

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Directors' Report
and
Financial Statements
Year Ended 30 September 2005**

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Directors' Report and Financial Statements
For the year ended 30 September 2005**

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**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Company Information
For the year ended 30 September 2005**

Directors

Mr. Leslie Omari	(Chairman)
Mr. Bernard B. Kaunda	(Vice Chairman)
Mr. Fredrick S. M. Kawuma	(Treasurer)
Mr. Robert Waggwa-Nsibirwa	(Secretary/ Executive Director)
Mr. Simeon Onchere	(Ex-Officio)
Mr. James Kibera	
Mr. Getinet Kelke	
Mr. Joe Taguma	(Elected 15 th Jan. 2005)
Mr. Trevor Gifford	(Elected 15 th Jan. 2005)
Mr. Laurien Ngirabanzi	(Elected 15 th Jan. 2005)
Mr. Emmanuel Nkengurutse	(Elected 15 th Jan. 2005)
Mr. Tom Carr	(Elected 15th Jan. 2005)
Mr. Charles Siddle	(Retired 15th Jan. 2005)
Mr. Zebadiah Mosh	(Retired 15th Jan. 2005)
Mr. Juvenal Nkusi	(Retired 15th Jan. 2005)
Mr. Francois Nkurunziza	(Retired 15th Jan. 2005)
Mr. Iahak Lukenge	(Retired 15th Jan. 2005)

Secretary

Robert Waggwa-Nsibirwa
Executive Director
Eastern African Fine Coffees Association (EAFCA)
P.O. Box 27405
Kampala

Principal place of business and registered office

Plot 958 Muyenga Hill
P. O. Box 27405
Kampala

Bankers

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

Barclays Bank Uganda Limited
16 Kampala Road
P.O. Box 2971
Kampala

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Company Information
For the year ended 30 September 2005**

Solicitors

Irene Makumbi
West End & Co Advocates
Plot 30 Kampala Road
Greenland Towers 2nd Floor
P O Box 6497
Kampala

Auditors

Ernst & Young
Ernst & Young House
18 Clement Hill Road
Shimoni Office Village
P.O. Box 7215
Kampala.

**The Eastern African Fine Coffees Association
(A Company Limited By Guarantee)
Report of the Directors
Year Ended 30 September 2005**

The directors present their report together with the audited financial statements for the year ended 30 September 2005, which disclose company's state of affairs.

1. Principal Activity

The Association continues 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 year are set out on page 6.

3. Surplus Carried Forward

The surplus carried forward by the company is set up on page 9.

4. Directors

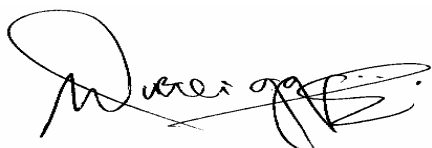
The directors who held office during the year and up to the date of this report are set out on page 1.

There is an election of Board Members every two years as per Article 13, Clause 13.3 of the Articles of Association. Elections were held for the period 2005/07 on 15 January 2005 where the current members were elected.

5. Auditors

Ernst & Young have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap 110).

By order of the Board



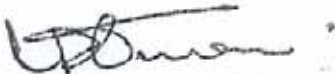
Secretary

2006

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Statement of the Directors' Responsibilities
For the year ended 30 September 2005**

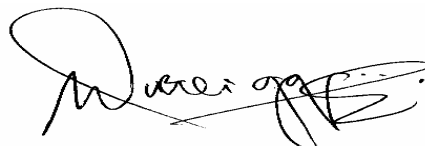
The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company 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

13th February, 2006
DATE



DIRECTOR

13th February, 2006
DATE

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

We have audited the financial statements on pages 6 to 16, which have been prepared on the basis of the accounting policies set out on pages 10 to 11. 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 4, 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 account 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 2005 and of its deficit for the year then ended and comply with International Financial Reporting Standards and the Companies Act.

KAMPALA

2006

**The Eastern African Fine Coffees Association
(A Company Limited By Guarantee)
Report of the Directors
Year Ended 30 September 2005**

Income and expenditure statement

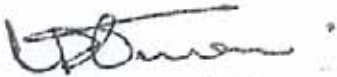
	<i>Note</i>	<i>2005</i> <i>US\$</i>	<i>2004</i> <i>US\$</i>
Income			
USAID Grant/ RATES		249,895	248,236
World Bank/ SPAAR Grant		-	115,125
USAID Grant/ ACIDI/ VOCA		-	25,116
Conference income		270,979	184,074
Membership fees		22,828	21,100
Interest income		21	2,467
Other income		<u>24,951</u>	<u>3,627</u>
		<u>568,674</u>	<u>599,745</u>
Expenses			
Administrative costs			
Direct costs	2	98,933	96,775
Salaries and wages		112,574	106,162
Other employment costs	3	33,413	39,122
Other administrative costs	4	<u>88,518</u>	<u>58,665</u>
		<u>333,438</u>	<u>300,724</u>
Programs/ Activities			
Conference costs		217,030	185,307
EAFCA brand promotion		-	9,362
Promotion & marketing SCAA/ ICO/ SCAE		27,858	28,876
Marketing information systems development		-	1,500
Grower & business support (Training)		-	11,744
Policy change & implementation		-	16,025
Membership development		38,251	-
Publications		<u>14,439</u>	<u>-</u>
		<u>297,578</u>	<u>252,814</u>
Total expenses		<u>631,016</u>	<u>553,538</u>
(Deficit)/ Surplus for the year	5	<u>(62,342)</u>	<u>46,207</u>

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Statement of the Directors' Responsibilities
For the year ended 30 September 2005**

Balance sheet

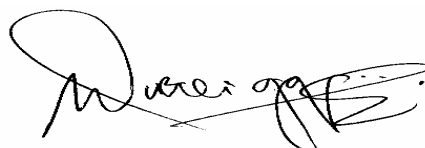
	<i>Note</i>	<i>2005</i> <i>US\$</i>	<i>2004</i> <i>US\$</i>
Assets			
Non-current assets			
Property and equipment	6	21,972	35,399
Computer software	7	<u>366</u>	<u>732</u>
		<u>22,338</u>	<u>36,130</u>
Current assets			
Membership fees receivable		4,780	12,134
Prepayments and other receivables	8	43,697	25,974
Cash and bank balances	9	<u>8,185</u>	<u>65,462</u>
		<u>56,662</u>	<u>103,570</u>
Total assets		<u>79,000</u>	<u>139,700</u>
Reserves and liabilities			
Reserves			
Accumulated surplus		<u>48,355</u>	<u>110,697</u>
Current liabilities			
Staff gratuity	10	5,080	2,400
Accruals and other payables	11	<u>25,565</u>	<u>26,603</u>
		<u>30,645</u>	<u>29,003</u>
Total equity and liabilities		<u>79,000</u>	<u>139,700</u>

These financial statements were approved by the Board of Directors on 2006
and were signed on its behalf by: -



DIRECTOR

13th February, 2006
DATE



DIRECTOR

13th February, 2006
DATE

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005**

Cash flow statement

	<i>Note</i>	<i>2005</i> <i>US\$</i>	<i>2004</i> <i>US\$</i>
Cash flows from operating activities			
Net cash utilized in operating activities	12	(55,270)	(88,371)
Cash flows from investing activities			
Purchase of property and equipment		(2,007)	(11,224)
Proceeds from disposal of property and equipment		<u>-</u>	<u>-</u>
Net cash utilised in investing activities		<u>(2,007)</u>	<u>(11,224)</u>
Net decrease in cash and cash equivalents		(57,277)	(99,595)
Cash and cash equivalents at 1 October	9	<u>65,462</u>	<u>165,057</u>
Cash and cash equivalents at 30 September	9	<u><u>8,185</u></u>	<u><u>65,462</u></u>

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005**

Statement of changes in equity

	<i>Note</i>	<i>Deferred Grant Income US\$</i>	<i>Accumulated Surplus US\$</i>	<i>Total Reserves US\$</i>
At 1 October 2003		116,269	64,490	180,759
Transfer to income		(116,269)	-	(116,269)
Surplus for the year restated	13	<u>-</u>	<u>46,207</u>	<u>46,207</u>
At 30 September 2004 restated		<u>-</u>	<u>110,697</u>	<u>110,697</u>
At 1 October 2004		-	110,697	110,697
Deficit for the year		<u>-</u>	<u>(62,342)</u>	<u>(62,342)</u>
At 30 September 2005		<u>-</u>	<u>48,355</u>	<u>48,355</u>

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005**

Notes forming part of the financial statements

1. Summary of significant accounting policies

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

a) Basis of accounting

The financial statements have been prepared on a historical cost basis of accounting and are presented in United States Dollars (US\$) as stipulated in the Articles and Memorandum of Association.

b) Statement of compliance

The financial statements of The East African Fine Coffees Association have been prepared in accordance with International Financial Reporting Standards (IFRS).

c) Income recognition

Income is recognized upon receipt of grants. Membership income is recognised on invoicing of members.

d) Grants

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

e) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Computers and office equipment	33 $\frac{1}{3}$ %
Furniture and fixtures	12 $\frac{1}{2}$ %
Plant and machinery	20%
Motor vehicles	25%

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 property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit or loss.

Repairs and renewals are charged to the income statement when the expenditure is incurred.

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005**

Notes forming part of the financial statements (continued)

1. Summary of significant accounting policies (continued)

f) Intangible assets

Intangible assets acquired separately are measured initially at cost less accumulated amortisation. The amortisation expense is taken to the Income Statement through the direct costs expense item. Amortisation is calculated on a straight line basis at an annual rate of 25%.

g) Foreign currency transactions

Uganda shillings and other currency transactions during the year are converted into United States Dollars at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date, which are expressed in Uganda shillings and other currencies, are translated into United States Dollars at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure statement in the year in which they arise.

h) Retirement benefits costs

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 the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross salary. The company's contributions are charged to the income statement in the period 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) Trade 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.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005

Notes forming part of the financial statements (continued)

	<i>2005</i>	<i>2004</i>
	<i>US\$</i>	<i>US\$</i>
2. Direct costs		
Operating costs	3,545	16,670
Communication	22,285	13,601
Occupancy	16,645	23,407
Vehicle expenses	15,597	3,056
Supplies	8,261	6,070
Bank charges	5,593	5,095
Audit fees	5,000	4,274
Other professional fees	6,208	4,096
Depreciation	15,434	20,140
Amortisation of software	<u>365</u>	<u>366</u>
	<u>98,933</u>	<u>96,775</u>
3. Other employment costs	<i>2005</i>	<i>2004</i>
	<i>US\$</i>	<i>US\$</i>
Leave allowance	6,352	8,372
Medical allowance	4,225	3,769
Staff gratuity	13,470	16,398
NSSF	<u>9,366</u>	<u>10,583</u>
	<u>33,413</u>	<u>39,122</u>
4. Other administrative costs	<i>2005</i>	<i>2004</i>
	<i>US\$</i>	<i>US\$</i>
Regional operating costs	52,242	28,139
International travel expense	24,932	13,335
Exchange loss	43	1,478
Monitoring and evaluation	-	59
Provision for VAT receivable	-	2,761
Write off of fixed assets	-	2,748
Moving costs	-	4,395
Provision for member debtors	<u>11,301</u>	<u>5,750</u>
	<u>88,518</u>	<u>58,665</u>
5. (Deficit) / Surplus for the year		

The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005

The following items have been charged in arriving at the (deficit)/ surplus for the year:

Depreciation	15,434	20,140
Amortisation	365	366
Auditor's remuneration	5,000	4,274
Exchange Loss	<u>43</u>	<u>1,478</u>

The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005

Notes forming part of the financial statements (continued)

6. Property and equipment

30 September 2005	<i>Computers & Equipment</i> US\$	<i>Furniture & Fittings</i> US\$	<i>Machinery</i> US\$	<i>Motor Vehicles</i> US\$	<i>Total</i> US\$
At 1 October 2004, net of accumulated depreciation	6,208	7,417	7,517	14,257	35,399
Additions	2,007	-	-	-	2,007
Depreciation charge for the year	<u>(4,769)</u>	<u>(1,358)</u>	<u>(2,179)</u>	<u>(7,128)</u>	<u>(15,434)</u>
At 30 September 2005, net of accumulated depreciation	<u>3,446</u>	<u>6,059</u>	<u>5,338</u>	<u>7,129</u>	<u>21,972</u>
At 1 October 2004					
Cost	29,522	11,649	10,895	28,515	80,581
Accumulated depreciation	<u>(23,314)</u>	<u>(4,232)</u>	<u>(3,378)</u>	<u>(14,258)</u>	<u>(45,182)</u>
Net carrying amount	<u>6,208</u>	<u>7,417</u>	<u>7,517</u>	<u>14,257</u>	<u>35,399</u>
At 30 September 2005					
Cost	31,529	11,649	10,895	28,515	82,588
Accumulated depreciation	<u>(28,083)</u>	<u>(5,590)</u>	<u>(5,557)</u>	<u>(21,386)</u>	<u>(60,616)</u>
Net carrying amount	<u>3,446</u>	<u>6,059</u>	<u>5,338</u>	<u>7,129</u>	<u>21,972</u>
30 September 2004					
	<i>Computers & Equipment</i> US\$	<i>Furniture & Fittings</i> US\$	<i>Machinery</i> US\$	<i>Motor Vehicles</i> US\$	<i>Total</i> US\$
At 1 October 2003, net of accumulated depreciation	9,275	11,605	4,797	21,386	47,063
Additions	6,325	-	4,899	-	11,224
Write offs	-	(2,748)	-	-	(2,748)
Depreciation charge for the year	<u>(9,392)</u>	<u>(1,440)</u>	<u>(2,179)</u>	<u>(7,129)</u>	<u>(20,140)</u>
At 30 September 2004, net of accumulated depreciation	<u>6,208</u>	<u>7,417</u>	<u>7,517</u>	<u>14,257</u>	<u>35,399</u>
At 1 October 2003					
Cost	23,197	15,182	5,996	28,515	72,890
Accumulated depreciation	<u>(13,922)</u>	<u>(3,577)</u>	<u>(1,199)</u>	<u>(7,129)</u>	<u>(25,827)</u>
Net carrying amount	<u>9,275</u>	<u>11,605</u>	<u>4,797</u>	<u>21,386</u>	<u>47,063</u>
At 30 September 2004					
Cost	29,522	11,649	10,895	28,515	80,581
Accumulated depreciation	<u>(23,314)</u>	<u>(4,232)</u>	<u>(3,378)</u>	<u>(14,258)</u>	<u>(45,182)</u>
Net carrying amount	<u>6,208</u>	<u>7,417</u>	<u>7,517</u>	<u>14,257</u>	<u>35,399</u>

The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005

Notes forming part of the financial statements (continued)

7. Intangible Assets

These comprise of computer software.	2005 US\$	2004 US\$
As at 1 October, net of accumulated amortization	731	1,097
Amortization charge for the year	<u>(365)</u>	<u>(365)</u>
At 30 September, net of accumulated amortization	<u>366</u>	<u>732</u>
At 1 October		
Cost	1,462	1462
Accumulated amortization	<u>(731)</u>	<u>(365)</u>
Net carrying amount	<u>731</u>	<u>1,097</u>
At 30 September		
Cost	1,462	1462
Accumulated amortization	<u>(1,097)</u>	<u>(731)</u>
Net carrying amount	<u>365</u>	<u>731</u>

8. Prepayments and other receivables

	2005 US\$	2004 US\$
Prepayments		
Insurance	529	516
Exhibition booth hire	1,438	-
Zambezi Sun	-	7,244
Rent	6,300	6,300
Company Profiles Uganda	1,667	-
Accommodation for delegates WWC3	21,435	-
Other prepayments	<u>1,735</u>	<u>208</u>
Total Prepayments	33,104	14,268
VAT recoverable	10,593	10,595
Staff advances	<u>-</u>	<u>1,111</u>
	<u>43,697</u>	<u>25,974</u>

The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005

Notes forming part of the financial statements (continued)

	<i>2005</i>	<i>2004</i>
	<i>US\$</i>	<i>US\$</i>
9. Cash and bank balances		
Cash and bank balances	<u>8,185</u>	<u>65,462</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts with less than 90 days maturity.		
Cash and bank balances as above	<u>8,185</u>	<u>65,462</u>
10. Staff gratuity		
Staff gratuity – current liability	5,080	2,400
– non-current liability	<u>-</u>	<u>-</u>
	<u>5,080</u>	<u>2,400</u>
Staff gratuity represents 15% and 5% contribution by the company and the employees respectively to the scheme. The employees receive the payout on expiry of their contracts.		
11. Accruals and other payables		
Member creditors	15,857	2,240
WWC conference creditors	-	18,750
Accruals	<u>9,708</u>	<u>5,613</u>
	<u>25,565</u>	<u>26,603</u>
12. Cash generated from operating activities		
Reconciliation of (deficit)/ surplus to cash generated from operations:		
(Deficit)/ Surplus for the year	(62,342)	46,207
Adjustments for:		
Depreciation & amortisation	15,799	20,506
Grants released to income statement	-	(116,269)
Write-off of fittings	-	2,748
Changes in working capital		
Decrease/ (Increase) in membership fees receivables	7,354	(1,450)
Increase in prepayments and other receivables	(17,723)	(6,592)
Increase/ (decrease) in staff gratuity	2,680	(19,499)
Increase/ (decrease) in accruals and other payables	<u>(1,038)</u>	<u>(14,022)</u>
Cash generated from operating activities	<u>(55,270)</u>	<u>(88,371)</u>

**The Eastern African Fine Coffees Association
(A Company Limited by Guarantee)
Financial Statements
For the year ended 30 September 2005**

Notes forming part of the financial statements (continued)

13. Surplus for the year restated	<i>2004</i> <i>Ushs</i>
The surplus for the prior year was restated as follows:	
As previously stated	43,099
Over accruals not applied to various payments	2,783
Voided cheque (Grower & business support expense)	<u>325</u>
Surplus for the year restated	<u>46,207</u>

The respective expense and accruals balances in the prior year were restated as a result of the above adjustment.

14. Contingent liabilities

In the opinion of the directors, the company had no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that any material liabilities will arise as at 30 September 2005.

15. Post balance sheet events

There were no post balance sheet events affecting the financial statements of the company as at 30 September 2005.

16. Employees

The average number of employees for the company during the year was 8 (2004:8).

17. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, the comparative figures for direct costs, accumulated surplus, property, equipment and software have been restated.

18. Incorporation

The company is incorporated in Uganda under the Companies Act.