



Tanzania
Gatsby
Trust

A Leading Catalyst for Farmers & SMEs Development

Annual Report & Accounts 2011



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CHAIRMAN'S STATEMENT



Epaineto B. Toroka

On behalf of the Board of Trustees, it is an honor and privilege for me to present to all our partners and stakeholders the TGT 2011 Annual Accounts and Report.

Having devolved our microfinance activities into a self sustaining company (Fanikiwa Microfinance Company Ltd) TGT as an NGO now is focusing on “Working in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed” as a vision for its policies and operations.

We believe in forging partnerships between the TGT, the public and private institutions as a workable model in creating the foundation for a thriving and robust private sector in Tanzania. This model is reflected in the following activities that are in this report i.e.

- **SMEs BDS Programmes** -focusing mostly on SME linkages, business and technical skills development and market access.
- **Projects which** TGT has been involved, in partnership with others and/or the implementation of programmes seeking to provide market based solutions to the TGT's target groups.
- **Project Management and consultancy** to programmes that are innovative and where TGT played a role in design.
- **Organizational development** programmes for the growth and sustainability of the Trust.

We are sharing this report as part of our accountability to our partners and stakeholders but also to seek feedback where necessary so that the modus operandi of the Trust continues to be relevant to respond to the needs of those we have decided to reach out to and for the economy of our country.

In conclusion, I wish also to acknowledge with gratitude the support we received from our funders and partners that made our 2011 a success i.e. The Gatsby Charitable Foundation and specifically Lord David Sainsbury who was also able to visit some of the projects, Kilimo Trust, Ford Foundation, DANIDA. We welcome new partners because financial resources continue to be a major challenge.

I commend the TGT Board of Trustees and Management for the efforts and commitment in ensuring the achievement of the 2011 targets and look forward for sustained effort on the period ahead.



Epaineto B. Toroka

Chairman

TANZANIA GATSBY TRUST BOARD OF TRUSTEES



Mr. Epaineto B. Toroka,
Chairman, Tanzania Gatsby Trust



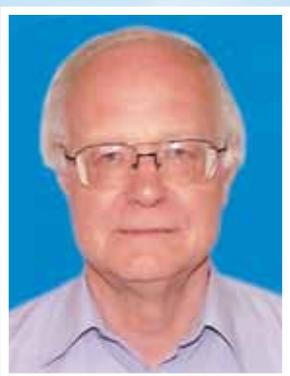
Mr. Biharilal Keshavji Tanna
(Vice Chairman) TGT Trustee



Mrs. Ndemanyiswa Mbise
TGT Trustee



Dr. Donath Olomi
TGT Trustee



Mr. Laurence Cockcroft
TGT Trustee



Mr. Ally Khalil Mirza
TGT Trustee



Prof. Bruton Mwamila
TGT Trustee



Mrs. Olive D. Luena-CEO
Secretary of the Board of
Trustees

TANZANIA GATSBY TRUST MANAGEMENT STAFF



Mrs. Olive D. Luena-CEO
Secretary of the Board
of Trustees



Mr. Mark Mambo
Finance & Admin Manager



Mrs. Wankembeta Kinyau
Non-Financial Services Manager



Mr. Joachim Mahega
Projects Officer



Mr. Erick Kimasha
SMEs BDS Officer



Ms. Jennifer Warburg
Administrative Officer



Ms. Sylvia Mamba
Cashier



Mr. Geoffrey Martine
Accountant

THE MANAGEMENT'S OPERATIONAL REPORT



Olive Luena - Chief Executive Officer

The TGT Management is pleased to present to the stakeholders the 2011 Annual Report of both the short and long term TGT action plans. As a catalyst for SME development in Tanzania, the mission of Tanzania Gatsby Trust (TGT) is about “harnessing, channeling and unleashing human energy to build social, financial and physical capital through entrepreneurship development.” The Trust was established in 1992 as a charitable organization under the Trustee’s Ordinance (Cap 375).

2011 was the third year of implementing the Five Year’s Strategic Plan (2009-2013) and second for the implementation of the ODP and TGT NFS Plans (2010-2014). Among the top most planned outcomes of Five Year’s STP that has been achieved is the separation of TGT Microfinance functions and non-financial NGO services into two separate entities i.e the incorporation of Fanikiwa Microfinance Company Limited and Tanzania Gatsby Trust remaining as an NGO to conform to best practices.

TGT as an NGO has remained with the task of consolidating its role as a catalyst for SMEs development undertaking innovative projects and programme management that accelerate the achievement of TGT’s major objective of “**Empowering vulnerable groups and SMEs with entrepreneurial skills and opportunities within the various value chains** in pursuit of TGT’s Vision of “**Working in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed.**” The spirit of Public Private Partnerships (PPP) was the guiding principle in the implementation of all the reported activities. Suffice to say that the implementation of all the approved plans is on track except on a few areas where financing became a challenge e.g. the physical investment that was envisaged.

The Management is very grateful to the Board of Trustees for the guidance, direction and encouragement in the process of implementing the plans during the year, without forgetting the role of the funders mainly GCF, the World Bank, the Italian Government, Kilimo Trust, The Ford Foundation, DANIDA and all the partners both private and public as the narrative report will reveal.

SMEs Sector Development

According to the TGT 2011 Business Plan, the TGT SMEs empowerment programmes and projects in different spheres were to be “**Sector/Value Chain Focus**”. This was based on the fact that there are many alternative processes, sectors and sub-sectors where innovations are required for making markets work for the target groups, as identified in the TGT SMEs Market Study which was conducted in 2010. Each sector or sub-sector has a wide range of needs for the markets to work for the SMEs across the value chains. During the year under review; the TGT empowerment programmes enabled the target groups:

- To articulate their own entrepreneurial aspirations and strategies for wealth creation
- To develop the necessary skills and access the necessary resources to achieve their aspirations, in establishing /managing profitable enterprises
- To examine and articulate their collective interests, as well as to organize in order to achieve them and to link with other SMEs organizations and actors for change
- To change the underlying inequalities in power and resources that constrain their aspirations and ability to achieve them

Empowering Women SMEs through the implementation of TVBI (Tanzania Virtual Business Incubator) -MKUBWA Programme

Year 2011 was the second year since TGT started implementing this programme. During the year under review the main activity was the provision of the Advanced Specialized Business Development Services to 260 women. The major achievements for year 2011 were;

- i) 241 in-depth visits to the targeted SMEs and generating their profiles and reports.
- ii) Contracting 22 BDS consultants with wide range of experience, knowledge and skills in business development both in technical and business operations for delivering of coaching services to 260 clients.
- iii) Defining and fine tuning the suitable Advanced Specialized Business Development Services e.g. coaching, advanced technical training, mentoring, PD&D(product design and development), marketing support in terms of access and linkages, business networking, and access to credit facilitation targeted to each woman's business.
- iv) Coaching visits - which included the Business Management and Technical coaching for each sectors.

The coaching reports indicated positive changes to women in business management, record keeping, human resource management and business expansion with increased productivity.



MKUBWA woman (left) in tailoring sector receiving technical coaching services from MKUBWA coach (right).

Advanced Services and Product Design and Development (PD&D) - Mission organized though AIDOs.

The objective of the mission was to support women in improving existing products, and/or create prototypes of new products/models and application of adequate standards in form of presentation, labelling and packaging of the product. 116 women benefited from the mission on technical support and advice.

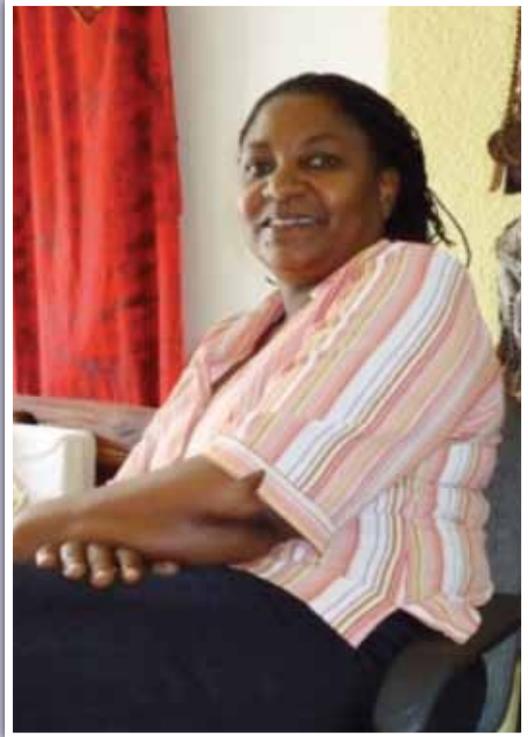


A Product Design and Development Expert with MKUBWA trainees

Success Stories

"I am Rose Makoyola, the founder and owner of Kitaponda Enterprises (currently known as **Smart Homes (T) Ltd**). The enterprise started in year 2000, dealing with handcraft, textile and tailoring by using Tanzania materials. I started the business with the capital of Tshs 350,000/= .In year 2009, I was selected to join the MKUBWA programme, whereby I was trained on entrepreneurship, business management skills and technical skills. The training increased my ability and skills on managing my enterprises marketing skills, costing and pricing, productivity, record keeping, planning of production cycle and development of new products and designs. Currently my capital has increased to tshs 40,000,000/= including modern machineries. I have also increased the customers and managed to sell my products all over the world. All these achievements are through MKUBWA support. For sure MKUBWA is for sustainable development"!

Rose -0713-228540



I started my poultry business early 2009 with 5 indigenous chicken, whereby I was getting 1-2 eggs per day. One day, I received a message which was explaining about Women Empowerment Initiative (MKUBWA). I really wanted to participate and acquire the entrepreneurship and business management skills. In year 2010, I attended all the information workshops, training and realized that MKUBWA intervention is significant and important in developing my poultry business and at that time I had only 50 chickens.

After MKUBWA training/services things changed a lot, I was equipped with business and management skill, technical skills and business specialization. So I decided to concentrate in the poultry business and apply the skills, advices and best practices learnt in MKUBWA.

The realized achievements in my business as a result of the intervention include increase in the number of chicken to 950 whereby I get 5-6 trays of eggs each day, increased Income, constructed a new and standard shed for poultry, registered business name as Elly Farm Enterprises with clear business records, opened a business bank account and accessing new market outlets.

MKUBWA has motivated me to achieve more and my dreams have come true. I am very grateful!!!! **Eliashimaa -0713-463347**



Marketing and Communication Expert Mission

TGT received a marketing and communication expert from AIDOS who supported women in products presentations, pricing and costing. The expert also supported TGT on the finalization of MKUBWA Communication Plan. TGT also hosted World Bank and AIDOS supervision missions which were for project midterm review and monitoring.

Marketing and Dissemination/Networking

14 MKUBWA women were among the SMEs who were facilitated to participate to 35th Dar es Salaam International Trade Fair (DITF) whereby women marked new history in market linkages and new learning to MKUBWA women together with the other SMEs. TGT was a third winner to the category of Arts and Crafts-Cottage Industries for the year 2011.

Challenges

The pilot programme funded by the World Bank is ending in May 2012. During its implementation the programme has attracted hundreds of women SMEs in dire need of the TVBI services. There is a lot of potential for scaling up MKUBWA and due to financial constrains TGT is looking for the potential funders / partners for scaling up.



A textile designer at the TGT pavillion during the Saba Saba International Trade Fair

Mboga Mboga Project

TGT continued to manage the programme which is now focusing on providing loans and agronomy support to farmers who have access to water. These are the farmers who have potential to invest, increase yields and produce a regular supply of fruit and vegetables. There is a clear incentive to adopt irrigation and to learn better agronomy and growing schedules so that they can maximize their income all year round, pay back loans and start to grow their farms. These farmers will migrate from subsistence farmers to emergent farmers where farming will become a business to them. 376 farmers were visited and trained in the period under review; out of which 90 have access to water 58 farmers were linked to FANIKIWA for access to finance and Tzs 30,600,000 were disbursed for the purpose. FANIKIWA Microfinance Company Ltd has a financing window for the Mboga- Mboga Project which was provided to TGT by GCF. On the other hand the GCF funding for the project management and training is coming to an end during the current financial year (2011). TGT have seen the potential of scaling out the programme to reach more women and thus approached the Ford Foundation for further funding. Ford Foundation has provided TGT with a grant of USD 75,000 for one year which will cover farmer's business groups training, best agronomy practices, linkage to markets and piloting debt factoring.



A Mbogamboga Farmer irrigating her Mbogamboga farm

The Zanzibar Handicraft Project

The Project has evolved into a registered membership NGO called FAHARI. There are issues surrounding the registration which needs to be deregistered. Ideally a Trust similar to TGT could have been the best way forward. GCF and TGT are working on effecting such changes and TGT will continue to backstop the entity.

FANIKIWA Microfinance Company Ltd

Fanikiwa Microfinance Company Ltd. has taken over the financial services from TGT-NGO. The initial Shareholders of the Company are TGT with equity of Tshs 2,640,000,000 (66%) and the Gatsby Charitable Foundation of UK with remaining equity of 1,360,000,000 (34%) The process of obtaining the Bank of Tanzania Licence is underway. The Company has branches in Dar es salaam, Zanzibar, Mwanza, Arusha and Korogwe. TGT is also investing in Community Banks' as part of its rural financial deepening strategy in Mwanza, Tandahimba, Njombe and Meru.

Projects Management and Consulting

TGT continued to undertake the role of backstopping the mega programmes that are intended to apply new innovative approaches to poverty alleviation or where TGT played a role in design e.g.

- The Cotton & Textile Development Programme (Coordination managing partnerships i. e with several Government Ministries, Regional and District Authorities, TCB, Technoserve, Golder Associates ,VETA, CoET and the research institutes and other stakeholders)
- Tanzania Tree Biotechnology Project –Assisting TTBP to become a legal entity (coordinating and managing relationships between TAFORI, KILIMO Trust and the staff at Kwamarukanga and other stakeholders.
- Community Bank Association - helping in fundraising and monitoring following up the performance of community banks in which TGT has invested.

Cotton and Textile Development Programme

This is a programme that is being implemented in collaboration between Tanzania Cotton Board and Tanzania Gatsby Trust; it is being funded by the Gatsby Charitable Foundation of United Kingdom through the Tanzania Gatsby Trust. Once again, Lord David Sainsbury visited the programme and held meetings with the stakeholders notably the Minister of Agriculture Cooperatives and Food Security as well as the Minister for Industry, Trade and Marketing, the key programme implementing agencies, ginners, farmers, etc. During the year DFID approved an extra funding of GBP seven million for the programme .The thrust of the programme is to increase cotton productivity, production and value addition .TGT continued to play a major role in the management of the programme i.e.:

- Managing the finances and the entire accounting processes
- Contracting and managing all the partnerships /players
- Managing the programme employees
- Organising and hosting stakeholders meetings
- Liaison work between the programme and government
- Backstopping on practical organisational activities e.g. communication strategies , consultancies, studies, conferences/meetings
- Housing /provision of office space to some of the programme staff and consultants.

The Status of the programme activities as at December 2011

Increasing Cotton Productivity

1	Seed multiplication and research	<ul style="list-style-type: none"> The programme has been working closely with Ukiriguru, Quton and the TCB to ensure farmers have access to improved varieties of cotton seeds. This is primarily being achieved through the seed development of new varieties, multiplication of UK91 seed by Ukiriguru research institute in Mwanza. Once delinted, UK91 is expected to deliver significant yield increases for farmers. Additionally, the TCB and CDTF have entered into contract with Quton (private firm) to manage the production of seed. Ukiriguru produced 8 tons in 2010 – 11 season which will be handed over to Quton and other institutions (Ginners, prisons and schools) for further multiplication in 2011/12 season in Bariadi district in collaboration with Quton – Tanzania Ukiriguru has identified the key molecular markers of available cotton material, thus enable improved varieties through hybridisation. Two varieties selected and under early stage multiplication (UKM08 & UK08) 4 other promising lines under test
2	Conservation Agriculture	<p>Building on internationally recognised best practice, the programme has been refining conservation agriculture techniques for the Tanzanian cotton sector, as well as promoting its adoption by farmers. By introducing minimum tillage planting, improved water management and proven inter-cropping techniques, the programme is focused on improving farmer yields through better practises and minimal agricultural inputs. The programme set more than 48 trial sites in villages in 15 districts to demonstrate the impact of conservation farming techniques to surrounding farmers, extension officers, and related stakeholders.</p> <ul style="list-style-type: none"> Over 48 trial sites in WCGA planted – both at Bariadi and farmer trials in various districts and on Agriculture Research Institutes (ARI)- Ukiriguru. Push-pull demonstrations planted in maize on farmer trials and at ARI's (Ukiriguru, and Ilonga) in cotton, following. Joint plan with ARI for ongoing management of CA trials developed.
3	Contract Farming	<p>Building on the last season, the programme expanded the pilot within Mara for the current season to cover 100% of cotton farmers in Mara, and included 4 wards in Bariadi where more than 12,000 farmers are involved. The ginners engaged last season have re-committed themselves to contract farming for even more farmers. Through the pilots, the programme and the TCB have been able to refine its understanding of how to organise farmers (Farmer Business Groups) and manage the provision of inputs. While there are still issues to be resolved, the pilots have been instrumental in proving what works and what doesn't work. Sensitising stakeholders on contract farming continued, transforming local attitudes to contract farming – now overwhelming support. About 38,164 farmers have been signed up to contract farming so far this season, receiving credit for inputs this season. Pamba- Net continued to be refined as a communication tool.</p>



Sorting Cotton before ginning



Lord David Sainsbury the Settlor Of Gatsby UK at the 2011 TGT Cotton stakeholders Meeting



A Cross section of the participants of the TGT Cotton Stakeholders meeting

Textile/Value Addition

The textile component of the programme is aimed at increasing the local utilisation of cotton and is organised around four key components:

- Promoting textile and garment sales
- Facilitating new value chain investments
- Improving enterprise competitiveness
- Strengthening sector organisations

With regard to promoting textile, garment sales and value chain investments little has been done for the past year. The programme was to coordinate efforts within the programme and that of the Ministry of Industry Trade and Marketing to prepare textile industry strategy. Up to now a team of consultants has been engaged to undertake a survey of problems, challenges and opportunities for the textile sector and come up with strategy and suggest possible solutions while bench marking with other countries with similar investment climate. A stakeholders meeting will be organised in January 2012 to validate the study report. On the competitiveness of the sector, an in-depth human resources study was carried out to establish the gaps and needs of the sector. The programme continued supporting the University of Dar es Salaam's College of Engineering & Technology develop a textile engineering and textile/fashion design degree programme. Similarly, the programme has been supporting the Vocational Education & Training Authority (VETA) to develop a new cadre of skilled small scale textile & apparel producers. This support has largely materialised through developing appropriate trained staff to run the course. While it is important to address sector skills needs via a university level degrees programme, it is important to establish the skills needed by manufacturers at levels below that. The programme believes there are substantial bottlenecks at this level that need to be addressed and will be developing a plan to address this. The status of the two programmes is provided below



Textile Development Stakeholders Meeting

Human Capital Development

A: Degree Courses at the University of Dar Es Salaam

(i) Status

The two textile programmes started in October, 2011 with a total admission of 31 students of which 12 have been admitted for BSc in Textile Engineering of which only 9 have registered, and 19 have been admitted for the BSc in Textile Design and Technology of which only 7 have registered. The number of registration is due to changes in the Higher Education Loan Board conditions, which starting this academic year students pay a certain percentage of the tuition fees on top of the upkeep allowances. In addition to the above conditions, most of the textile student came through the 2nd round of admission, which does not cover provisions for loans from the Loan Board. Some dyeing laboratory equipment and textbooks donated by the University of Bolton and one weaving loom (rapier type) donated by the University of Manchester are currently in store. Plans are underway to install them and this would need the revival of the earlier agreement to get a technician from the University of Manchester to install them particularly the weaving loom. The Programme has supported 8 Students at Masters and PHD Level at the University of Manchester. The TGT Management agreed with the CoET to formally launch the two textile degree programmes when Lord David Sainsbury the GCF UK Settlor on his annual visit to Tanzania in May 2012.

B.VETA -Textile and Fashion Designing Diploma Programme

The Programme at Foundation level has supported VETA to establish the **Textile and Fashion Designing Diploma Programmes**. The first intake of 13 students made up of four (4) men and nine (9) women entered their second year in January 2011, and the second intake of 19 students out of whom five (5) are men and 14 are women were admitted in February 2011.

TEXMAT

Well functioning industry associations provide the foundation through which the private sector can self-regulate, articulate their needs and effectively engage with Government. Additionally, well organised industries have also benefited from the effects of clustering (increased competitiveness and increased profile within markets). In light of these facts, the programme has been working closely with Tanzanian Textile & Apparel Manufacturers. TEXMAT which is Textile Manufacturers Association is so weak such that it is not serving its members the way it was supposed to do. But the issue of association will be addressed by the team of consultants through the strategy proposed.

Tanzania Tree Biotechnology Programme - TTBP 2011 Brief Report

The Tanzania Tree Biotechnology Project (TTBP) continued to live to its promises of improving the living standards of rural communities in Tanzania, particularly of the resource poor segment of the population. In phase two of the project which commenced in 2008 and is to run for three years up to 2011 (with extension to July 2012) received development support from Kilimo Trust through the Tanzania Gatsby Trust, comprised transfer and application of tree biotechnology in Tanzania, promoting commercial smallholder forestry for the sustainable improvement of incomes of smallholder tree growers and other entrepreneurs in 15 target districts of Tanzania. The role of TGT Management during the year was:

- Project oversight management under the chairmanship of Mr. I. H. Seushi
- Financial management and accounting of the project Funds as Kilimo Trust Grantee
- Preparation of the tools for devolving the project into a viable entity
- Reporting to Kilimo Trust

In the reported period the following are the major outputs at the clonal plant production nursery at Kwamwarukanga (Tanga) with the aim of having mass production of the clones for commercial purposes preferable for the local and international market.



A tree nursery at Kwamarukanga in Korogwe

BSPS III support to the MSME Sector-“Informal Economy Support Initiative”

Towards the end of the year 2011, TGT in principle agreed to be contracted DANIDA for the Public Private Partnership of the IESI - **“Informal Economy Support Initiative”**

The programme addresses an important dimension for the informal economy; the access to secure premises for trading and producing. The programme will facilitate the establishment of pilot public-private partnerships (PPP) between municipal councils (e.g. Kinondoni) and the entrepreneurs in the informal economy (through VIBINDO). The main purpose of the PPPs will be to:

- Design and implement concrete models that transfer the right to use and develop agreed upon pieces of municipal land to businesses in the informal economy for a specified number of years.
- Engage with stakeholders and interested parties (including possible financiers) to establish a platform from which co-financing from public institutions, financial institutions and donors for market development can take place.
- Establish a permanent local bipartisan forum for dialogue on issues related to development of businesses in the informal economy.

TGT is very excited about this project as it builds on TGT previous experience in the provision of workspaces to SMEs in Mikindani –Mtwara and the Low Cost Housing in Zanzibar.

TGT Human Resources Development

As envisaged, TGT continued to encourage personal learning and to design and deliver corresponding learning solutions where appropriate. The CEO and staff were exposed to networking meetings and workshops designed to broaden their acumen and building their capacities for performance improvement. The implementation of the 2011 TGT Staff training programme covered areas of training and skills development to enable the earmarked staff acquire the requisite.



TGT Trustees and Management team

TRUSTEES' REPORT

The Trustees of Tanzania Gatsby Trust (TGT) have the pleasure to submit their report together with the audited financial statements of TGT for the year ended 31st December, 2011, which disclose the state of affairs of the Trust. The audited financial statements are set out on pages 10 to 25.

I. GOVERNANCE

The responsibility of governance of TGT is vested in a Board of Trustees. The Board of Trustees of Tanzania Gatsby Trust consists of seven Members. Apart from the Chief Executive Officer, no Trustees who hold executive positions in the Trust. The Board takes overall responsibility for the Trust, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and is in compliance with sound corporate governance principles. The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Chief Executive Officer assisted by senior management. Senior management is invited to attend Board meetings and facilitates the effective control of all the Trust's operational activities, acting as a medium of communication and coordination between all the various business units. During the 2011 financial year, the following persons served as Trustees of Tanzania Gatsby Trust:-

S/N	Name	Position/ Qualification	Age	Nationality	Date Appointed	Date of Resignation
	Mr. Epaineto B Toroka	Chairman (Economist)	66	Tanzanian	1992	Retiring in Dec. 2013
	Mr. Biharilal K Tanna	Vice Chairman (Certified Public Accountant)	70	British	2006	Retiring in Dec. 2014
	Mr. Laurence Cockcroft	Trustee (Economist)	66	British	1992	Retiring in Dec. 2012
	Mrs. Ndema Mbise	Trustee (Consultant)	60	Tanzanian	1997	Retiring Dec. 2011
	Mr. Ally K Mirza	Trustee (Economist)	53	Tanzanian	2006	Retiring in Dec. 2013
	Prof. Burton Mwamila	Trustee (Engineer)	62	Tanzanian	2009	Retiring in Dec. 2015
	Dr. Donath Olomi	Trustee (Economist)	50	Tanzanian	2009	Retiring in Dec. 2015

TGT's Board of Trustees has its various committees as the highest policy making body and management as the implementing authority. The Board's responsibility includes development of the Trust's strategy and providing oversight of the Trust. Members of the Board of Trustees are highly experienced and committed, all drawn from business, family enterprises and community development backgrounds.

The Board of Trustees has established committees that are operational to effectively help TGT discharge its role. The committees include Governance Committee/Executive Committee; Endowment Building & Investing Committee; and Audit & Finance Committee. Members of committees are appointed by the Chairman in consultation with the Governance Committee. At the time of appointment each Trustee signs a Board of Trustees' Code of Conduct Compliance Form. Below are the various committees.

(a) Governance Committee

S/N	Name	Position/Qualification	Nationality
	Mr. Epaineto B Toroka	Chairman (Economist)	Tanzanian
	Mr. Biharilal K Tanna	Member (Certified Public Accountant)	British
	Mr. Laurence Cockcroft	Member (Economist)	British

The Governance Committee reports to the Board of Trustees.
The Committee met once during the year.

(b) Audit and Finance Committee

S/N	Name	Position/Qualification	Nationality
1.	Mr. Biharilal K Tanna	Chairman (Certified Public Accountant)	British
2.	Mr. Ally K Mirza	Trustee (Economist)	Tanzanian
3.	Prof. Burton Mwamila	Trustee (Engineer)	Tanzanian

The Audit and Finance Committee reports to the Board of Trustees.
The Committee met four (5) times during the year.

(c) Endowment and Investments Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Hatim Karimjee	Chairman	Businessman	Tanzanian
2.	Mr. Ibrahim Seushi	Member	Economist	Tanzanian
3.	Mr. Vinaykant Somaiya	Member	Certified Public Accountant	Tanzanian
4.	Mr. Epaineto B Toroka	Member	Economist	Tanzanian

The Endowment and Investment Committee reports to the Board of Trustees.
The Committee met once during the year.

2. STATEMENT OF BOARD OF TRUSTEES RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trust is required to prepare financial statements for each financial 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 Statement of Comprehensive Income of the Trust for the period.

The Trustees confirm that suitable accounting policies have been adopted and applied consistently and reasonably and prudent judgments have been used and applied in the preparation of the financial statements for the year ended 31st December 2011.

The Trustees also confirm that applicable accounting standards have been followed and that the statements have been prepared on a going-concern basis.

The Trustees are responsible for ensuring that proper accounting records are kept and the maintenance of an adequate system of internal control for safeguarding the assets of the Trust. Thus they are responsible for taking reasonable steps for prevention and detection of fraud and other irregularities.

The TGT Board of Trustees has the final responsibility in respect of financial statements on accounting policies, keeping proper books of account, maintaining adequate control system and confirmation of accuracy of financial statements. The Board of Trustees has established an Audit and Finance Committee comprising of selected Trustees. The overall scope of the responsibilities of the Audit and Finance Committee typically includes:

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing hiring, performance and independence of the external auditors.
- Oversight of regulatory compliance, ethics, and whistleblower hotlines.
- Monitoring internal control process.
- Discussing risk management policies and practices with management.
- Overseeing the financial affairs of TGT and make recommendations to the Board about the financial affairs and policies of the Trust.
- Reviewing and making recommendations on the annual budget submitted by the Management, and developing and recommending long range financial objectives for the Trust.

3. ORGANIZATION'S BACKGROUND INFORMATION

Since its establishment in 1992 as a charitable organisation under the Trustee's Ordinance (Cap 375), TGT has been successfully addressing the critical barriers for wealth creation by the poor through innovative partnerships. TGT is therefore one of the actors involved in implementing the Government of Tanzania's Vision 2025 and the United Nations Millennium Development Goals. The Trust responds to the government's medium term framework, sector policies and strategies which address the challenges of creating widely shared wealth as a means for poverty reduction.

4. MISSION AND VISION

4.1 MISSION

The mission of Tanzania Gatsby Trust is to be a catalyst for Small and Medium Enterprise development by *"harnessing, channelling and unleashing human energy to build social, financial and physical capital through entrepreneurship development."*

4.2 VISION

TGT's Vision is *"working in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed"*.

4.3 CORE VALUES

These represent TGT's basic principles about what is important in business, its conduct, its social responsibility and its response to changes in the environment. TGT's core values include:

i. Leadership

We believe the leadership skills need to be strengthened at all levels within TGT and that the managerial and professional competence is necessary for organizational growth and development.

ii. Ethics and integrity

- We do care how results are achieved and will demonstrate adherence to honest and ethical practices in all our activities.
- We will establish and maintain the highest professional and ethical standards.

iii. Teamwork and partnership

We believe that high performing teams containing appropriate diversity can achieve what individuals alone cannot.

iv. Transparent and open communication

Transparency in all operations and accountability to all stakeholders.

v. Community/clients involvement

We believe in nurturing and harnessing Clients' and Community innovative ideas as they are the centre of their own development.

vi. Innovation

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services to customers/clients.

5. TGT'S GENERAL PERFORMANCE

The initial Trust Deed establishing the Trust emphasized on TGT offering a combination of financial and non financial services. The focus of TGT has been on enhancing access to finance, business and technical skills, technology and markets in rural and peri-urban areas in Tanzania. As a result, TGT is now recognised as an effective partner in inclusive private sector development in the country, involved in the facilitation of the following services:

- Training and related business support services to enable the SMEs to acquire the requisite skills to operate and manage the enterprises profitably.
- Marketing strategies to the entrepreneurs to enable them to access markets for their products both locally and internationally.
- Appropriate technology for productivity to ensure the quality and quantity of products to meet the market demands including packaging.
- Projects management, mainly for its main partner, Gatsby Charitable Foundation of UK.

6. STRATEGIES TO IMPROVE PERFORMANCE

TGT has a Five Years' Organisational Development Programme (ODP)) which clearly emphasises that TGT will pursue a more focused strategic vision over the next five years in the provision of sustainable financial service. TGT will broaden and scale up its core approach for pro-poor enterprise development by offering a differentiated mix of financial services (credit, savings, insurance, etc) working a mix of instruments (e.g. debt, equity), working through a number of delivery channels (TGT direct and /or indirect in partnership with locally owned MFIs) and working with a broad range of client groups in line with demand and competition. As set out in TGT's Strategic Business Plan for FY 2009-2013 incorporating the Organization Development Plan, the 2010 financial year was a turning point for TGT as it began a process of transitioning the financial services from being one of its core functions to being that of a separate and newly created entity, namely Fanikiwa Microfinance Company Limited (FMFCL) which has been incorporated for that purpose .TGT now remains as Non Financial NGO and has put in place a strategic plan with the aim of empowering vulnerable groups and SMEs with entrepreneurial skills

and opportunities within the various value chains. The groups to include, Women, Youth and Growth oriented SMEs.

The choice of the target groups is based on the understanding that unlocking women, youth and growth oriented SMEs potentials to become active and effective economic agents of change will contribute in developing local communities building a solid foundation for a thriving private sector.

7. STATEMENT OF SOLVENCY

The Trust is solvent and able to meet its financial commitments and has excess of current assets over the current liabilities.

8. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the TGT. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations.
- The safeguarding of the TGT's assets.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Business sustainability under normal as well as adverse conditions.
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the TGT system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31.12.2011 and is of the opinion that they met accepted criteria.

The Board does risk and internal control assessment through Audit and Finance Committee.

9. TRUSTEES' INTEREST

The Board of Trustees is responsible for the governance of the Trust. In carrying out this public trust, the Trustees bring to the Trust their own varied backgrounds and expertise. Nevertheless, the Trustees are

expected to put aside parochial interests and keep the welfare of the Trust, not just some particular constituency.

None of the Trustees had conflict of interest with TGT which has not been disclosed by such Trustee. All Trustees signed a declaration to that effect.

10. EMPLOYEES' WELFARE

The very logic behind providing welfare schemes is to create efficient, healthy, loyal and satisfied labour force for the organization. The purpose of providing such facilities is to make their work life better and also to raise their standard of living. On the overall, TGT provides:

- On the job and external (local and overseas) training to broaden the employees' acumen.
- Career development through promotions and internal transfers.
- Staff loans and bonuses.
- Medical benefits through AAR Medical Insurance Scheme.
- Recreation and team building facilities and services.

11. EMPLOYMENT OPPORTUNITIES

TGT is an equal opportunity employer. As a charitable organization, TGT endeavors to employ persons with disability whenever there is a vacancy for which they are qualified. More over through the MKUBWA Programme TGT offers training to women with children having disability.

12. ENVIRONMENT CONTROL PROGRAMME

The TGT contributes to the environment programme through the Tanzania Tree Biotechnology Project in collaboration with the Tanzania Forestry Research Institute (TAFORI) and through conservation Agriculture in the Tanzania Cotton and Textile Programme.

13. GENDER PARALLELISM

Overall TGT had twenty one (21) employees including staff engaged in the various projects managed by TGT who were under contract of employment with the Trust, out of which five (5) were female and sixteen (16) were male.

14. THIRD PARTY TRANSACTIONS

There were no related party transactions.

15. POLITICAL AND CHARITABLE DONATIONS

There were no donations made to political party or charitable organizations.

16. APPOINTMENT OF AUDITORS

At each Annual General Meeting, the Trustees appoint the Auditors. The current Auditors, TAC Associates, were appointed in 2010 and have expressed willingness to continue in office.

BY ORDER OF THE BOARD OF TRUSTEES



CHAIRMAN

28/05/2012

DATE



TAC ASSOCIATES *(CERTIFIED PUBLIC ACCOUNTANTS)*

114 Malik Street, Upanga P.O.Box 580, Dar es Salaam, TANZANIA

Phone: (022) 2137721/4; Telefax: (022) 2113142; E-mail: tac@cats-net.com

REPORT OF THE AUDITORS TO THE BOARD OF TRUSTEES

We have audited the accompanying financial statements of Tanzania Gatsby Trust, which comprise the statement of financial position as at 31st December, 2011, the 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 information.

BOARD OF TRUSTEES' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Trustees of the Tanzania Gatsby Trust (TGT) is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 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 auditors' 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 auditors consider internal control relevant to the Board'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.

UNQUALIFIED OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Tanzania Gatsby Trust as at 31st December, 2011, its financial performance, cash flows and changes in equity for the year then ended, in accordance with the International Financial Reporting Standards [IFRS], and the Trustees' Incorporation Ordinance of 1956 Chapter 375 of Tanzanian Laws, Society Act (No. 6) of 1995 under Registration No. 43 of Zanzibar Revolutionary Government and Non-Governmental Organization Act (No.24) of 2002.

TAC ASSOCIATES (Certified Public Accountants)



S.F. SAYORE-FCCA

MANAGING PARTNER

DAR ES SALAAM

Date: 30 MAY 2012

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2011

		31.12.2011	31.12.2010
	NOTE	TZS'000	TZS'000
Non - Current Assets			
Property, Plant & Equipment. – Non Projects	2	73,980	51,045
Property, Plant & Equipment - Projects	3	533,942	665,378
Investments In Shares	4	2,843,338	2,823,338
Endowment Fund	5	1,880,664	1,747,553
Total Non-Current Assets		5,331,924	5,287,314
Current Assets			
WED Revolving Fund	6	39,969	37,284
Prepayments	7	172,029	5,341
Other Receivables	8	72,016	96,612
Cash and Cash Equivalents	9	1,012,338	1,873,216
Total Current Assets		1,296,352	2,012,453
TOTAL ASSETS		6,628,276	7,299,767
EQUITY AND LIABILITIES			
Equity			
Projects Property, Plant and Equipment	page 30	533,942	665,378
Project Funds	page 30	(698,516)	451,053
Endowment Fund	page 30	1,880,664	1,747,553
General Fund	page 30	1,127,259	899,052
Total Equity		2,843,349	3,763,036
Current Liabilities			
Deferred Income	10	2,467,581	2,025,000
Provisions and Accruals	11	107,087	217,108
Due To FANIKIWA for Issue of Shares to TGT		1,210,259	1,294,623
Total Current Liabilities		3,784,927	3,536,731
TOTAL EQUITY AND LIABILITIES		6,628,276	7,299,767

**NOTES 1 TO 19 FORM PART OF THESE FINANCIAL STATEMENTS
REPORT OF THE AUDITORS IS ON PAGES 26 AND 27.**



TRUSTEE
 Date: 28/05/2012



TRUSTEE
 Date: 28/05/2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2011

PROJECTS' GRANTS	Year 2011			Year 2010		
	Income	Expenditure	Carried forward	Income	Expenditure	Carried forward
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Cotton & Textile Dev Programme	5,670,420	(7,033,412)	(1,362,992)	2,914,481	(5,052,155)	(2,137,674)
Community Banks Association	-	-	-	-	(135,000)	(135,000)
Tourism Linkage	93,540	(88,247)	5,293	22,500	(94,813)	(72,313)
Vegetable Project (Mbogamboga)	69,157	(26,621)	42,536	-	(120,393)	(120,393)
MFI Transformation	28,500	-	28,500	-	-	-
Tree Project	581,423	(440,926)	140,497	56,298	(157,721)	(101,423)
MKUBWA Project	362,483	(365,886)	(3,403)	178,061	(337,323)	(159,262)
Subtotal	6,805,523	(7,955,092)	(1,149,569)	3,171,340	(5,897,405)	(2,726,065)
NON PROJECTS' GRANTS & OTHER INCOME:						
Grant for TGT's Core Costs	240,000	-	240,000	-	-	-
Grant for Inter-Trusts Seminar	-	-	-	150,000	-	150,000
Other Income (Note 12)	531,434	-	531,434	198,618	-	198,618
Administrative expenses (Note 13)	-	(571,332)	(571,332)	-	(360,481)	(360,481)
Other expenses (Note 14)	-	(71,259)	(71,259)	-	(481,790)	(481,790)
Subtotal	771,434	(642,591)	128,843	348,618	(842,271)	(493,653)
Grand Total	7,576,957	(8,597,683)	(1,020,726)	3,519,958	(6,739,676)	(3,219,718)

**NOTES 1 TO 19 FORM PART OF THESE FINANCIAL STATEMENTS
REPORT OF THE AUDITORS IS ON PAGES 26 AND 27.**



TRUSTEE
 Date: 28/05/2012



TRUSTEE
 Date: 28/05/2012

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST
DECEMBER, 2011**

PARTICULARS	Projects Fixed Assets Tzs'000	Project Funds Tzs'000	Endowment Fund Tzs'000	General Fund Tzs'000	Tzs'000 Total
Balance on 1st January, 2010	0	3,670,771	1,197,230	899,000	5,767,053
Recognized During the Period	665,378	0	0	0	665,378
Grant for Endowment Fund	0	0	464,432	0	464,432
Local Donation to Endowment	0	0	(180)	0	(180)
Exchange Gain	0	0	83,421	0	83,421
Interest from Endowment Fund	0	0	2,650	0	2,650
From Statement of Comprehensive Income	0	(3,219,718)	0	0	(3,219,718)
TOTAL	665,378	451,053	1,747,553	899,052	3,763,036

PARTICULARS	Projects Fixed Assets Tzs'000	Project Funds Tzs'000	Endowment Fund Tzs'000	General Fund Tzs'000	Tzs'000 Total
Balance on 1st January, 2011	665,378	451,053	1,747,553	899,052	3,763,036
Additions	47,346	0	4,389	0	51,735
Amortization	(178,782)	0	0	0	(178,782)
Valuation of Motor Vehicles	0	0	0	99,364	99,364
Exchange Gain	0	0	126,158	0	126,158
Interest from Endowment Fund	0	0	2,564	0	2,564
From Statement of Comprehensive Income	0	(1,149,569)	0	128,843	(1,020,726)
TOTAL	533,942	(698,516)	1,880,664	1,127,259	2,843,349

**NOTES 1 TO 19 FORM PART OF THESE FINANCIAL STATEMENTS REPORT OF THE
AUDITORS ON PAGES 26 AND 27.**



TRUSTEE
 Date: 28/05/2012



TRUSTEE
 Date: 28/05/2012

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31ST DECEMBER, 2011

	2011	2010
	TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
SURPLUS/ (DEFICIT) FOR THE YEAR		
CARRIED FORWARD TO PROJECT FUND RESERVE	(1,020,726)	(3,219,718)
Adjustment :		
Transactions Directly Recorded in the Equity	180,457	1,215,881
Endowment Fund	0	(180)
Depreciation	28,265	29,298
Net Transfer of Property, Plant and Equipment to FMFCL	2,725	33,577
NET CASH FROM OPERATING ACTIVITIES	(809,279)	(1,941,142)
CHANGES IN WORKING CAPITAL ITEMS		
(Increase)/Decrease in Loans Portfolio	0	2,262,930
(Increase)/Decrease in Revolving Fund	(2,685)	(2,411)
(Increase)/Decrease in Prepayment	(166,688)	(5,341)
(Increase)/Decrease in Other Receivables	24,596	(93,232)
Increase/(Decrease) in Loan Insurance Fund	0	(77,006)
Increase/(Decrease) in Deferred Income	442,581	1,401,189
Increase/(Decrease) in Excess Funds Received	0	(320,098)
Increase/(Decrease) in Due to FANIKIWA	(84,364)	1,294,623
Increase/(Decrease) in Provisions and Accruals	(110,021)	152,250
NET CHANGE IN WORKING CAPITAL ITEMS	103,419	4,612,904
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	(705,860)	2,671,762
CASH FLOWS FROM FINANCING & INVESTING ACTIVITIES		
Net (Increase)/Decrease in Endowment Fund	(133,111)	(550,323)
Net (Increase)/Decrease in Investment	(20,000)	(1,298,563)
Net (Increase)/Decrease in Advance for issue of shares	0	(1,345,377)
Purchase of Property, Plant and Equipment – Non Projects	0	(41,069)
Revaluation Property, Plant and Equipment-Non Projects	(53,925)	0
Revaluation Surplus	99,364	0
Additions of Property, Plant and Equipment – Projects	(47,346)	(665,378)
NET CASH FLOWS FROM FINANCING ACTIVITIES (B)	(155,018)	(3,900,710)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B)	(860,878)	(1,228,948)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,873,216	3,102,164
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,012,338	1,873,216

**NOTES 1 TO 19 FORM PART OF THESE FINANCIAL STATEMENTS
REPORT OF THE AUDITORS ON PAGES 26 AND 27.**



TRUSTEE
 Date: 28/05/2012



TRUSTEE
 Date: 28/05/2012

NOTES TO THE FINANCIAL STATEMENTS

NOTE: I PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The principal accounting policies adopted are consistent with those applied in the previous year.

(a) Basis of Accounting

The financial statements of TGT at 31st December, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS). In addition to the standards also encompass the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All existing and currently applicable IFRS rules as of 31st December, 2011 were observed.

IFRS 7 Financial Instruments: Disclosures

- (i) Amendments resulting from May 2010 Annual Improvements to IFRSs, was issued in May 2010 and is effective for financial years beginning on or after 1 January 2011.
- (ii) Amendments enhancing disclosures about transfers of financial assets, was issued in October 2010 and is effective for financial years beginning on or after 1 July 2011.

IFRS 9 Financial Instruments — Classification and Measurement

Original issued November 2009 and is effective for financial years beginning on or after 1 January 2013

IAS 1 Presentation of Financial Statements —

Amendments resulting from May 2010 Annual Improvements to IFRSs , was issued in May 2010 and is effective for financial years beginning on or after 1 January 2011

IAS 24 Related Party Disclosures — revised definition of related parties issued in November 2009 and is effective for financial years beginning on or after 1 January 2011.

(b) Income

Grant moneys from donors and interest on bank deposits are recognized on receipt basis. Non-Project grants are credited to equity whereas Grants related to revenue expenditure are credited to income statement in the same period in which the revenue expenditure to which they relate is charged. Project Funds earmarked for the next accounting period following the year of receipt are credited to the current liabilities under the deferred income component.

(c) Property, Plant and Equipment

The Trust has elected to use cost model as its accounting policy to an entire class of property, plant and equipment.

(i) Recognition

Property, Plant and Equipment are initially recorded at cost. Cost comprises of the expenditure that is directly attributable to the acquisition (purchase or construction) of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

(ii) Measurement after Recognition

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(iii) Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment is calculated on a straight line method to write off the cost/value of the property/equipment over the expected useful economic lives. The principal annual rates, which are consistent with those applied in the previous years, are as under:-

Description of Assets	Rate p.a. %
Computers	33.33
Motor vehicles	25.00
Furniture , fittings and equipment	12.50

Property, plant and equipment acquired during the year are depreciated from the date when they are available for use and cease to be depreciated at earlier of the date that the asset is classified as held for sale and the date that the assets is de-recognized.

(iv) Subsequent Expenditure

Expenditure incurred to replace a component of item of property, plant and equipment is accounted for separately and capitalized. Subsequent expenditures are capitalized only when they increase the current economic benefits. All other expenditure items are recognized in the income statement as expenses as they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is charged if the residual value of an item is equal to or greater than its carrying value.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized.

(d) Investment Securities (Investment in shares)

The Trust classifies its investment in shares as available for sale investments. These investments are initially carried at cost. After initial recognition, investment in shares are measured at fair value with gain or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gains or losses previously reported in equity is included in the Statement of Comprehensive Income. The fair value of these investments is determined using valuation techniques such as recent arms length market transactions and reference to the current market value of another instrument, which is substantially the same. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the Trust's right to receive payment is established.

(e) Functional and Presentation Currency

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the Trust operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Trust's functional and presentation currency.

(f) Foreign Currency Transactions

Foreign currency transactions are translated into Tanzanian Shillings by applying the exchange rates ruling on the transactions dates. Assets and liabilities denominated in foreign currencies are translated into Tanzanian Shillings at exchange rates ruling on the Balance Sheet date.

Gains or losses arising thereon are dealt with in the statement of Comprehensive Income.

(g) Impairment of Assets

The Trust recognizes an impairment loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(h) Employee Benefits

(i) Short Term Benefits

Short-term benefits are monetary and non-monetary benefits as covered in employment contract and scheme of service. A liability is recognized for unpaid short term benefit. An expense is recognized as the entity benefits from services provided by employees.

(ii) Post –Employment Benefits

Contributions to Social Security Fund

The Trust contributes to Parastatal Pensions Fund (PPF) 10% of basic salary of each staff and the staff contributes 10% of his/her basic pay every month. The Trust collects both contributions and remits to PPF every end of the concerned month. The Trust contribution is charged to the Statement of Comprehensive Income on accrual basis.

Gratuity

The Trust provides gratuity to all its employees upon successful completion of their employment contracts. Gratuity is payable at 25% of earnings during the period of Contract of employment. The gratuity is charged to the statement of Comprehensive Income on accrual basis.

Retirement Benefits

The Trust recognizes employees' retirement benefits **a)** as a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and **b)** as an expense when the Trust has consumed the economic benefit arising from service provided by the employee in exchange for the employee benefit.

NOTE: 2 PROPERTY, PLANT AND EQUIPMENT (FOR NON PROJECTS)

Description	Computers	Motor Vehicles/Bikes	Furniture & Fittings	Office Equipment	Total
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Cost					
As at 01.01.2011	18,828	173,581	35,252	13,151	240,812
Revaluation	0	53,925	0	0	53,925
Transfer	(3,209)	0	0	0	(3,209)
As at 31.12.2011	15,619	227,506	35,252	13,151	291,528
Depreciation					
As at 01.01.2011	3,626	153,261	29,653	3,227	189,767
Transfer	(484)	0	0	0	(484)
Charge for the Year	5,206	20,321	1,094	1,644	28,265
As at 31.12.2011	8,348	173,582	30,747	4,871	217,548
Net book value					
As at 31.12.2011	7,271	53,924	4,505	8,280	73,980
As at 31.12.2010	15,203	20,321	5,598	9,923	51,045

NOTE: 3 PROPERTY, PLANT AND EQUIPMENT (FOR PROJECTS)

Description	Computers	Motor vehicles	Furniture & Fittings	Total
	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Cost				
As at 01.01.2011	25,825	638,370	1,183	665,378
Additions	5,529	41,817	0	47,346
As at 31.12.2011	31,354	680,187	1,183	712,724
Depreciation				
As at 01.01.2011	0	0	0	0
Charge for the Year	9,670	168,964	148	178,782
As at 31.12.2011	9,670	168,964	148	178,782
Net Book Value				
As at 31.12.2011	21,684	511,223	1,035	533,942
As at 31.12.2010	25,825	638,370	1,183	665,378

NOTE: 4 INVESTMENTS IN SHARES

Unquoted Shares	31.12.2011		31.12.2010	
	No. of Shares	TZS'000	No. of Shares	TZS'000
Njombe Community Bank Ltd	100,000	100,000	100,000	100,000
Mwanga Community Bank Ltd	866,765	43,338	866,765	43,338
Meru Community Bank Ltd	40,000	40,000	20,000	20,000
Tandahimba Community Bank Ltd	20,000	20,000	20,000	20,000
Fanikiwa Microfinance Co Ltd	2,640	2,640,000	2,540	<u>2,640,000</u>
TOTAL		2,843,338		<u>2,823,338</u>

NOTE: 5 ENDOWMENT FUND

5 (a) The Bank of New York	£	TZS'000	£	TZS'000
Opening Balance	571,523	1,282,498	364,733	765,575
Interest	838	2,096	206,790	465,565
Exchange Difference	0	92,344	0	<u>51,358</u>
Balance Carried Forward	<u>572,361</u>	1,376,938	<u>571,523</u>	<u>1,282,498</u>
5 (b) Shore Cap International	£	TZS'000	£	TZS'000
Opening Balance	182,811	410,228	182,811	383,720
Exchange Difference	0	29,548	0	<u>26,508</u>
Balance Carried Forward	<u>182,811</u>	439,776	<u>182,811</u>	<u>410,228</u>
5 (c) CBA (2010-Barclays Bank)	\$	TZS'000	\$	TZS'000
Opening Balance	36,788	54,827	35,000	47,935
Interest	292	455	1,788	1,337
Additional Contribution from TGT's reserve	4,000	6,400	0	0
Exchange Difference	0	2,268	0	<u>5,555</u>
Balance Carried Forward	<u>41,080</u>	63,950	<u>36,788</u>	<u>54,827</u>
TOTAL		1,880,664		<u>1,747,553</u>

The Endowment Fund is a long term investment for the future sustainability of the Trust. The Funds are invested in Sterling Pounds at The Bank of New York Mellon in the UK and in US Dollars at the Commercial Bank of Africa Tanzania Limited (2010-in Barclays Bank Tanzania Limited).

The Gatsby Charitable Foundation (GCF) has invested £ 182,811 on behalf of TGT in Shore Cap International Limited (SIL). There is still a balance of £ 67,189 with GCF to be invested in SIL.

NOTE: 6 REVOLVING FUND

		2011		2010
	£	TZS '000'	£	TZS '000'
Balance 1 st January	16,615	37,284	16,615	34,873
Exchange Difference	—	2,685	—	2,411
Balance 31 st December	16,615	39,969	16,615	37,284

These are funds disbursed to Women Entrepreneurs Development for procurement of Packing Materials for the Food processors SMEs. The amount is fully provided for as doubtful of recovery.

NOTE: 7 PREPAYMENTS

Prepaid Medical Insurance	44,349	0
Prepaid Rent	127,680	5,341
TOTAL	172,029	5,341

NOTE: 8 OTHER RECEIVABLES

Imprests – Non Projects	1,598	701
Imprests – Projects	13,800	0
Refundable Expenditure by FMFCL Not Transferred	0	47,071
Refundable Expenditure from CBA	56,618	48,140
Staff Loans	0	700
TOTAL	72,016	96,612

NOTE: 9 CASH AND CASH EQUIVALENTS

Cash on Hand	1,405	1,857
Projects Funds	616,938	1,856,611
Non Projects Funds	393,995	14,748
TOTAL	1,012,338	1,873,216

NOTE: 10 DEFERRED INCOME

Project Funds – CTDp (from GCF)	2,347,621	2,025,000
Project Funds- Mbogamboga (from Ford Foundation)	119,960	0
TOTAL	2,467,581	2,025,000

Project Funds earmarked for the next accounting period following the year of receipt are credited to the current liabilities under the deferred income component.

NOTE: 11 PROVISIONS AND ACCRUALS

	31.12.2011	31.12.2010
	TZS'000	TZS'000
Gratuity	12,638	49,014
PAYE on Gratuity	1,113	9,184
Audit Fees	10,000	10,355
Electricity	480	249
General Insurance	-	1,990
Provision for WED Fund	39,969	0
Retirement Benefit	39,992	145,728
Telephone Bills	1,167	588
Refundable Expenditure by FMFCL Not Transferred	<u>1,728</u>	<u>0</u>
TOTAL	<u>107,087</u>	<u>217,108</u>

Calculation of Retirement benefit for Finance and Administrative Manager is for 7 years from 2005, based on the last salary earned in December 2011.

NOTE: 12 OTHER INCOME

	2011	2010
	TZS'000	TZS'000
Projects Managing Fees	320,380	73,650
Fees for Use of Conference Room	1,050	950
Interest from Bank's Call Account	22,470	0
Training Fees from MKUBWA Project	1,800	8,584
Donation	160	0
Exchange Difference	151,914	106,862
Debt Collected by FMFC for TGT	27,200	0
Trade Fair Participation	6,460	4,632
Dividend from Mwanga Community Bank	<u>0</u>	<u>3,940</u>
TOTAL	<u>531,434</u>	<u>198,618</u>

NOTE: 13 ADMINISTRATIVE EXPENSES

	2011	2010
	TZS'000	TZS'000
Audit Fees	10,000	10,355
Bank Charges	4,416	3,467
Board/Various Committees Meeting Expenses	43,615	19,186
Communication	11,895	7,565
Community Social Support	8,030	1,155
Electricity & Water	3,552	1,874
Entertainment	2,833	1,960
Filing Fees	0	100
Fuel Expenses	8,290	7,910
General Insurance	2,739	2,593
Internet Charges	2,610	595
Motor Vehicles Running Expenses	5,291	7,939
Office Expenses	2,142	2,363
Office Rent	29,144	21,828
Partition of office - 7 th Floor, PPF House	0	22,208
Personnel Costs	332,119	49,644
Provision for Retirement Benefit	39,992	0
Printing and Stationery	1,781	2,432
Provision for WED Revolving Fund	39,969	0
Professional Fees	4,238	4,640
Publications	7,330	7,675
Repairs and Maintenance	3,714	1,719
Subscriptions	1,944	22,002
Travelling Expenses	5,688	0
TOTAL	<u>571,332</u>	<u>360,481</u>

NOTE: 14 OTHER EXPENSES

Non - Projects		
Dar Trade Fair Expenses	23,625	36,587
Provision for Impaired Portfolio	0	99,793
Provision for Retirement Benefit	0	211,968
Inter Trust Seminar Expenses	19,370	104,995
Withholding Tax on Interest	0	42
Stamp Duty on Lease Agreement	0	1,025
Depreciation	28,264	27,380
TOTAL	<u>71,259</u>	<u>481,790</u>

NOTE: 15 TAXATION

The Trust is exempted from Corporate Tax under the Income Tax Act of 2004. Returns for other taxes have been filed with Tanzania Revenue Authority as required.

NOTE: 16 CAPITAL COMMITMENTS

There were no capital commitments as at 31st December, 2011.

NOTE: 17 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December, 2011.

NOTE: 18 COMPARATIVE FIGURES

Previous year's figures have been re-grouped whenever considered necessary in order to make them comparable with current year's figures.

NOTE: 19 ABBREVIATIONS

CBA	Commercial Bank of Africa
FMFCL	Fanikiwa Microfinance Company Limited
GCF	Gatsby Charitable Foundation
M&E	Monitoring and Evaluation
MFIs	Microfinance Institutions
NFS	Non Financial Services
NGO	Non Governmental Organization
TGT	Tanzania Gatsby Trust
TTBP	Tanzania Tree Biotechnology Programme
TVBI	Tanzania Virtual Business Incubator (A World Bank financed programme)
TZS	Tanzanian Shillings
WED	Women Entrepreneurships Development

