchases:Local	16,408,133	43,404,359
	Purchases:Imports	75,631,021	-
	Less:		
	Closing inventory	(62,408,000)	(41,203,000)
	Total cost of sales	70,834,154	38,603,359
3	Administrative expenses	30-Jun-21	30-Jun-20
		Shs	Shs
	Stationary & printing	425,000	310,000
	Staff welfare	-	1,640,000
	Management fees	-	6,000,000
	salaries and wages	-	8,400,000
	Hire of trucks	5,047,000	-
	Electricity	5,000,000	-
	Depreciation cost	22,972,400	22,972,400
	Telephone Expense	2,564,000	2,161,000
	Transport expenses	3,160,000	2,494,000
	Total administrative expenses	39,168,400	43,977,400
4	Operating expenses	30-Jun-21	30-Jun-20
		Shs	Shs
	Power & fuel	-	2,264,000
	Repairs and Maintenance	-	863,000
	Operating expense	224,000	417,000
	Total operating expenses	224,000	3,544,000
5	Finance costs	30-Jun-21	30-Jun-20
		Shs	Shs
	Bank charges	746,000	876,000
	Total finance costs	746,000	876,000

Notes forming part of the financial statements (continued)

6 Taxation	30-Jun-21	30-Jun-20
	Shs	Shs
Current tax charge	-	-
Deferred tax charge	6,675,156	(5,609,627)
Total taxation	6,675,156	(5,609,627)

The tax on the company loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows

	30-Jun-21	30-Jun-20
	Shs	Shs
Profit/loss before tax	22,250,521	(18,698,759)
Tax calculated at the rate of 30%	(6,675,156)	5,609,627
Tax effect of:		
Accelerated depreciation	(588,632)	1,142,211
Short term timing differences	-	-
Tax losses	7,263,788	(6,751,838)
Non-deductable expenses	-	-
Income tax charge	-	-

7 Deferred tax

Deferred tax is calculated in full on all temporally differences under liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	30-Jun-21	30-Jun-20
	Shs	Shs
At the start	(12,520,512)	(6,910,885)
Charge to profit and loss	6,675,156	(5,609,627)
At the end of the year	(5,845,357)	(12,520,512)

Deferred tax asset, deferred tax charge in the profit and loss account is attributed to the following items:

Deferred tax asset	01-Jul-17	Charged to P/L	30-Jun-21
	Shs	Shs	Shs
Accelerated depreciation	469,671	(588,632)	(118,961)
Short term timing differences	-	-	-
Tax losses	(12,990,183)	7,263,788	(5,726,396)
Net deferred tax asset	(12,520,512)	6,675,156	(5,845,357)

Notes forming part of the financial statements (continued)

8 Property, plant and equipment

	Machinery & Equipment	Motor Vehicle	Furniture & Fittings	other Equipment	Total
	Shs	Shs	Shs	Shs	Shs
<u>Cost /valuation</u>					
At 01-Jul-2020	77,254,000	32,200,000	3,800,000	1,608,000	114,862,000
Additions	-	-	-	-	-
At 30-Jun-2021	<u>77,254,000</u>	<u>32,200,000</u>	<u>3,800,000</u>	<u>1,608,000</u>	<u>114,862,000</u>
<u>Depreciation</u>					
At 01-Jul-2020	(33,426,800)	(16,100,000)	(1,520,000)	(964,800)	(52,011,600)
Charge for the year	(15,450,800)	(6,440,000)	(760,000)	(321,600)	(22,972,400)
At 30-Jun-2021	<u>(48,877,600)</u>	<u>(22,540,000)</u>	<u>(2,280,000)</u>	<u>(1,286,400)</u>	<u>(74,984,000)</u>
NBV 30-Jun-2021	<u>28,376,400</u>	<u>9,660,000</u>	<u>1,520,000</u>	<u>321,600</u>	<u>39,878,000</u>
NBV 30-Jun-2019	<u>43,827,200</u>	<u>16,100,000</u>	<u>2,280,000</u>	<u>643,200</u>	<u>62,850,400</u>

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Notes forming part of the financial statements (continued)

9	Cash and cash equivalents	30-Jun-21	30-Jun-20
		Shs	Shs
	Bank	13,750,000	257,600
	Cash : UGX	480,000	1,638,400
	Total cash and cash equivalents	14,230,000	1,896,000
10	Trade & other receivables	30-Jun-21	30-Jun-20
		Shs	Shs
	Trade receivables	3,071,000	3,014,000
	Total trade & other receivables	3,071,000	3,014,000
11	Share capital	Number of	Ordinary shares
		shares	Shs
	At the start of the year	100	10,000,000
	At the end of the year	100	1,000,000
The share capital is 10,000,000 made up of 100 ordinary shares with a par value of Shs 100,000 per share. All issued shares are fully paid up.			
12	Trade & other payables	30-Jun-21	30-Jun-20
		Shs	Shs
	Other payables	4,500,000	1,546,000
	Total trade & other payables	4,500,000	1,546,000
13	Due to related parties	30-Jun-21	30-Jun-20
		Shs	Shs
	At the start	16,604,843	3,498,525
	Additions/repayments	(12,942,521)	13,106,318
	Total due to related parties	3,662,322	16,604,843

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Notes forming part of the financial statements (continued)

14 Cash used/generated from operating activities	30-Jun-21	30-Jun-20
	Shs	Shs
Profit/loss before tax	22,250,521	(18,698,759)
Add:		
Depreciation(note 8)	22,972,400	22,972,400
Adjustments for:		
Changes in working capital		
Increase in Inventory(note 2)	(21,205,000)	(4,801,000)
Increase/decrease in trade & other receivables (note 10)	(57,000)	2,322,000
Increase/decrease in trade & other payables (note 12)	<u>2,954,000</u>	<u>(3,537,559)</u>
Net cash used/generated from operating activities	<u>26,914,921</u>	<u>(1,742,918)</u>

15 Contingent liabilities

There were no contingent liabilities as at 30 Jun 2021.(Nil:2020)

16 Commitments

There were no capital commitments as at 30 Jun 2021.(Nil:2020)

17 Reporting Currency

The financial statements are expressed in Uganda Shillings (Shs).