Background

During the period of three years (2011 – 2013) - all the five EAC Partner States will have celebrated 50 years of independence. During this post-independence period, agriculture remained the most dominant sector in the economies of all the five countries.

Over the past 50 years, the region, especially Uganda, Tanzania, and Kenya; has built a cadre of high caliber agricultural specialists – especially in crop breeding, agronomy, and livestock husbandry. The National Agricultural Research Systems (NARS) in the EAC Region also gained a reputation for crop breeding and agronomy in the years following independence. The result was the development of world class varieties of crops and animal breeds.

Yet, in practice, the sector has delivered mixed results, with very few sub-sectors such as tea and dairy registering significant progress, while performance of other sub-sectors, especially at the farm level, has remained much as it was before independence, and in some cases it has deteriorated. The excellent research combined with the huge effort and investment by farmers (who make up the majority of the people of the region), seem to have not paid off. We need to pose and ask WHY?

Especially with the current and increasingly upward trend in the global market demand for agricultural commodities. This presents an opportunity for the EAC as a block to contribute in meeting such demand. Discovery of oil and gas in the EAC region is also a complementary opportunity, but if not well managed can lead to neglect of the agricultural sector.

Therefore, there is need to interrogate the agricultural processes in place in the EAC, what worked since independence and how, what did not work and why? All the lessons learned from the region’s experience should then be documented and used to plan for the next 50 years to ensure that agriculture contributes significantly towards regional development. For the region to exploit the opportunity presented.

Aim

To articulate an EAC Regional Vision of Agriculture in the next 50 years – as a modern and vibrant sector that fully takes advantage of the combined endowment with a youthful population, abundance of fertile land and water resources, energy resources, and the global demand for food and agricultural commodities/products.

Expected Outputs

Commissioned and highly analytical papers will be used to deliver the following outputs:

a) A robust assessment of what worked and what did not work in agriculture for food and income security and wealth creation in the EAC Partner States since independence.

b) An articulation on how best the EAC can operate as a block on matters of agriculture.

c) A concrete plan on how the EAC can act as a block to take full advantage of current and projected future global trends on demand for agricultural and food commodities/products.

d) A robust strategy for making the East African Common Market Work better to revolutionize agriculture and food security in the region through effective utilization of comparative advantages and economies of scale.

e) Recommendations on the above outputs to the Summit Meeting of the EAC Heads of State, through the Council of Ministers.

Invitation

The Symposium will be organized in two sessions:

a) **Technical Session** (November, 05 – 08, 2013) – to discuss the Commissioned Papers and Case Studies and draw evidence-based recommendations on agreed-upon themes. This session will be open to all interested parties and attendance will be by registration.

b) **High Level Round Table Meeting of Policy and Decision Makers from the Public and Private Sectors** (November, 11-12, 2013) – to scrutinize the recommendations and formulate necessary actions for adoption. Attendance of this session will be by invitation.
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List Of Acronyms and Abbreviations

ACEs  Area Cooperative Enterprises
AGRA  Alliance for a Green Revolution in Africa
AMCOSs  Agricultural Marketing Cooperative Societies
BUDS  Business Uganda Development Services
CAMCORE  Central American and Mexico Coniferous Resources
CGIAR  Consultative Group for International Agricultural Research
DIMAT  Development of Inclusive Markets in Agriculture and Trade
EAC  East Africa Community
EACM  East Africa Common Market
EAJAF  East African Agricultural & Forestry Journal
FAO  Food and Agriculture Organization of the United Nations
GCF  Gatsby Charitable Foundation
KEFRI  Kenya Forestry Research Institute
KT  Kilimo Trust
LED  Local Economic Development
M4P  Markets for the Poor
MEPE  Mini Estate and Processing Enterprise
MSMEs  Micro, Small and Medium scale Enterprises
NaFORRI  National Forestry Resources Research Institute
PPP  Public Private Partnerships
PrPrPr  Private-Private Partnerships
PSDCs  Private Sector Development Companies – in Uganda
RCA  Rwanda Cooperative Agency
RSS  Republic of South Sudan
SILC  Savings and Internal Lending Communities
SACCOS  Savings and Credit Cooperatives
SMEs  Small-and-Medium size Enterprises
TBL  Tanzania Breweries Limited
UCA  Uganda Cooperative Alliance
UNCDF  United Nations Capital Development Fund
UNDP  United Nations Development Programme
UNIDO  United Nations Industrial Development Organization
USAID  United States Agency for International Development
WFP  World Food Program
WRS  Warehouse Receipt System
TAFORI  Tanzania Forestry Research Institute

Kilimo Trust: Regional solutions to local problems
The year, July 2011 to June 2012 was a “change” year for Kilimo Trust (KT). It was the first full financial year of the transformation of KT from a grant-maker to our new role of direct implementer of programs and projects in partnership and/or on-behalf of governments, regional and international organizations, and the private sector. During the year, we published a comprehensive report on the results and outcomes of our work as a grant-maker over the organization’s first six years to June 2011. We welcome you to visit our website to review this rich report.

It is encouraging to note that even during this first full financial year of transformation, we have had a good response from our target clients and we were able to initiate several projects under the new mandate. The most significant of these is our participation in the consortium implementing a project supported by UNDP and the Government of Uganda – the “Development of Inclusive Markets in Agriculture and Trade” (DIMAT). The central objective is to make national and regional markets work better for producers of agricultural commodities for which Uganda has a comparative advantage. We are also pleased that our partnership with FAO continued and together we completed the design of important value chain development projects in Uganda and South Sudan.

This year, three of our five co-opted trustees completed their second and last term of office and so, with regret, we bid farewell to those who served us so well during our first six years – Dr. Barnabas Zegge from Tanzania, Mr. Adam Brett from UK, and Ms. Felicity Blakeway from South Africa. On behalf of the Permanent Trustees, the Stakeholders, and Kilimo Trust management, I would like to thank them sincerely for their dedication during their term in office.

On a happy note, in October 2011, we welcomed four new trustees who have brought to the Trust immense experience to support our new mandate. These are: Mr. Vianney Kabera from Rwanda, Mr. Fred Lule from Uganda, Professor Geoffrey Mrema from Tanzania and Dr. John Mutunga from Kenya. We sincerely appreciate their acceptance to invest part of their precious time to develop Kilimo Trust.

During the year we rapidly expanded our technical team and formed three Divisions each headed by a Director.

We realized that there is a serious lack of rigorous analysis to support the design and implementation of innovative, collaborative, and regionally coordinated programs.

We have therefore established a Division of Analysis and Planning to spearhead ‘business-focused’ diagnostics required to develop the knowledge and evidence needed to drive agricultural enterprises, trade, investment, and policy across the entire EAC region.

In December 2011, Tanzania celebrated its 50 years since independence. This was the beginning of a three-year period during which all the five (5) EAC Partner States will celebrate their Golden Jubilees, culminating with Kenya in 2013. As a result, I am proud to announce that KT and the EAC Secretariat decided to recognize this momentous milestone by organizing an International Symposium in November 2013 to take stock of the performance of the agricultural sector in the region during the last half century. We welcome you to join hands with us to learn from our own experiences to inform policies, strategies, and programs going forward as a regional economic block.
Message from the Chief Executive Officer

Prof. Nuhu Hatibu

At Kilimo Trust, although the financial year to June 2012 was both challenging and exciting, we are very pleased with what we were able to achieve given that this was our first year of direct implementation of programs and projects. We started the year with limited technical staff for the task ahead of us, but we were able to build on the foundation and network we had created during our first six years when we were a grant-maker. This enabled us achieve good results in the first year and to attain our revenue targets.

The response of our target partners in agriculture for development to our focus on regional solutions to local problems was encouraging. Some asked us – what do you mean by this? The simple answer was that we are working to ensure that the East African Common Market (EACM) is effectively utilized to enable the agriculture sector to fully support the eradication of poverty and elimination of hunger and malnutrition in the region. To achieve this we tackle the complex issues of regional agricultural marketing, such as developing robust cross-border trade for highly perishable staple food commodities, as well as supporting simple cross-border exchanges of skills and experience among entrepreneurs.

Our Vision remains the same, that is: broad-based wealth created in East Africa through agriculture and agri-business development. We have also retained our Mission, to: catalyze the growth and competitiveness of strategic agricultural sectors for the benefit of a large number of people in East Africa.

However, we have radically changed our core business. We are committed to supporting the transformation of food and nutrition security in the EAC Region away from high-risk subsistence farming into lower risk trade-based systems. To facilitate this, we are building KT to become a hub for coordinating programs aimed at developing agricultural markets in ways that enhance food, nutrition and income security in the region.

In line with our core business, our aim is to operate strategically at a regional level and focus on developing and promoting regional agricultural markets and achieving impacts by:

• Working on selected strategic commodity sectors and relevant value chains;
• Addressing opportunities and constraints that are important to stakeholders;
• Linking smallholders to national and regional markets; and
• Collaborating with other actors to improve processes owned by sector players.

But we believe it is not enough to just aim at making markets work for the poor (M4P). We must ensure that our interventions actually help a critical mass of the poor to graduate to thriving and profitable small and medium size enterprises (SMEs). That is why we consider our work in building ‘public–private–partnerships’ (PPP – with a difference), which others call ‘inclusive markets’ or Business Call to Action (BCtA), so vital to delivering our mission.

During the year, we revised our strategy in line with our new mandate, and we invite you to visit our website to review this in full detail. To implement the revised strategy we have begun to assemble a team of experts to create a new cadre of home-grown ‘agriculture for development’ professionals who have a regional and business mind-set. We intend this to be our main legacy over the next 25 years.

Cross-border Learning on Value Chain Development

Together with FAO, Kilimo Trust is engaged in South Sudan to support the development of investable small-scale enterprises comprising producers of groundnuts, sorghum and vegetables. After careful assessment of learning needs, we brought a number of smallholder entrepreneurs – producers, processors, and traders – to Uganda. We gave them an opportunity to learn first-hand from fellow entrepreneurs who are already advanced in developing similar value chains in Uganda. We then supported them to internalize these lessons and design their own strategy for implementation back home.

During the year, we revised our strategy in line with our new mandate, and we invite you to visit our website to review this in full detail. To implement the revised strategy we have begun to assemble a team of experts to create a new cadre of home-grown ‘agriculture for development’ professionals who have a regional and business mind-set. We intend this to be our main legacy over the next 25 years.
It is well known that value chains cannot be effective if there are no strong private–private–partnerships (PrPrPr), among the chain operators. The strength of partnerships is directly related to the trust that exists among the partners. Our experience, like that of others with PrPrPr models, has shown that trust is a rare currency in the current agriculture landscape – especially in the food commodity sub-sectors. So any work designed to build value chains, locally, regionally, or internationally, will only succeed if trust is built among the private sector players along the value chain.

Information asymmetry among stakeholders and value chain actors is one of the major stumbling blocks in building trust. To overcome this problem we have embarked on a long-term commitment to build credible and public-good business-oriented knowledge and databases in the food commodity sub-sector. We focus on providing accurate data, analysis, and information for the entire spectrum of stakeholders from smallholder farmers to policy-makers at the highest level.

This year we completed a preliminary scoping study of 39 common food commodities in the East Africa region. We found that there were very few good quality, continuous data available on food staple commodities at both national and regional levels. It was evident that there is as yet no mechanism in place to continually gather regional data and develop statistical databases on any aspects of food and agricultural production, processing, marketing, and trade. Available data were usually the result of many ‘ad hoc’ and uncoordinated efforts to extract particular datasets for specific programmes. But these covered only a few sectors in limited geographical areas and over a short period of time. They did not provide continuous, comprehensive, useful statistics and analysis on which to base regional planning. The need for quality data is frequently identified but few resources are made available for the task of putting in place a comprehensive and continuous collection and analysis system.

Our study so far has enabled us to assemble available data on 11 key staple food commodities which are strategically important to the EACM. These are beans, sweet potatoes, maize, rice, Irish potatoes, dairy, fruits and vegetables, cassava, bananas, beef, and fish. These commodities not only provide the means of attaining nutrition and food security in the region, they also have the potential to facilitate specialization in production in ways that fully harness the power of comparative advantages, expand opportunities for income generation, and increase regional trade.

Why is this so?

It is because trade is about exchange, and there cannot be robust trade in agricultural commodities in the EAC without specialization by agricultural producers (who are also currently the majority of consumers).

For this reason, the efforts we are initiating to expand regional trade in food staples must provide a ‘win-win’ value proposition for all stakeholders to ‘crowd-in’ the appropriate policies, strategies, and programs set by governments, development funders, and private sector investors to support a more trade-based approach to food security and contribute to reducing poverty and increasing income security in the EAC. Since the majority of the target population are engaged in agriculture, a win-win strategy needs to put on the table a critical number of agricultural commodities, not only to enhance potential for specialization and trade but also to increase political support by all the key stakeholders.

We have come to the conclusion that ‘secondary’ data are often of limited value. For this reason we have now embarked on a bold program to collect sound primary data on which we can base in-depth analysis and planning. We are now in a position to coordinate this effort and to provide continuity, but we cannot do this work alone.

We are requesting the EAC Secretariat, governments of the Partner States, development funders, and other organizations to join hands with us to build a robust foundation for highly structured regional agricultural markets and trade within the EAC… for highly differentiated products from agricultural and food commodities produced in the region.

During the year, we also designed a number of programs that we would like to pursue and attract other partners to support. While we value diagnostics and analysis, we also believe that these will be more valuable when driven by data coming from practical implementation of programs. For this reason we are building a strong Division of Program Implementation (DPI), comprising professionals with skills, ability, and experience to implement market and/or value chain development programs in ways that take advantage of the opportunities available in the EACM.

In October 2012, we will launch our first program to develop regional markets in food staples in the EACM. The project – Bean Enterprises and Structured Trade in the EACM (BEST-EAC) – will work to enhance incomes for small and medium scale enterprises of producers and other operators along the value chain as well as low-income consumers. The Goal is to see Optimized Food and Nutrition Security in the EAC Region, by working to support consumer-driven markets and structured regional trade of beans and bean-food-products in the EAC. The Hypothesis of Change is: by commercializing bean-food-products as well as beans that are fast cooking, free of flatulence problems and infestation with pests, the regional markets for beans can be expanded and deepened to enhance the leading role of beans in food and nutrition security, wealth creation, and sustainable agriculture.

In conclusion, KT has several core values, but our premier core value, embedded in the Mission Statement, is: the work we do must lead to sustainable graduation of poor but enterprising smallholders into thriving businesses within profitable regional value chains. We intend to rigorously measure our performance against this core value. We ask you to partner with us in this challenging but exciting journey.
During the year under review, we began direct implementation of four (4) projects and continued to manage seven (7) projects that we previously funded as a grant-maker and which have not yet come to natural closure. We also spent considerable time building a strong Team KT. In this section we briefly describe this work.
Directly Implemented Projects

Project 1:
Development of Inclusive Markets for Agriculture and Trade (DIMAT)

DIMAT is a US$ 4,112,000, four (4) year project funded by UNDP-Uganda which began in September 2011. It targets sustainable integration of small and medium scale producers and low-income communities in agricultural markets. KT is part of an implementing consortium with Enterprise Uganda and three Ugandan Private Sector Development Companies (PSDCs). The project aims to:

• Establish 20 durable business linkages between large buyers of agricultural products in the EAC region and at least 10,000 small and medium scale producers;
• Build the capacity of nine (9) business support associations owned by producers;
• Enable access to productive assets, like financial services and technologies, for at least 200 micro small and medium scale enterprises (MSMEs); and
• Establish at least five (5) innovative business concepts, models, and value propositions for large corporate companies to integrate low-income communities as partners in their core agricultural businesses.

By June 2012, an extensive review of Uganda’s agriculture sector identified the top 10 agricultural commodities that provide the best opportunity for contributing to the Government of Uganda’s efforts to support inclusive markets in the sector and at the same time enable the project to achieve its objectives. From these, five (5) commodity sub-sectors were selected for further value chain analysis – coffee, rice, beans, cassava, and honey.

KT also led the analysis to identify constraints and opportunities around access to productive assets (particularly access to finance, market information, and technologies) for MSMEs, which included producer organizations, in the agriculture sector.

Planned results to June 2013 include:

• Complete the up-dating of value chain analyses of the selected five (5) commodities and select three (3) commodities for interventions;
• Support the formation of 10–15 strong business linkages along the value chains;
• Identify and support the establishment of four (4) innovative business concepts, models, and value propositions for large corporate companies; and
• Initiate actions to stimulate access to productive assets for at least 100 MSMEs.

MEPE is a model that enables producers to have a stake in agro-processing to add value to the commodities they produce.

Project 2:
Support to the FAO in the Republic of South Sudan and Uganda

This year we completed the final phase of our engagement with FAO on this program which aims to establish smallholder owned rural agro-enterprises with the capacity to produce value added agricultural products, critical for both income and food security. KT validated groundnut, tomato, and sorghum enterprises.

Working with FAO and the Producer organization leaders we:

• Validated all the agro-enterprises as viable and providing good income and food security opportunities for the smallholder farmers;
• Identified and procured all the necessary machinery and facilities to establish these enterprises. The production sites are in various stages of construction and development.
• Organised an exposure visit to bring the producer organization leaders and State Government officials, supporting the establishment of Cooperatives, to Uganda to assess and learn from others involved in similar agro-processing enterprises. This proved to be a very useful learning experience for all the participants.

The project is on-target and has proven the value of KT to agricultural development in the region and demonstrated that we have the capacity to bring regional solutions to local problems by enhancing market linkages in the EAC. KT is now better recognised, particularly in the States of Warrap and Northern Bahr El Ghazel. The State Minister of Agriculture in Northern Bahr El Ghazel is now considering separately to invite KT to support the establishment of viable producer agricultural enterprises.

With FAO, we also assessed the feasibility of Mini-Estates and agro-Processing Enterprises (MEPE) in Uganda.

The main elements of the MEPE model are:

• Production is anchored around a processing plant;
• The plant is owned by producers but professionally managed;
• Production is supported by high quality postharvest handling; and
• Solid contractual arrangements with the buyers of finished products.

By June 2012, we completed the design of a pilot project in Kibaale District of Uganda. This included:

• Selection of maize and cassava-based products as the most viable and competitive;
• Selection and procurement of the most appropriate technologies; and
• Planning project extension and reorganizing the project implementation partner roles and responsibilities.

KT has learned much about the design of rural based, producer-owned and driven mini-estates with processing facilities. We have also gained many insights into working with national level partners and institutions to establish MEPEs with potential to grow into large scale systems such as those in the sugar and tea sub-sectors.
Project 3:
Improving the Value Chain of Honey Production and Marketing

KT took over direct implementation of this project which began as a grant project in 2009. While the annual potential demand for honey in Uganda is estimated to be 500,000MT, only 2,600MT is locally produced. About 80% of local production comes from Northern Uganda and West Nile. The major honey buyer and processor is Bee Natural Uganda (BNU), located in West Nile. This project has supported a honey value chain that extends to rural producers in the West Nile region. Initially, KT provided a US$16,000 grant to SNV Uganda to build the capacity of producer organizations to supply quality honey to BNU. We also provided US$34,000 to Centenary Bank as a guarantor to enable the bank to finance producer organizations to access new technologies. The aim was to bring together about 700 producers to supply 120 MT of honey annually to BNU. The project also provided access to technologies and skills to enhance productivity and increase the competitiveness and value to the producers in the value chain. More than 40 rural producer groups were targeted involving 715 individual honey producers.

The main achievement is a steadily increasing supply of honey from producers directly to BNU. Production increased from 69 to 79 MT between December 2009 and December 2011 and the project is on target to deliver 90–100MT by December 2012. By June 2012, BNU had procured 70MT. Improvements in producer organizations have meant that four (4) of the 40 farmers groups have for the first time participated in voting at national level on matters influencing the honey sub-sector in Uganda, under their national apex body, TUNADO. A total of 528 bee hives were distributed to smallholders and an additional 2,000 – 3,000 bee hives are scheduled for distribution. Queen Bee rearing technology and processing has been introduced to speed up the colonisation rate of the bee hives.

Project implementation was slower than planned mainly because of delays in processing producer verification by Centenary Bank prior to providing finance to acquire bee hives. This significantly limited the number of producers brought into the value chain and the amount of honey produced and supplied to BNU. This left the market open to traders to influence honey prices and quality and encouraged ‘side-selling’ of honey produced from hives financed by the bank loans. This in turn led to slow repayment by farmers and reduced incentives for the bank to lend more money. KT is planning to exit this project by December 2013.

Project 4:
Integration of Smallholder Farmers into Malting Barley Supply Chain

KT took over direct implementation of this project which started as a grant project in 2010 to supply malting barley to the Tanzanian brewing industry. Most of the current annual requirement of 150,000 MT is imported from Europe because, although barley is a crop well-suited to the soils and climate of Tanzania, farmers have little experience in growing it and so it is not widely cultivated. In the southern highlands, smallholders rely mainly on maize and rice. Equally important is that most smallholders have little experience of the demands of commercial farming and the contractual arrangements which are essential to ensure timely and reliable delivery of high quality grain to the brewers. To meet these challenges, KT funded a US$70,000 project to help smallholders not only to grow barley of a quality acceptable for brewing but also to build their capacity so that they become ‘business ready’ and be able to engage contractually with commercial brewers.

The major outcomes of the project to date include:

- 700 smallholder farmers grouped into 10 legally registered producer organizations – Agricultural Marketing Cooperative Societies (AMCOSs). The District Councils, through their extension staff, support the organizations with capacity building and follow up.
- Contracts agreed and signed between collective groups of smallholders and Tanzania Breweries Limited (TBL) to supply grain; signed supply contracts to secure farm inputs; and signed loan agreements with banks to provide credit, including weather insurance, and sub-contract equipment hire services for planting, harvesting, and spraying of large tracts of land – services which were only available to large-scale farmers.
- Farmers planted 100 hectares of barley producing 61MT. But this is well below the expected production for the 2011/2012 season of 1,000–1,500MT but production was badly affected by weather, poor service delivery, and late harvesting in some cases by as much as 1-2 months. The farmers were able to secure US$100,000 compensation from the weather insurance companies for the frost that affected their crop during this season.

Going forward, the strengthened producers’ marketing organizations will be linked to the BEST-EAC program to link those producers to reliable markets for beans. We will continue to support the producer organizations to form an Apex Body to enhance their representation and capacity to deal with large buyers like TBL. We will also continue to build producer capacity to manage large-scale agribusinesses and build their asset base, especially savings through the development of institutional savings models like SACCs and SILCs which have proved very successful in Tanzania and elsewhere in the EAC.
Continuing Grant Projects

Empowering farmers through innovative marketing system – Uganda Cooperative Alliance.

This project continued to support Agricultural Cooperative Enterprises (ACEs) to improve capacity to focus on delivering on contracts, enhancing their SACCOs, and where possible investing in related business opportunities. Though progress is being made, the management and governance of ACEs poses on-going challenges. Starting in April 2013, this project will be integrated with DIAP.

The Agribusiness Loan Scheme

This is a joint venture project between KT and AGRA which is working to institutionalize credit products for the agricultural sector within the commercial banks, particularly targeting staple food value chains including smallholders and SMEs.

The program is designed to leverage loans up to US$50 million to SMEs available for 3 years with repayments due within 5 years (effective November 2009). It targets financing entire value chains for specific commodities such as maize, rice, sunflower, beans, sorghum, and barley. About 60% of the available US$50m targets smallholder producers through their associations or registered companies, and 40% targets the more established MSMEs within the input and output markets supporting agricultural trade in the selected commodities.

Outcomes as of June 2012 included:

- The value of commodities expected to be handled under signed deals will reach US$ 40 million, with 43% of the loan facilities targeting maize, 18% beans/soya beans, 18% sorghum and barley, 22% rice, 6% sunflower, and 12% coffee but only in Tanzania;
- Banks portfolio towards agricultural lending outside the loan scheme amounted to US$44m in Uganda alone, with more staff allocated to the unit handling agriculture financing; and
- Large off-takers/buyers, who previously relied on sourcing raw materials from a wide range of suppliers, including imports from outside the EAC, expressed increasing confidence that local sourcing is a strong possibility.

However, repayment failure of 26% was reported, mostly concerning loans advanced to groups of smallholder producers. We have initiated an assessment of the scheme to examine performance and learn lessons. Going forward, the results of the assessment will be shared with stakeholders and used to shape the way forward for the scheme.

Promotion of Commercial Smallholder Forestry: transfer and application of tree biotechnology in Tanzania.

This was one of KT’s flagship programs taken over from GCF in 2005 which we are now exiting. The program has made significant progress which is described in our Six Year Report. This year we made several interventions.

Support to Joint Membership of East Africa Forestry Institutions to CAMCORE. Outcomes to June 2012, include:

- Introduction to the region of second generation seeds of pine hybrids with 12 different hybrid combinations developed by six (6) CAMCORE members across three continents;
- Increased regional capacity to undertake genetic trials, introduce additional genetic materials, and build a platform for a regional approach to tree breeding;
- An operational and effective distribution and delivery network for germplasm through collaboration with other partners in the forestry sector, leading to successful germplasm transfer and access to member organizations;
- A stronger footing established for membership of the EAC institutions in CAMCORE as membership payment was taken over by KEFRI and TAFORI; and
- Publication of a special issue of the East African Agricultural & Forestry Journal (EAJAF).

We continued the Credit Program to Support Development of Private Clonal Nurseries in Kenya, started in 2007. However, it is becoming clear that the model pursued in establishing tree nurseries through bank loans may not be sustainable because the breakeven point (US$5,200) for the entrepreneurs was much higher than that calculated by the bank (US$2,200). As of December 2011, only US$54,000 of the US$139,000 had been paid back and entrepreneurs were reporting using other sources of income to pay back the loans. We concluded that the project should have been designed for a longer period to match the growth period of Eucalyptus, which is at least seven (7) years, and as a pilot project, the geographic scope of the project should have been narrower and covering fewer provinces.

We published a paper “Eucalyptus Hybrid Clones in East Africa – Meeting the demand for wood through clonal forestry technology”. This paper argues that clonal forestry technology offers a sustainable and environmentally sound approach to meeting the growing demand for fuel-wood and other wood products for home, industry, and construction in East Africa. It describes the challenges facing the forest industry in East Africa, the increasing demand for wood and wood products, the decline in the region’s natural forests and woodlands, and discusses the environmental concerns about Eucalyptus planting. It is based on papers published in the Journal of East African Natural Resources Management Vol. 3 No1.
Unlocking Cereal Production by Eliminating the Striga Threat

This is another KT regional flagship program. This year we implemented an eight (8) month project in Kenya from August 2011 to April 2012. The outcome of the project included:

- Demonstration plots established in Emuhaya and Gem to disseminate Striga control technologies;
- Thirty five (35) MT of IR maize (WS303) produced by Western Seed Company - this is now being commercialized and the company expects to produce 100MT of seed by Dec 2012;
- Three (3) MT of IR hybrid maize seed produced by Kenya Seed which it intends to use to increase the quantity by putting more land under production. 1.8 MT of KSTP94 and 200 kg of SB19 soybean produced by the KARI-Kakamega seed unit to scale-up production of foundation seed;
- Twelve (12) farmers trained to produce desmodium seed and 67 agro-dealers increased their capacity to store, handle, and distribute striga control technologies; and
- A draft policy concept note on weed and pest control prepared by the Ministry of Agriculture to mainstream Striga control in the National Public Sector Agricultural programmes, with a gazette notice prepared to declare Striga an obnoxious weed awaiting cabinet discussion.

Building a Strong Team-KT and Partnerships

This year we increased our core professional staff to over 20 to provide sufficient capacity to implement our new mandate. We also recruited seven (7) Technical Assistants from across the EAC, except Burundi. Several team building events were organised and we developed our Corporate Culture and Service Standards manual using a participatory process which involved all members of staff.

We continue to work with the United Nations Development Program (UNDP) as one of our strong and close partners and we have begun working with a new partner, the Bill and Melinda Gates Foundation (BMGF) in Uganda and Tanzania.
Leadership and Governance – Board of Trustees

Joseph Mukiibi (Ugandan)
Permanent Trustee and Chair
Professor Mukiibi is a former head of crop science at Makerere University, and was responsible for setting up the Ugandan National Agricultural Research Organization (NARO) as its founding Director General. He has worked at the International Institute of Tropical Agriculture (IITA) and has served on several boards of international and Pan-African institutions. He now consults on institutional reforms in African agricultural research and chairs boards of several community based organizations. Recently, Joseph worked in South Sudan to support the establishment of an agricultural research system in the new republic.

Esther Kahangi (Kenyan)
Permanent Trustee
Professor Esther Kahangi is Deputy Vice Chancellor, research, production, and extension at Jomo Kenyatta University of Agriculture and Technology. She previously served as Regional Coordinator for the Regional Programme and Research Network for Biotechnology, Biosafety and Biotechnology Policy Development (BIO-EARN). Esther is well known for delivering impacts, having pioneered Kenya’s tissue culture banana – one of Eastern Africa’s great agricultural biotechnology success stories.

Laurence Cockcroft (British)
Permanent Trustee
Mr Laurence Cockcroft is a development economist who has worked in Africa and on Africa related issues since 1966 focusing particularly on agricultural development and agri-business. He has been responsible for grant-making to international research institutes for the Gatsby Charitable Foundation’s Africa programme since 1985. Laurence is a founder Board member of Transparency International and was Chair of its UK Chapter from 2000-08.

William Kalema (Ugandan)
Trustee
Dr William Kalema was the founding Chairman of the Board of Kilimo Trust. He is a management consultant who has served and/or serving as director of DFCU Bank Ltd, Multi-choice Uganda, and East African Breweries. William was a member of Tony Blair’s Commission for Africa in 2005 which provided a rationale and momentum for such initiatives as extended debt relief, greater focus on trade reform, and improvements in the volume and quality of development assistance.

Geoffrey Mrema (Tanzanian)
Trustee
Professor Geoffrey Mrema is an Agricultural Engineer and was professor at the University of Dar-es-Salaam and Sokoine University of Agriculture in Tanzania. He was the inaugural Dean of the Faculty of Agriculture of the University of Botswana, as well as first Executive Secretary of ASARECA. He has worked for FAO as Director of the Agricultural Support Systems Division in Rome; Sub-Regional Representative for Southern and Eastern Africa in Harare; and Director of the Rural Infrastructure and Agro-Industries Division (AGS) based in Rome. After retiring from FAO, Geoffrey was appointed Professor at Sokoine University of Agriculture in Tanzania, from where he also works as an international consultant.

John Mutunga (Kenyan)
Trustee
Dr Mutunga is CEO of Kenya National Federation of Agricultural Producers (KENFAP) and lecturer in Environmental Studies at Kenyatta University. John is a founder and chairman of the BESCK Holdings Ltd, a development consultant in PCM, institutional development and organizational strengthening, disaster management, agricultural extension and education, value chain mapping and analyses, and agribusiness. He is also an adviser on public policy, public private partnerships, lobby and advocacy, and a board member of three key international bodies – IPC, MaB, and GCARD.
Vianney Kabera **(Rwandese)**

Trustee

Mr. Kabera is a seasoned businessman based in the East African Region. He is currently spearheading the export of Horticulture products to EU, Middle East countries, and Congo Brazzaville with his company Freshpak Rwanda Ltd. He is involved in farming and development of farmers through out-grower schemes.

Frederick Lule **(Ugandan)**

Trustee

Mr. Lule is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the American Institute of Certified Public Accountants. He has over 25 years financial management and reporting experience in both the public and private sectors in the UK, USA, and various countries in east, west and southern Africa. These include: Finance Director for not-for-profit organizations engaged in international development, such as the Aga Khan Foundation USA and the Investment Climate Facility for Africa, as well as Director Financial Reporting for the Global Fund for Vaccines & Immunization (GAVI).

Nuhu Hatibu **(Tanzanian)**

Chief Executive Officer

Professor Hatibu is an Agricultural Engineer with an excellent understanding of market-led agriculture for development, project development and management, knowledge management, strategy formulation, and capacity building. He was Dean of the Faculty of Agriculture at Sokoine University of Agriculture, the founding regional coordinator of the Soil and Water Management Network for east, central, and southern Africa, and is currently a Member of the Steering Committee of the CGIAR Research Program (CRP) 5 - Water, Land, and Ecosystems (WLE).

Technical and Administrative Core Team

Andrew Gashayija **(Rwandese)**

Technical Assistant, Postharvest Handling, Value Addition, and Market Access

Andrew is a microbiologist specialising in postharvest handling, value addition, and market access.

Anthony Mugambi **(Kenyan)**

Program Officer, Value Chain Institutions and Support Services

Anthony has wide experience of developing agricultural value chains. He holds an MSc in agricultural production value chain management.

Christine Alokit-Olaunah **(Ugandan)**

Assistant Director, Agricultural Production Systems

Christine has over 15 years’ experience in developing, implementing, and managing smallholder agricultural projects and programs in Uganda and in other EAC Member States. She holds an MSc in agricultural development economics and a BSc in agriculture.

Deus Tirwakunda **(Ugandan)**

Senior Accountant and Leader, Finance and Administration Team

Deus is responsible for KT’s finance and administration and has over 7 years’ experience in financial management for projects. He is a Certified Public Accountant (CPA) and a member of the Institute of Certified Public Accountants of Uganda. He has an MSc in financial management.

Donald Liya **(Tanzanian)**

Program Officer, Postharvest Handling, Value Addition, and Market Access

Donald is a food scientist and technologist and is responsible for supporting value chain actors to design, install, and commission market-oriented systems for increasing stable shelf-life of products to facilitate trade in food commodities, at local, national, and regional markets. He holds an MBA.
Technical and Administrative Core Team

Fiona Lukwago (Ugandan)
Assistant Director, Postharvest handling, Value Addition and Market Access
Fiona has over 4 years professional experience in designing and implementing large-scale strategic business and development projects, particularly in the private sector in emerging markets. She has an MBA in food and agribusiness.

Henry Mawanda (Ugandan)
Technical Assistant - Value Chain Institutions and Support Services
Henry is an agribusiness specialist in the development of agricultural value chains and empowering farmers’ institutions. He has experience in value chain analysis, and developing and implementing national and regional agricultural projects. He holds a BSc in agribusiness management.

Henry Mwololo (Kenyan)
Program Officer, Knowledge Management
Henry specializes in knowledge and project management. He is tasked with knowledge generation and sharing, publishing KT documents and maintaining a relevant and vibrant information base within the Trust. He holds an MSc in Agricultural Information and Communication Management (AICM).

Jennipher Tibagonzeka (Ugandan)
Administrative Assistant
Jennipher is a secretary responsible for front office management and assisting KT’s general administrative duties. She has Diplomas in secretarial studies and mass communication and journalism, and has trained in customer care service, supervisory skills, and records management. She is completing a BA in human resources management.

Jones Kapeleka (Tanzanian)
Technical Assistant, Agricultural Production Systems
Jones is experienced in designing data collection tools using participatory data collection techniques, data processing and analysis, and report writing. He holds a BSc in agricultural education and extension and is completing his MSc in agricultural education and extension.

Joseph Nzomoi (Kenyan)
Director, Analysis and Planning
Joseph is an agricultural economist and is responsible for providing strategic leadership for KT’s overall planning and analysis including robust market diagnostics, data collection and analysis, report writing, and dissemination of research findings to relevant audiences/clients. He holds a PhD in agricultural economics and is a member of numerous professional associations.

Joshua Kizito Musoke (Ugandan)
Supervisor/Driver
Joshua is a driver and supervisor responsible for identifying service providers, supervising service delivery, fleet management, and ensuring cost efficiency in procurements and utilities. Joshua has an ordinary level Certificate of Education and has over 10 years’ experience in fleet management.

Juliet Asiimwe Kwiryara (Ugandan)
Administration Officer
Juliet coordinates KT’s general administrative and human resources functions, and legal support. She is a social scientist with a BA in social sciences, and a PG Diploma in public administration and management, project planning and management, and administrative law. She is currently completing her MBA.

Lilian Mugure Githinji (Kenyan)
Technical assistant, - Value Chain Institutions and Support Services
Lilian is an agricultural economist specializing in group dynamics, value chain analysis, forging value chain actors linkages and agricultural finance. She holds an MSc and BSc in agricultural economics.

Mary Mera (Ugandan)
Programme Officer, Market Analysis and Business Development
Mary is a marketing specialist responsible for unpacking the opportunities and constraints for end-markets for target value chains and supporting the value chain actors to develop robust business plans to access markets. She holds an MBA in marketing, PG Diploma in human resources management and project planning, and is a CISCO network associate.
Michael Kairumba (Ugandan)
Associate Director, Program Implementation
Michael has over 15 years experience working in agricultural markets and value chains in the EAC and beyond. In his early career he worked in the private sector in agro-processing, export trading, and supply chain management. He then worked on international development programs and projects developing value chains and their supporting service markets and institutions. He has wide experience in project and program cycle management. He holds an MBA and BSc.

Patrick Muganga (Ugandan)
Technical Assistant- Postharvest Handling, Value Addition and Market Access
Patrick is a food scientist and is responsible for postharvest, value addition, and market access. He has experience in food product development, postharvest and quality control. He holds a BSc in food science and technology and is currently pursuing an MSc in the same field.

Prisca Githuka (Kenyan)
Assistant Director, Value Chain Institutions and Support Services
Prisca has over 15 years experience in developing value chain institutions and value chain information sharing mechanisms, project management, partnership development and marketing. She holds an MBA and has engaged in professional marketing courses from the Chartered Institute of Marketing (UK) and the Marketing Society of Kenya.

Rachel Ajambo (Ugandan)
Program Officer, Value Chain Institutions and Support Services
Rachel is a socio-economist and is responsible for analysing, mapping, designing, and developing relevant institutions for selected value chains targeted by the Trust. She holds an MSc in agribusiness management.

Rachel Katana (Ugandan)
Accounts Assistant
Rachel is an ACCA affiliated accountant and holds a BSc from Oxford Brookes University in applied accounting. She has broad experience in accounting, internal audit, tax review, and compilation and is charged with providing support to the KT's finance function.

Regina Kayitesi (Rwandese)
Technical Assistant, Postharvest Handling, Value Addition and Market Access
Regina is a rural development and food security specialist. She has experience in agricultural extension, value addition, and food processing. She holds an MSc in rural development and food security and a BSc in food science and technology.

Rita Neumbe (Ugandan)
Office Assistant
Rita's duties include cleaning offices, serving break tea and lunch, maintaining the dining room and undertaking general domestic duties. She has a Diploma in hotel management and an ordinary level Certificate of Education.

Rogart Mmole (Tanzanian)
Technical Assistant - Value Chain Institutions and Support Services
Rogart has over 8 years working experience in accounting and financial analysis. He holds a Masters Degree in Business Entrepreneurship in applied technologies and a BSc in business accounting.

Stephen Nsubuga (Ugandan)
Driver
Stephen's duties include driving and maintenance. He has 9 years’ driving experience and has an ordinary level Certificate of Education.
Financial Statements
For the Year to June 30th, 2012

Principal Activities

The Trust is an independent non-profit organization working on agriculture for development across the East Africa Community (EAC) Region – in Burundi, Kenya, Rwanda, Tanzania, and Uganda. Kilimo Trust is registered under the Trustees Incorporation Act (Cap 165) of the Republic of Uganda. The Trust’s mission is to catalyze the growth and competitiveness of strategic agricultural sectors for the benefit of a large number of people in East Africa. Activities during the year focused on technical innovations and development of agricultural value chains to link small and medium scale producers to profitable markets. During the year the Trust started to directly implement programs while phasing out grant-making. The main source of funds was the Gatsby Charitable Foundation. Funds were also received from the Food and Agricultural Organization (FAO) and United Nations Development Programme (UNDP).

Results
The deficit for the year of US$ 2,429,594 (2011 Surplus: US$ 495,822) was covered by resources from the accumulated fund.

Board of Trustees
The Trustees who held office during the year and to the date of this report were:

<table>
<thead>
<tr>
<th>Name of Trustee</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Lawrence Cockcroft</td>
<td>3</td>
</tr>
<tr>
<td>Professor Joseph Mukibi</td>
<td>3</td>
</tr>
<tr>
<td>Professor Esther Kahangi</td>
<td>3</td>
</tr>
<tr>
<td>Dr. William S Kalema</td>
<td>3</td>
</tr>
<tr>
<td>Professor Geoffrey Mrema</td>
<td>2</td>
</tr>
<tr>
<td>Dr. John Mutunga</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Kironde Fred Lule</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Vianey Kabera</td>
<td>2</td>
</tr>
</tbody>
</table>

Auditor
The auditors, KPMG have expressed willingness to continue in office.

By order of the Board

Approval of the Financial Statements
The financial statements were approved at a meeting of the Board of Trustees held on 19th September 2012 and signed by the Auditors on 16th October 2012.

Kampala Associated Advocates
Secretary
Date: 16th October 2012
Statement of Trustees’ Responsibilities

The Trustees are responsible for the preparation and fair presentation of the Trust’s financial statements in accordance with International Financial Reporting Standards and in the manner required by the Uganda Trustees Incorporation Act and for such internal controls as the Trustees determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

The Trustees’ responsibility includes: designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Ugandan Trustees Act, the Trustees are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Trust as at the end of the financial year and of the operating results of the Trust for that year. It also requires the Trustees to ensure the Trust keeps proper accounting records that disclose with reasonable accuracy the financial position of the Trust.

The Trustees accept responsibility for the financial statements set out on pages 4 to 22 of the Audit Report which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the reporting requirements of the Trustees Act.

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the deficit for the year ended 30 June 2012.

The Trustees 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.

The Trustees have made an assessment of the Trust’s ability to continue as a going concern and have no reason to believe the Trust will not be a going concern for the next twelve months from the date of this statement.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the Board of Trustees on 19th September 2012 and were signed on its behalf by:

[Signatures]

Trustee: Prof. Joseph Mukiibi
Trustee: Mr. Fred Kironde Lule

Date: 16th October 2012
Report of the Independent Auditor to the Members of Kilimo Trust

Report on the Financial Statements
We have audited the financial statements of Kilimo Trust which comprise the statement of financial position at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 22 of the Audit Report.

Trustees’ Responsibility for the Financial Statements
As stated on page 17 of the Annual Report and Page 2 of the Audit Report, the Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Uganda Trustees Act, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the state of the Trust’s financial affairs as at 30 June 2012 and of its deficit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Uganda Trustees Act.

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda
Date: 16th October 2012
## Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2012 US$</th>
<th>2011 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gatsby Charitable Foundation (GCF)</td>
<td>289,428</td>
<td>1,518,588</td>
</tr>
<tr>
<td>Food and Agricultural Organization (FAO)</td>
<td>74,474</td>
<td>68,679</td>
</tr>
<tr>
<td>United Nations Development Program (UNDP)</td>
<td>175,967</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>34,026</td>
<td>61,315</td>
</tr>
<tr>
<td>Grants disbursed</td>
<td>(674,929)</td>
<td>(1,371,118)</td>
</tr>
<tr>
<td>Program Implementation Costs</td>
<td>(592,184)</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(1,585,453)</td>
<td>(960,746)</td>
</tr>
<tr>
<td><strong>(Deficit) / Surplus from Operations</strong></td>
<td>(2,278,671)</td>
<td>(683,282)</td>
</tr>
<tr>
<td>Net Finance (Expense) / Income</td>
<td>(150,923)</td>
<td>1,179,104</td>
</tr>
<tr>
<td>(Deficit)/ Surplus before income tax</td>
<td>(2,429,594)</td>
<td>495,822</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>(Deficit)/Surplus for the year.</strong></td>
<td>(2,429,594)</td>
<td>495,822</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Comprehensive (Loss) / Income for the year</strong></td>
<td>(2,429,594)</td>
<td>495,822</td>
</tr>
</tbody>
</table>
### Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2012 US$</th>
<th>2011 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated fund</td>
<td>10,768,577</td>
<td>13,198,171</td>
</tr>
<tr>
<td>Currency translation reserve</td>
<td>(3,364,810)</td>
<td>(3,671,205)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>7,403,767</td>
<td>9,526,966</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>99,061</td>
<td>63,091</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>113,255</td>
<td>293,521</td>
</tr>
<tr>
<td></td>
<td>212,316</td>
<td>356,612</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>81,522</td>
<td>74,515</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7,643,592</td>
<td>9,232,995</td>
</tr>
<tr>
<td></td>
<td>7,725,114</td>
<td>9,307,510</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables and accrued expenses</td>
<td>533,663</td>
<td>137,156</td>
</tr>
<tr>
<td>Net current assets</td>
<td>7,191,451</td>
<td>9,170,354</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>7,403,767</td>
<td>9,526,966</td>
</tr>
</tbody>
</table>

---

**Note:** The table above represents the financial position as of the end of the fiscal years 2012 and 2011. The figures are stated in US dollars (US$).
# Statement of Changes in Accumulated Fund

<table>
<thead>
<tr>
<th>Year ended 30 June 2011</th>
<th>Capital Reserve</th>
<th>Accumulated Fund</th>
<th>Currency Translation Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of year</td>
<td>7,846,831</td>
<td>4,855,518</td>
<td>(2,440,421)</td>
<td>10,261,928</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Accumulated Fund</td>
<td>(7,846,831)</td>
<td>7,846,831</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>-</td>
<td>495,822</td>
<td>-</td>
<td>495,822</td>
</tr>
<tr>
<td>Effect of currency translation</td>
<td>-</td>
<td>-</td>
<td>(1,230,784)</td>
<td>(1,230,784)</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td>-</td>
<td>13,198,171</td>
<td>(3,671,205)</td>
<td>9,526,966</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 30 June 2012</th>
<th>Capital Reserve</th>
<th>Accumulated Fund</th>
<th>Currency Translation Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of year</td>
<td>-</td>
<td>13,198,171</td>
<td>(3,671,205)</td>
<td>9,526,966</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit for the year</td>
<td>(2,429,594)</td>
<td>-</td>
<td>(2,429,594)</td>
<td></td>
</tr>
<tr>
<td>Effect of currency translation</td>
<td>-</td>
<td>-</td>
<td>306,395</td>
<td>306,395</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td>-</td>
<td>10,768,577</td>
<td>(3,364,810)</td>
<td>7,403,767</td>
</tr>
</tbody>
</table>
## Statement of Cash Flows

<table>
<thead>
<tr>
<th>2012 US$</th>
<th>2011 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td></td>
</tr>
<tr>
<td>Reconciliation of surplus before income tax:</td>
<td></td>
</tr>
<tr>
<td>Surplus before income tax</td>
<td>(2,429,594)</td>
</tr>
<tr>
<td><strong>Adjusted for:</strong></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>27,477</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>(117,604)</td>
</tr>
<tr>
<td><strong>Changes in working capital</strong></td>
<td></td>
</tr>
<tr>
<td>- Loans and Advances</td>
<td>98,744</td>
</tr>
<tr>
<td>- receivables and prepayments</td>
<td>(3,996)</td>
</tr>
<tr>
<td>- payables and accrued expenses</td>
<td>484,347</td>
</tr>
<tr>
<td><strong>Cash generated from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>(1,940,626)</td>
<td>1,046,525</td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>(1,940,626)</td>
</tr>
<tr>
<td>Interest received</td>
<td>117,604</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>(1,823,022)</td>
<td>1,070,158</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of property and equipment</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(59,852)</td>
</tr>
<tr>
<td>Proceeds from sale of Investment in AAC</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash utilized in investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>(59,852)</td>
<td>5,240,697</td>
</tr>
<tr>
<td><strong>Net (decrease)/ increase in cash and cash equivalents</strong></td>
<td></td>
</tr>
<tr>
<td>(1,882,874)</td>
<td>6,310,855</td>
</tr>
<tr>
<td><strong>Movement in cash and cash equivalents</strong></td>
<td></td>
</tr>
<tr>
<td>At start of year</td>
<td>9,232,995</td>
</tr>
<tr>
<td>(Decrease)/Increase</td>
<td>(1,882,874)</td>
</tr>
<tr>
<td>Effect of currency translation</td>
<td>293,471</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td></td>
</tr>
<tr>
<td>7,643,592</td>
<td>9,232,995</td>
</tr>
</tbody>
</table>
Board of Trustees

Joseph Mukiibi (Ugandan) Permanent Trustee and Chair

Esther Kahangi (Kenyan) Permanent Trustee

Laurence Cockcroft (British) Permanent Trustee

William Kalema (Ugandan) Trustee

Geoffrey Mrema (Tanzanian) Trustee

John Mutunga (Kenyan) Trustee

Vianney Kabera (Rwandese) Trustee

Frederick Lule (Ugandan) Trustee

Nuhu Hatibu (Tanzanian) Chief Executive Officer

Kilimo Trust: Regional solutions to local problems