

African Fine Coffees Association

Financial Statements

30 September 2012

AFRICAN FINE COFFEES ASSOCIATION.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

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AFRICAN FINE COFFEES ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

CORPORATE INFORMATION

DIRECTORS	Harrison Kalua	Chairman
	Bagersh Abdullah	Vice Chairman
	Robert Waggwa	Treasurer
	Samuel Kamau	Secretary
	Sarah Schach	Member
	Adolph Kumburu	Member
	Francois Nkurunziza	Member
	Victor Ngezayo	Member
	Joseph Taguma	Member
	Bernard Sitati	Member
	Etienne Delbar	Ex-official
	Lionel De Roland	Ex-official

REGISTERED OFFICE Plot 958, Muyenga Hill
P.O Box 27405
Kampala, Uganda

AUDITORS Deloitte & Touche
Certified Public Accountants (Uganda)
3rd Floor Rwenzori House
1 Lumumba Avenue
P. O. Box 10314
Kampala, Uganda

BANKERS Bank of Africa Uganda Limited
P. O. Box 2095
Jinja, Uganda

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

Barclays Bank (U) Limited
Plot 2/4 Hannington Road
P.O.Box 7101
Kampala, Uganda

LAWYERS Bitaguma& Co Advocates
Plot 30 Greenland Towers
P O Box 12369
Kampala, Uganda

AFRICAN FINE COFFEES ASSOCIATION

REPORT OF THE MANAGEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2012

The directors present their report together with the audited financial statements of the company for the year ended 30 September 2012.

PRINCIPAL ACTIVITIES

The principal activities of the company are organizing conferences for coffee producers, processors as well as marketeers for member countries

	US\$
FINANCIAL RESULTS	
Surplus for the year	630,878
Taxation charge	-
	<hr/>
Surplus for the year transferred to reserve	<u>630,878</u>

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year (2011:Nil).

DIRECTORS

The present membership of the board of directors is set out on page 2.

AUDITORS

Deloitte & Touche were appointed during the year and having expressed their willingness, continue in office in accordance with the provisions of Section 159(2) of the Ugandan Companies Act.

BY ORDER OF THE BOARD



Secretary

Kampala

22/5/ 2013

AFRICAN FINE COFFEES ASSOCIATION

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Ugandan 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 the operating results of the company for that year. It also requires the director's to ensure that 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 are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, and for such internal controls as director's determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies. 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 accepts 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.

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

The directors certify that, to the best of their knowledge, the information furnished to the auditors for the purpose of the audit was correct and is an accurate representation of the company's financial transactions.

Signed on behalf of the Board of Directors by:



Director

22/5/2013



Director

22/5/2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN FINE COFFEES ASSOCIATION

Report on the Financial Statements

We have audited the accompanying financial statements of African Fine Coffees Association, set out on pages 7 to 24, which comprise the statement of financial position as at 30 September 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 as to 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 our judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. 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 qualified audit opinion.

Basis for Qualified Opinion

The statement of comprehensive income for the year ended 30 September 2012 includes conference registration income of USD 566,679, which relates to the 9th Africa Fine Coffee Conference and Exhibition stakeholder conference held in Addis Ababa, Ethiopia in 2012. However, our audit procedures revealed that this amount is higher than the total sum supported by the attendance record of USD 382,690. By the time of concluding the audit, the variance of USD 183,989 had not been fully reconciled and there were no practical alternative procedures which we could reliably perform to confirm accuracy of the conference income.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN FINE COFFEES ASSOCIATION (continued)

Qualified Opinion

In our opinion, except for the effect of adjustments that may be necessary to resolve the matters described under the basis for qualified opinion above, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 30 September 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Ugandan Companies Act.

Report on Other Legal Requirements

As required by the Ugandan Companies Act we report to you, based on our audit, that; except as described under the basis for qualified opinion above:

- 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 been kept by the company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Uganda)

1 June

2013

Kampala

AFRICAN FINE COFFEES ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2012

		2012 US\$	2011 US\$
INCOME			
Grants	Appendix I	565,195	654,248
Program Funds	Appendix I	6,027	198,838
Conference Income	Appendix I	1,121,856	671,360
Membership Income	Appendix I	44,615	29,058
Other Income	Appendix I	163,945	36,574
		<hr/>	<hr/>
TOTAL INCOME		1,901,638	1,590,078
ADMINISTRATIVE COSTS			
Direct Costs	Appendix II	199,135	137,803
Salaries and wages	Appendix II	150,141	130,479
Other staff costs	Appendix II	132,095	84,780
Other administrative costs	Appendix II	73,539	314,293
		<hr/>	<hr/>
		554,910	667,355
		<hr/>	<hr/>
PROGRAM COSTS	Appendix II	715,850	542,969
		<hr/>	<hr/>
TOTAL COSTS		1,270,760	1,210,324
		<hr/>	<hr/>
Profit for the year before taxation		630,878	379,754
Taxation	12(a)	-	-
		<hr/>	<hr/>
Surplus for the year		630,878	379,754
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		<u>630,878</u>	<u>379,754</u>

AFRICAN FINE COFFEES ASSOCIATION

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012

	Note	2012 US\$	2011 US\$
ASSETS			
Non-current assets			
Vehicles and equipment	7	29,963	39,848
Fixed deposit- Bank of Africa	8	503,835	-
		<hr/>	<hr/>
		533,798	39,848
Current assets			
Advances and other receivables	9	336,915	121,651
Cash and bank balances		169,355	221,206
Deferred tax asset	12 (c')	-	-
		<hr/>	<hr/>
		506,270	342,857
TOTAL ASSETS		<u>1,040,068</u>	<u>382,705</u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated Surplus		864,059	233,181
		<hr/>	<hr/>
Current liabilities			
Staff gratuity	10	21,430	23,661
Deferred income		55,482	55,481
Trade and other payables	11	99,097	70,382
		<hr/>	<hr/>
		176,009	149,524
TOTAL RESERVES AND LIABILITIES		<u>1,040,068</u>	<u>382,705</u>

The financial statements on pages 7 to 24 were approved by the board of directors on 22/5/2013 and were signed on its behalf by;



Director



Director

AFRICAN FINE COFFEES ASSOCIATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Accumulated Surplus/ (deficit) US\$
2011	
At 1 October 2010	(146,573)
Surplus for the year	379,754
	<hr/>
At 30 September 2011	<u>233,181</u>
2012	
At 1 October 2011	233,181
Surplus for the year	630,878
	<hr/>
At 30 September 2012	<u>864,059</u>

AFRICAN FINE COFFEES ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 US\$	2011 US\$
OPERATING ACTIVITIES			
Surplus for the year		630,878	379,754
Adjustments for:			
Depreciation	7	19,207	16,435
Gain on disposal		-	(651)
		<hr/>	<hr/>
Net cash generated from operations		650,085	395,538
Increase in advances and other receivables	9	(215,264)	(118,108)
Decrease in staff gratuity	10	(2,230)	(5,408)
Increase/(decrease) in trade and other payables	11	28,715	(17,020)
		<hr/>	<hr/>
Cash flows generated from operating activities		461,306	255,002
INVESTING ACTIVITIES			
Proceeds from disposal of assets		-	8,734
Purchase of equipment	7	(9,322)	(47,546)
Fixed Deposit placement	8	(503,835)	-
		<hr/>	<hr/>
Net cash used in investing activities		(513,157)	(38,812)
Net decrease in cash and cash equivalents		(51,851)	216,190
Cash and cash equivalents at beginning of year		221,206	5,016
		<hr/>	<hr/>
Cash and cash equivalents at end of year		169,355	221,206
Represented by:			
Cash and bank balances		169,355	221,206
		<hr/>	<hr/>
		169,355	221,206
		<hr/>	<hr/>

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

1 REPORTING ENTITY

African Fine Coffees Association is a company limited by guarantee incorporated under the Uganda Companies Act (Cap 110). The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The company's major operation is organising conferences for coffee producers, processors as well as marketeers for member countries. For purposes of the Ugandan Companies Act, the balance sheet is equivalent to the statement of financial position while the profit and loss account is represented by the statement of comprehensive income.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(a) New standards and amendments to published standards effective for the year ended 30 September 2012	Effective for periods beginning on or after
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Amendments and revised standards

IFRS 1, First-time Adoption of International Financial Reporting Standards – Amendments resulting from May 2010 Annual Improvements to IFRSs	1-Jan-11
IFRS 7, Financial Instruments: Disclosures – Amendments resulting from May 2010 Annual Improvements to IFRSs	1-Jan-11
IAS 1, Presentation of Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRSs	1-Jan-11
IAS 24, Related Party Disclosures – Revised definition of related parties	1-Jan-11
IAS 34, Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs	1-Jan-11

New interpretations

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction; prepayments of a minimum funding requirement	1-Jan-11
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(b) New and amended interpretations in issue but not yet effective in the year ended 31 May 2012	Effective for periods beginning on or after
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New and Amendments to standards

IFRS 1, First-time Adoption of International Financial Reporting Standards – replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'; and additional exemption for entities ceasing to suffer from severe hyperinflation.	1-Jul-11
IFRS 1, First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation	1-Jul-11
IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	1-Jul-11
IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting financial assets and financial liabilities	1-Jan-13
IFRS 7, Financial Instruments: Disclosure – Amendments requiring disclosures about initial application of IFRS 9	
IFRS 9, Financial Instruments – Classification and Measurement of financial assets	1-Jan-15

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

IFRS 9, Financial Instruments – Accounting for financial liabilities and derecognition	1-Jan-15
IFRS 10, Consolidated Financial Statements	1-Jan-13
IFRS 11, Joint Arrangements	1-Jan-13
IFRS 12, Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13, Fair Value Measurement	1-Jan-13
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1-Jul-12
IAS 12, Income Taxes - Limited scope amendment (recovery of underlying assets)	1-Jan-12
IAS 19, Employee Benefits (2011)	1-Jan-13
IAS 27, Separate Financial Statements (2011)	1-Jan-13
IAS 28, Investments in Associates and Joint Ventures (2011)	1-Jan-13
IAS 32, Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1-Jan-14

New interpretation

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	1-Jan-13
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(c) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 September 2012 and future annual periods

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, there was no other comprehensive income hence this has not effected the presentation of accounts.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

The application of the new and amended standards and interpretations below have not resulted to any changes in the financial statements and no changes to the accounting policies.

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

IFRS 9 Financial Instruments (2010)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

IFRS 10 Consolidated Financial Statements

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

IFRS 12 Disclosure of Interests in Other Entities (continued)

- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on.
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Classification of Rights Issues

Amends IAS 32 Financial Instruments: Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

Prepayments of a Minimum Funding Requirement

The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.

Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

This amendment provides additional exemption on IFRS transition in relation to IFRS 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.

Improvements to IFRSs (2010)

These amend seven pronouncements (plus consequential amendments to various others) as a result of the IASB's 2008-2010 cycle of annual improvements.

Key amendments include:

- IFRS 1 - accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets)
- IFRS 3/IAS 27 - clarification of transition requirements, measurement of non-controlling interests, unreplaced and voluntarily replaced share-based payment awards
- Financial statement disclosures - clarification of content of statement of changes in equity (IAS 1), financial instrument disclosures (IFRS 7) and significant events and transactions in interim reports (IAS 34)
- IFRIC 13 - fair value of award credits.

Amendments to IFRS 7 Financial Instruments: Disclosures

These make amendments to IFRS 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of off balance sheet activities.

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

Amends IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRSs) to:

Replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

IAS 19 Employee Benefits (2011)

The key amendments include:

Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19)

Introducing enhanced disclosures about defined benefit plans

Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits

Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

Incorporating other matters submitted to the IFRS Interpretations Committee.

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosure to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

IFRIC 19 Extinguishing Liabilities with Equity Instruments

Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

(b) New and amended interpretations in issue but not yet effective

New and amendments to standards

Effective for periods beginning on or after

IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013

Amendment to interpretations

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum 1 January 2013
Funding Requirements and their interaction; prepayments of a minimum
funding requirement

AFRICAN FINE COFFEES ASSOCIATION.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

3 PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been presented in United States Dollars (US\$) as stipulated in the Company's Articles and Memorandum of Association. The company's functional currency is Uganda shillings and transactions during the year are translated to United States Dollars at the rates ruling on the transaction date. Monetary assets and liabilities at the reporting date are translated at the closing rate.

4 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared on a historical cost basis of accounting.

Revenue Recognition

Grant income is recognised when received.

Membership income is recognised when there is reasonable certainty of the member paying up.

Grants

Grants received relating to more than one accounting period are recognised as deferred income and released to the statement of comprehensive income over the period to which they relate.

Vehicles and Equipment

Vehicles and equipment are stated at cost less accumulated depreciation. The cost of purchased equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation

Depreciation is calculated to write down the cost of vehicles and equipment to their residual values on a straight line basis. The annual rates in use are:

Computers and Office equipment	33.3%
Furniture and Fittings	12.5%
Machinery	20%
Motor vehicles	25%

Fixed Deposit

Fixed deposits are classified as Held-to-maturity investments. Held-to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. When a sale occurs other than an insignificant amount of held to maturity assets, the entire category is classified as available for sale.

AFRICAN FINE COFFEES ASSOCIATION.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade Receivable

Trade receivables are carried at an anticipated realisable value.

Foreign Currencies

Assets and liabilities denominated in Uganda shilling are translated into US dollars at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at the rate ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the statement of comprehensive income.

Cash and Cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and in operating bank accounts.

National Social Security Fund Contribution

The company contributes to the statutory National Social Security Fund (NSSF) on behalf of its company employees. This is a defined contribution scheme registered under the NSSF Act. The company's obligations under the scheme are specific contributions legislated from time to time and are currently limited to 10% of the respective employees' salaries. The program's contributions are charged to the statement of comprehensive income in the year in which they relate.

Trade and other Payables

Trade and other payables are stated at cost.

Gratuity Provision

The company's policy until 31 March 2010 was to pay gratuity to staff with the company and employee contributions at 15% and 5% of the employees monthly gross pay respectively. The gratuity policy was terminated effective 1 April 2010. The amount presented in the statement of financial position presents the gratuity outstanding as at the reporting date.

Going Concern

The management of the company has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore the financial statements have been prepared on a going concern basis.

Comparatives

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

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These are dealt with below:

ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Vehicles and equipment

Critical estimates are made by the directors in determining the useful lives and depreciation rates of items of vehicles and equipment.

Impairment

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

6 PROFIT FOR THE YEAR	2012	2011
The profit for the year is arrived at after charging:	US\$	US\$
Depreciation	19,207	16,435
Auditors' remuneration	8,500	9,000
Staff costs- (Appendix II)	282,236	215,259
and after crediting:		
Foreign exchange gain - (Appendix I)	<u>(218)</u>	<u>(5,888)</u>

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

7 VEHICLES AND EQUIPMENT

	Computers & Equipment US\$	Furniture & Fittings US\$	Machinery US\$	Motor Vehicles US\$	Total US\$
COST					
At 1 October 2010	47,343	13,722	18,574	42,680	122,319
Additions	1,546	-	-	46,000	47,546
Disposals	-	-	-	(42,680)	(42,680)
At 30 September 2011	48,889	13,722	18,574	46,000	127,185
At 1 October 2011	48,889	13,722	18,574	46,000	127,185
Additions	9,322	-	-	-	9,322
At 30 September 2012	58,211	13,722	18,574	46,000	136,507
DEPRECIATION					
At 1 October 2010	42,695	12,873	15,334	34,597	105,499
Charge for the year	3,004	426	1,505	11,500	16,435
Eliminated on disposal	-	-	-	(34,597)	(34,597)
At 30 September 2011	45,699	13,299	16,839	11,500	87,337
At 1 October 2011	45,699	13,299	16,839	11,500	87,337
Charge for the year	5,779	423	1,505	11,500	19,207
At 30 September 2012	51,478	13,722	18,344	23,000	106,544
NET BOOK VALUE					
At 30 September 2012	6,733	-	230	23,000	29,963
At 30 September 2011	3,190	423	1,735	34,500	39,848

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

8	FIXED DEPOSIT	2012 US\$	2011 US\$
	Bank of Africa.	<u>503,835</u>	<u>-</u>

The deposit is fixed with Bank of Africa for a period of 6 months at an interest rate of 3%. Management believes the company has the ability to hold the amounts to maturity

9	ADVANCES AND OTHER RECEIVABLES	2012 US\$	2011 US\$
	Receivables	247,901	120,851
	Advances to NCIs	74,167	-
	Travel Advances	5,231	-
	Salary Advance	2,199	-
	Accrued interest receivable	7,417	-
	Prepayments	-	800
		<u>336,915</u>	<u>121,651</u>

10	STAFF GRATUITY		
	At 1 October	23,661	29,069
	Payment during the year	(2,231)	(5,408)
		<u>21,430</u>	<u>23,661</u>

The company's policy until March 2010 was to pay gratuity to staff. The policy was terminated effective April 2010 and the amount presented in the statement of Financial position represents the gratuity liability outstanding as at the reporting date.

11	TRADE AND OTHER PAYABLES	2012 US\$	2011 US\$
	Accruals	51,745	28,985
	Trade payables	47,352	41,397
		<u>99,097</u>	<u>70,382</u>

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

	2012 US\$	2011 US\$
12 TAXATION		
(a) Taxation charge		
Current taxation	-	-
Deferred tax credit - note 9 '(d)	9,993	480,271
Deferred tax asset derecognised*	(9,993)	(480,271)
	<u>-</u>	<u>-</u>
(b) Reconciliation of taxation charge		
Surplus before taxation	<u>630,878</u>	<u>379,754</u>
Tax at applicable rate of 30%	189,263	113,926
Tax effect on non deductible items	(179,270)	366,345
Deferred tax asset derecognised*	(9,993)	(480,271)
	<u>-</u>	<u>-</u>
Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%. The net deferred income tax asset comprises:		
(c) Deferred income tax asset	2012 US\$	2011 US\$
The net deferred income tax asset is made up of:		
Accelerated capital allowances	4,534	-
Accumulated tax losses	(14,527)	(480,271)
Deferred tax asset derecognised*	9,993	480,271
	<u>-</u>	<u>-</u>
(d) Movement in the deferred tax account		
At 1 January	-	-
Income statement credit - note 9 (a)	9,993	480,271
Deferred tax asset derecognised*	(9,993)	(480,271)
	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>

*The deferred tax asset of USD 9,993 as at 31 December 2012 (2011:480,271) has been derecognised from the Statement of financial position due to the uncertainty of its recoverability. Deferred income tax assets are only recognised to the extent that the realisation of the related tax benefits is demonstrated. The benefit is recognised only if the company is able to demonstrate the ability to earn assessable income of an amount sufficient to enable the benefit to be realized; the company continues to comply with conditions for deductibility imposed by law; and no changes in the tax legislation adversely affect the company's ability in realising the benefit.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The organization's financial risk management objectives and policies are detailed below;

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

(b) Financial risk management objectives

The major types of financial risks faced by the Organization are:

- Market risk
- Credit risk
- Liquidity risk

a) Market risk

(i) Foreign exchange risk

The Organization receives grants quoted in US Dollars. This exposes the Organization to losses that may arise from fluctuation in the foreign currency exchange rates. The Organization operates foreign currencies bank accounts however all receipts and payments are generally made in Uganda Shillings (UGX).

(ii) Interest rate risk

The Organization holds a short term fixed deposit with Bank of Africa that is interest bearing. The rate is fixed for the period the money is fixed and no fluctuations are expected.

(iii) Price risk

The Organization does not hold investments that would be subject to price risk, hence this risk is not relevant.

AFRICAN FINE COFFEES ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Organization. The Organization measures, monitors and manages credit risk for each receivable. The Organization's credit risk is primarily attributable to cash and cash equivalents trade and other receivables.

The credit risk on trade receivables is limited because the nature of the Organization's business is such that the participants are required to pay before they can attend the organized conferences.

	Total amount US\$	Fully performing US\$	Past due US\$	Impaired US\$
30 September 2012				
Receivables	247,901	247,901	-	-
Cash and cash equivalents	169,355	169,355	-	-
	<u>417,256</u>	<u>417,256</u>	<u>-</u>	<u>-</u>
30 September 2011				
Receivables	120,851	120,851	-	-
Cash and cash equivalents	221,206	221,206	-	-
	<u>342,057</u>	<u>342,057</u>	<u>-</u>	<u>-</u>

The receivables that are past due are not impaired and continue to be paid/accounted for. All receivables that are impaired are fully provided for.

c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Management Team, which has built an appropriate liquidity risk management framework for the management of the Organization's short, medium and long-term funding and liquidity management requirements. The Organization manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the Organization's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, since the impact of discounting is not significant.

	Total amount US\$	Within 1 year US\$	Between 2-3 years US\$	Over 3 years US\$
30 September 2012				
Trade payables	<u>47,352</u>	<u>47,352</u>	<u>-</u>	<u>-</u>
30 September 2011				
Trade payables	<u>41,397</u>	<u>41,397</u>	<u>-</u>	<u>-</u>

AFRICAN FINE COFFEES ASSOCIATION**APPENDIX I****DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

	2012 US\$	2011 US\$
GRANTS		
Common Fund for Commodities	<u>565,195</u>	<u>654,248</u>
PROGRAM FUNDS		
Japanese External Trade Organization (JETRO)	3,911	29,062
Price Risk Management World Bank training	2,116	83,696
Coffee certification project	-	51,148
COMPETE- Coffee Quality Institute (CQI)	-	34,932
	<u>6,027</u>	<u>198,838</u>
CONFERENCE INCOME		
Conference registration	566,679	208,283
Exhibition booth	233,036	289,001
Sponsorship income	185,010	128,047
Other conference income	97,623	4,057
Commission on hotel booking	7,800	13,732
Coffee safari	27,300	-
Coffee cupping income	3,658	-
Barista income	750	-
Farmers registration	-	28,240
	<u>1,121,856</u>	<u>671,360</u>
MEMBERSHIP INCOME		
Term membership	25,695	3,048
Annual membership	18,920	26,641
Discount on membership	-	(631)
	<u>44,615</u>	<u>29,058</u>
OTHER INCOME		
Management Fees Common fund for commodities	128,533	-
Advertising income	13,991	22,989
4C Association	5,421	7,046
Taste of harvest sponsorship	4,464	-
Interest income	11,318	-
Foreign exchange gain	218	5,888
Gain on disposal	-	651
	<u>163,945</u>	<u>36,574</u>

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012 (Continued)**

	2,012 US\$	2011 US\$
DIRECT COSTS		
Operating costs	119,764	47,530
Consultancy expenses	21,992	-
Depreciation	19,207	16,435
Rent	17,300	30,166
Audit fees	8,500	9,000
Other professional fees	4,750	4,604
Communication	2,533	11,930
Bank charges	2,382	16,391
Vehicle expenses	1,385	655
Supplies	1,322	1,092
	<u>199,135</u>	<u>137,803</u>
SALARIES AND WAGES	<u>150,141</u>	<u>130,479</u>
OTHER STAFF COSTS		
Statutory obligations	101,390	69,417
13th Month bonus	16,325	4,720
Medical allowance	9,513	7,209
Staff retreat	3,367	-
Relocation allowance	1,500	-
Leave allowance	-	3,434
	<u>132,095</u>	<u>84,780</u>
OTHER ADMINISTRATIVE COSTS		
Regional operating costs	68,029	34,863
Dissemination and training	5,510	9,646
International travel expenses	-	103,957
Professional fees to De Chazal Du Mee	-	92,322
Technical assistance and consultancy	-	40,549
Duty travel	-	14,546
Institutional development	-	14,708
Chapter expenses	-	3,702
	<u>73,539</u>	<u>314,293</u>
PROGRAM COSTS		
Common fund for commodities' program expenses	401,406	215,328
Conference costs	294,532	292,712
Marketing and promotion	19,912	34,929
	<u>715,850</u>	<u>542,969</u>