

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
30 SEPTEMBER 2003

**THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003**

CONTENTS	PAGE
Company Information	1
Report of the Directors	2
Statement of Directors' Responsibilities	3
Report of the Independent Auditors	4
Balance Sheet	5
Income & Expenditure Account	6
Statement of Changes in Surplus Carried Forward	7
Cash Flow Statement	8
Notes to the Financial Statements	9-14

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
COMPANY INFORMATION
YEAR ENDED 30 SEPTEMBER 2003

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Commercial Plaza, Suite 9 East
P. O. Box 27405
Kampala

BANKERS

Citibank Uganda Limited
Ternan Avenue
P. O. Box 7505
Kampala

SOLICITORS

Irene Makumbi
Plot 55, Kanjokya Street, Kamwokya
P O Box 6497
Kampala

SECRETARY

Frederick S. M. Kawuma
Executive Director
Eastern African Fine Coffees Association (EAFCA)
P.O. Box 27405
Kampala

AUDITORS

Ernst & Young
Ernst & Young House
18 Clement Hill Road
P O Box 7215
Kampala

**THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
REPORT OF THE DIRECTORS
YEAR ENDED 30 SEPTEMBER 2003**

The directors present their report together with the audited financial statements for the period ended 30 September 2003, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITY

The principal activity of the company is to support the development of a strategy to improve and promote high quality coffee production, processing and marketing in the Eastern African region.

2. RESULTS

The results for the period are set out on page 6.

3. SURPLUS CARRIED FORWARD

The surplus carried forward of the company is set up on page 7.

4. DIRECTORS

The directors who held office during the period and to the date of this report were:

Mr. Paul Mugambwa	-	Chairman
Mr. Simeon Ochere	-	Vice Chairman
Mr. Leslie Omari	-	Treasurer
Ms. Carine Yengayenge	-	Member
Mr. Francois Nkurunziza	-	Member
Mr. Anastase Nzirasanaho	-	Member
Mr. Arega Worku	-	Member
Mr. Henry Ngabirano	-	Member
Mr. Frederick S.M. Kawuma	-	Secretary/Executive Director

5. AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

By order of the Board

.....
Secretary

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 30 SEPTEMBER 2003

The Companies Act requires the directors to prepare financial statements for each financial year, which 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 operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors 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 and in the manner required by the Companies Act. 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 company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

.....
Director

.....
Director

.....
Date

.....
Date

REPORT OF THE INDEPENDENT AUDITORS
to the members of
THE EASTERN AFRICAN FINE COFFEES ASSOCIATION

We have audited the financial statements on pages 5 to 14, which have been prepared on the basis of the accounting policies set out on pages 9 to 10. We obtained all the information and explanations, which we considered necessary for our audit.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE INDEPENDENT AUDITORS

As stated on page 3, the directors are responsible for the preparation of the financial statements, which show a true and fair view of the state of affairs of the company and its operating results. Our responsibility is to form an independent opinion on the financial statements based on our audit and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of accounts have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the company as at 30 September 2003 and of its surplus for the year then ended and comply with International Financial Reporting Standards and the Companies Act.

KAMPALA

2003

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
BALANCE SHEET
30 SEPTEMBER 2003

	Note	2003 US\$	2002 US\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	<u>48,160</u>	<u>25,542</u>
CURRENT ASSETS			
Member debtors		10,684	5,985
Deposits and prepayments	3	11,749	-
Other debtors	4	7,633	193
Cash and bank			<u>165,057</u>
		<u>195,123</u>	<u>28,274</u>
TOTAL ASSETS		<u><u>243,283</u></u>	<u><u>53,816</u></u>
RESERVES AND LIABILITIES			
Deferred Grant Income (WORLD BANK/USAID)		116,269	-
Accumulated surplus		<u>64,490</u>	<u>22,478</u>
		<u>180,759</u>	<u>22,478</u>
NON-CURRENT LIABILITIES			
Staff gratuity	5	<u>21,899</u>	<u>19,884</u>
CURRENT LIABILITIES			
Other creditors & accruals	6	<u>40,625</u>	<u>11,454</u>
TOTAL RESERVES AND LIABILITIES		<u><u>243,283</u></u>	<u><u>53,816</u></u>

The financial statements were approved by the Board of Directors on
2003 and were signed on its behalf by:

..... Chairman

..... Executive Director

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
INCOME & EXPENDITURE STATEMENT
YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 US\$	2002 US\$
INCOME			
WORLD BANK/SPAAR grant		213,974	46,000
USAID grant/ACDI/VOCA		184,875	94,681
Membership fees		16,067	12,420
Interest income		1,022	174
Other income		<u>1,908</u>	<u>6,835</u>
		<u>417,846</u>	<u>160,110</u>
EXPENSES			
ADMINISTRATION COSTS			
Direct costs	7	69,118	38,739
Salaries and wages		95,014	100,831
Other employment costs	8	35,464	26,816
Other administration costs	9	<u>21,461</u>	<u>27,788</u>
		<u>221,057</u>	<u>194,174</u>
PROGRAMS/ACTIVITIES			
EAFCA brand promotion		10,692	-
Promotion & marketing SCAA/ICO/SCAE		27,485	13,738
Marketing Information Systems Development		4,633	2,900
Coffee Cupping Competition		-	14,668
Grower & Business Support		22,359	9,053
Policy change & implementation		23,814	11,566
Other tree crops activities (CCMM)		<u>65,794</u>	<u>-</u>
		<u>154,777</u>	<u>51,925</u>
		<u>375,834</u>	<u>246,099</u>
SURPLUS/(DEFICIT) FOR THE YEAR	10	<u>42,012</u>	<u>(85,989)</u>

THE EASTERN AFRICAN FINE COFFES ASSOCIATION
(A Company Limited by Guarantee)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2003

	Deferred Grant Income US\$	Accumulated Surplus US\$	Total US\$
At 1 October 2001	-	108,467	108,467
Deficit for the year	<u>-</u>	<u>(85,989)</u>	<u>(85,989)</u>
At 30 September 2002	<u>-</u>	<u>22,478</u>	<u>22,478</u>
At 1 October 2002	-	22,478	22,478
Receipts during the year	515,118	-	515,118
Transfer to income statement	(398,849)	-	(398,849)
Surplus for the year	<u>-</u>	<u>42,012</u>	<u>42,012</u>
At 30 September 2003	<u>116,269</u>	<u>64,490</u>	<u>180,759</u>

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
CASHFLOW STATEMENT
YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 US\$	2002 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/ (deficit) for the year		42,012	(85,989)
Adjustment for:			
Depreciation		18,334	7,429
Loss on disposal of fixed assets		<u>248</u>	<u>-</u>
Net cash inflow before working capital changes		60,594	78,560
Increase in member debtors		(4,699)	(5,648)
Increase/(decrease) in deposits & prepayments 13,134			(11,749)
Increase/(decrease) in other debtors		(7,440)	1,639
Increase in staff gratuity		2,015	19,884
Increase/(decrease) in other creditors, accruals and subscriptions in advance		<u>29,171</u>	<u>(226)</u>
Net cash inflow/(outflow) from operating activities		<u>67,892</u>	<u>(49,777)</u>
FINANCING ACTIVITIES			
Deferred Grant Income		<u>116,269</u>	<u>-</u>
Net cash inflow from financing activities		<u>116,269</u>	<u>-</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(43,700)	(32,971)
Proceeds from sale of fixed assets		<u>2,500</u>	<u>-</u>
Net cash outflow from investing activities		<u>(41,200)</u>	<u>(32,971)</u>
Net cash inflow/(outflow) in cash and cash equivalents		142,961	(82,748)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		<u>22,096</u>	<u>104,844</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	11	<u>165,057</u>	<u>22,096</u>

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2003

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Changes in Accounting Policies

On 1st October 2002, the Association changed the depreciation policy to straight-line basis. Previously, the Association depreciated their assets on reducing balance basis. The effect of the change in the accounting policy is nil as the prior year was the first year of operation.

(c) Income Recognition

Income is recognized upon receipt of grants.

(d) Property, Plant and Equipment and Depreciation

Tangible property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis, at annual rates estimated to write off carrying values of the assets over their useful lives.

The annual rates used are:

Computers and office equipment	33% %
Furniture and fixtures	12½%
Plant & machinery	20%
Motor vehicles	25%

(e) Translation of Foreign Currencies

Transactions in Uganda shillings during the year are converted into United States Dollars at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in Uganda shillings, are translated into United States Dollars at rates ruling at that date. The resulting differences are dealt with in the profit and loss account in the year in which they arise.

(f) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable amounts. Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 SEPTEMBER 2003

(g) Provision

Provisions are recognised when a company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

(h) Retirement Benefit Scheme

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act (1985). The company's obligations under this scheme are limited to specific contribution regulated from time to time and currently stated at 10% of the employee's gross pay. The company's contributions are charged to profit and loss account in the year to which they relate.

Post Employment Benefits

The company established a staff gratuity scheme to which the company and employees' contributions are 15% and 5% of the employees' monthly gross pay respectively.

(i) Grants

Grants relating to more than one year are credited to a special reserve and released to the income statement over the period to which they relate.

(j) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash at hand and balance at bank.

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 SEPTEMBER 2003

2. PROPERTY, PLANT AND EQUIPMENT

	Computers & Equipment US \$	Furniture & Fittings US \$	Machinery US \$	Motor Vehicle US \$	Computer Software US \$	Total US \$
COST/VALUATION						
At 1 October 2002	15,877	17,094	-	-	-	32,971
Additions	5,974	1,752	5,996	28,515	1,463	43,700
Disposals	-	(3,664)	-	-	-	(3,664)
At 30 September 2003	<u>21,851</u>	<u>15,182</u>	<u>5,996</u>	<u>28,515</u>	<u>1,463</u>	<u>73,007</u>
DEPRECIATION						
At 1 October 2002	5,292	2,137	-	-	-	7,429
Charge for the year	7,284	2,356	1,199	7,129	366	18,334
Disposal	-	(916)	-	-	-	(916)
At 30 September 2003	<u>12,576</u>	<u>3,577</u>	<u>1,199</u>	<u>7,129</u>	<u>366</u>	<u>24,847</u>
NET BOOK VALUE						
At 30 September 2003	<u>9,275</u>	<u>11,605</u>	<u>4,797</u>	<u>21,386</u>	<u>1,097</u>	<u>48,160</u>
At 30 September 2002	<u>10,585</u>	<u>14,957</u>	-	-	-	<u>25,542</u>

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 SEPTEMBER 2003

	2003	2002
	US\$	US\$
3. DEPOSITS AND PREPAYMENT		
Insurance	1,749	-
Exhibition Booth Hire	<u>10,000</u>	<u>-</u>
	<u>11,749</u>	<u>-</u>
4. OTHER DEBTORS		
Express Travel Group	-	193
VAT refundable	<u>7,633</u>	<u>-</u>
	<u>7,633</u>	<u>193</u>
5. STAFF GRATUITY		
Payable in more than 1 year	<u>21,899</u>	<u>19,884</u>
<p>Staff gratuity represents 15% and 5% contribution by the company and the employee respectively of the employees' monthly gross pay to the staff gratuity scheme. The employees receive the pay out on expiry of their two -year contracts.</p>		
6. OTHER CREDITORS & ACCRUALS		
Other creditors	298	2,131
Accruals	<u>40,327</u>	<u>9,323</u>
	<u>40,625</u>	<u>11,454</u>
7. DIRECT COSTS		
Operating costs	10,346	4,782
Communication		15,133
8,402		
Occupancy	21,105	4,604
Regional operating costs	4,200	5,436
Depreciation	<u>18,334</u>	<u>7,429</u>
	<u>69,118</u>	<u>30,653</u>
8. OTHER EMPLOYMENT COSTS		
Leave allowance	8,078	7,686
Medical allowance	1,403	2,172
Staff gratuity	14,456	15,151
NSSF	9,426	9,808
Vehicle expenses	<u>2,101</u>	<u>1,807</u>
	<u>35,464</u>	<u>36,624</u>

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 SEPTEMBER 2003

	2003	2002
	US\$	US\$
9. OTHER ADMINISTRATION COSTS		
Travel expenses	4,324	14,904
Supplies	5,566	6,100
Bank charges	2,017	954
Other professional fees	2,980	4,610
Exchange loss	1,393	4,905
Monitoring & evaluation	198	369
Operational costs	-	1,032
Provision on VAT receivable	849	-
Audit fees	3,500	3,000
Loss on disposal of fixed assets	248	-
Provision for member debtors	<u>386</u>	<u>-</u>
	<u>21,461</u>	<u>35,874</u>

10. SURPLUS/(DEFICIT) FOR THE YEAR

Surplus/deficit for the year is stated after charging:

Depreciation	18,334	7,429
Auditors' remuneration	3,500	3,000
Exchange loss	<u>1,393</u>	<u>4,905</u>

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

Cash and bank balances	<u>165,057</u>	<u>22,096</u>
------------------------	----------------	---------------

12. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2003.

13. EMPLOYEES

The average number of employees for the company during the year was 5 (2001: 5).

14. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In particular, the comparative figures have been adjusted to show fair presentation of the financial statements.

THE EASTERN AFRICAN FINE COFFEES ASSOCIATION
(A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 SEPTEMBER 2003

15. CAPITAL COMMITMENTS

There were no capital commitments as at 30 September 2003.

16. INCORPORATION

The company is incorporated in Uganda under the Companies' Act.

17. CURRENCY

These financial statements are presented in United States Dollars (USD) as stipulated in the Articles and Memorandum of Association.