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## About TGT

Tanzania Gatsby Trust establishment in 1992 as a charitable organization under the Trustee's Ordinance has been successfully addressing the critical barriers for wealth creation by the SMEs (Small and Medium Entrepreneurs) and farmers' development through innovative partnership projects and programmes. The focus of TGT has been on enhancing small holder farmers' and SMEs access to finance, business and technical skills, technology and markets in rural and peri-urban areas in Tanzania. TGT is a leading catalyst for farmers and SMEs Development in Tanzania providing market led solutions to the target group.

### Vision

A leading catalyst for SME and farmer development in Tanzania .

### Mission

Working in partnerships to transform youth and women SMEs and subsistence farming into global competitive enterprises.

### Core Values

TGT cares how results are achieved and therefore adheres to the highest professional and ethical practices in all its activities based on the following principles

**(i) Teamwork, partnerships and collaboration:**

High performing teams containing appropriate diversity can achieve what individuals alone cannot

**(ii) Transparency and accountability:**

Transparency in all operations and accountability to all stakeholders (board, staff, clients, partners, community, Government)

**(iii) Community and client involvement:**

In seeking solutions, we believe in harnessing and nurturing client and community based innovative ideas

**(iv) Innovation:**

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions to client

**(v) Mentoring and Leadership:**

TGT believes that everyone has potential that can be unleashed for the good of society



## Statement of the Chairman



Mr. Epaineto B. Toroka

### **Chairman**

On behalf of the Board of Trustees I have the honour to present to the TGT's stakeholders the 2014 Annual Report.

In our quest of empowering vulnerable groups and MSMEs with entrepreneurial skills and opportunities within the various sectors value chains we believe TGT must respond to the dynamic environment it operates in by taking into consideration current development challenges and the national policy (macro and micro) context. To this end as a catalyst for SME and farmer development, TGT works in partnership with others to create vibrant and dynamic SME and agricultural sectors, moving towards TGT's vision of an enterprising Tanzania in which prosperity is widely and fairly distributed.

Year 2014 marked the end of the 2010-2014 Five Year Strategic Plan. We are happy that during the year and like the years before, TGT's programs worked to create improved profitability and livelihood development for SMEs and farmers, particularly women and youth. Improved productivity, profitability and higher incomes in turn generates increased welfare for low-income Tanzanian households, both for the entrepreneurs/farmers that TGT works with, the new workers they may employ and the businesses they support by increasing their purchases of inputs and capital. This helps develop the SMEs and agricultural sectors, creating a base for a vibrant private sector in Tanzania.

We are proud that TGT has developed the strengths to address the wide ranges of SMEs needs and has many opportunities to reach a wider range of vulnerable groups in both the formal and informal sector including reaching out to farmers. To this end we are very grateful to our partners who have all along supported our initiatives as indicated in the financial report section i.e.:



- The Gatsby Foundation of UK supporting the Cotton and Textile Development Programme
- DFID for Co-Financing the Tanzania Cotton and Textile Development Programme
- DANIDA for supporting the IESP (Informal Economy Sector Support Programme) a pilot programme. The major purpose of the programme is to ease the access to suitable and secure business premises available to businesses operating in the informal economy in greater Dar es Salaam through a PPP (Public Private Partnership) arrangement.
- Ford Foundation for supporting the Horticulture Women Programme whose aim is to change the lives of women through integrated tourism value chain horticulture farming in Zanzibar.
- Comic Relief and Cherie Blair Foundation for the MKUBWA programme

We have just approved a new five years Strategic Plan (2015-2019) in which we aim to take a **holistic approach to business and farmer development**. We believe that to grow their businesses, entrepreneurs and farmers need a combination of the appropriate skills, resources and ability.

**Skills:** Good technical skills are required for efficient and high-quality production, as well as skills to standardize, brand and market their produce; organizational skills in finance, management, leadership, and business registration and formalization are needed to ensure organizations run efficiently and effectively.

**Resources:** Access to finance, work premises and good-quality are necessary to enable efficient and scaleable production; and access to more and higher-value markets enables entrepreneurs and farmers to increase production quantity, quality and range.

**Ability:** Self-belief and commitment to goals enables entrepreneurs and farmers to achieve the direction they need to grow their businesses; and gender-based personal, social and economic obstacles must often be removed before female entrepreneurs and farmers can achieve their full potential.

Each of TGT's programs approaches this challenge in a holistic manner, analysing what is most important for the entrepreneurs and farmers TGT works with.

We welcome new Partners who share our Vision and Mission to build a thriving private sector in Tanzania. I appreciate the roles played by all the stakeholders, Partners, Trustees and the Management team for making the 2014 a success.



Epaineto Toroka

**Chairman**



## TGT Board of Trustees



Mr. Epaineto B. Toroka  
**Chairman**



Dr. Donath Olomi  
**Vice-Chairman**



Mrs. Margareth Chacha



Mr. Bilharilal K. Tanna



Mr. Laurence Cockcroft



Mr. Ali Khalil Mirza



Prof. Burton Mwamila



Ms. Modesta L. Mahiga



Olive D, Luena  
**Chief Executive Officer**



## The Management Report



Olive D, Luena  
**Chief Executive Officer**



Mark Mambo  
**Deputy Chief Executive Officer**

Year 2014 marked the end of the 2010-2014 five years strategic plan with the goal of “Empowering vulnerable groups and SMEs with entrepreneurial skills and opportunities within the various sector value chains”. In pursuing this goal the TGT strategy was to be more sector focused, working with partners to realise the TGT’s Vision of “Working in partnership with others striving towards an enterprising Tanzania, in which prosperity is widely distributed”, pursuant to its mission which is “Harness, channel and unleash human energy to build social, financial and physical capital through entrepreneurship development”. As a Catalyst for farmer and SMEs development during the year TGT continued implementing the following five years strategic objectives (SOs) whose outcome is portrayed in summary in the thematic operational reports.

### Governance

In fulfilling the statutory responsibilities of governing the Trust, the Board of Trustees held all stipulated quarterly meetings to transact business according to governance tools. The Finance and Audit Committee also responsible for the procurement issues, met six times within the year. Within the same period the Projects Oversight Committee (POC) met three times working very closely with the management team for the preparations of the new strategic plan. The Governance Committee met once and the Annual General Meeting was held as per the statutory requirement.

### Highlights of some events during the year

#### The Management

CEO was appointed to the Constitutional Assembly and had to operate most of the time from Dodoma.



### Lord David Sainsbury Visit to Tanzania

During the year Lord David Sainsbury came to Tanzania two times (May and November) and the Management had to organise in his appointments with Government officials and private sector players. The November visit was at the invitation of the University of Dar Es Salaam where on the 8th of November he was conferred an honorary degree of science for his contribution to the development of farmer and SMEs as well as the academia in Tanzania



*(Above) Lord David John Sainsbury being conferred the Doctorate Degree in Science*

### Partners /Donors Visits and meetings

Comic Relief and Cherie Blair Foundations sent three different missions for monitoring and follow up and a team of journalists /film makers to capture the success stories of the MKUBWA Programme. Monthly Skype meetings were held mostly with Cherie Blair Foundation.



## SMEs Development – 2014 Annual Report

Many of women-owned SMEs face barriers to entry and business growth; this includes access to education and training, finance, technology, legal and cultural barriers and infrastructure-related challenges. And yet, women are natural entrepreneurs who launch more small businesses than men, and they tend to be less risky.

### TVBI Programme

TGT through TVBI programmes, MKUBWA (*Mpango wa Kukuza Ujasiriamali na Biashara kwa Wanawake*). In English means “Program to grow entrepreneurship and women entrepreneurs” (the acronym by itself means ‘BIG’). TGT believed that promoting women’s control and access to economic resources, business development services and information on legal rights are instrumental factor to increase women’s social protection, economic empowerment, well being, participation in decision making and economic growth.

From 2009-2012, TGT piloted the implementation of MKUBWA and 550 women benefited from the programme. From year 2013; TGT scaled up the programme to be implemented within three years (2013-2016) in Dar es Salaam and Kibaha. The objective is to meet and empower more than 700 women entrepreneurs from high growth potential sectors (poultry, processing, textiles and tailoring) through the provision of business development skills and other incubators support services.

In the two years of the project implementation (2013-2014), the project reached more than 500 women entrepreneurs and 20 business development service providers. The project contributed to strengthening women owned micro enterprises and women decision making within the household and the community.

The major outcomes realized are:

- A. Improve business performance and skills of women entrepreneurs and help them grow their businesses; *333 women were equipped with managerial and technical skills to run financially viable, formal and self sustainable enterprises.*



*Women during the technical training on soap processing.*



*Women in Batik making sector learn how to design prints to the fabric*

B. Increasing their firm’s productivity, sales and profits; Women in the programme have realized average increase in revenue which resulted to average increase in profits. This is a result of proper business and financial records which are being maintained by women as an impact of business trainings. This increase in profit has led to improved economic position of women, improved nutritional status of the family and increased ability of asset ownerships.

- i) 39% increase in monthly sales
- ii) 62% increase in revenue/business turnover/ profit
- iii) 62% average increase in profit has been observed during the second visits
- iv) 70% average amount of profit has been ploughed back into the businesses

Table 1. Analysis of firms’ sales and profits



C. Women Social Empowerment

Along with the economic empowerment support services, TGT also aims to create awareness on gender related matters especially on women’s rights to women and health. For TGT, it’s about strengthening the role women play in both their home life and work life, to enable them to take on business and leadership roles in their communities. Therefore;

- o 80% of women have confessed that they have increased awareness in self protection against HIV/AIDS and Fistula.
- o 120 Women have acquired different leadership positions in their community hence they are involved in decision making and increased their confidence.

1) 32% women accessing financial services

108 Women had opened bank accounts, and 53 accessed new loans from various financial institutions.

2) 80% women keep business transactions and financial record

155 women are keen on keeping business transaction and business records in proper way.

3) Improve children’s outcomes and household well-being.

From the profit realized, 220 women (equivalent to 66%) were able to support their children to access better education through paying school fees, transport, accommodation and other learning materials.



- 4) Product/service competitiveness improved and access to markets enhanced

*During the technical training women entrepreneurs were provided with hands on skills training for their respective sectors and shared knowledge on quality management, product improvement, packaging and management of working tools. As a result women are making new designs with competitive features, tastes and fashions for their products;*



*Dresses with hand bags and necklaces*



*wallet and table mart*

- 5) Sector networks established

146 women have formed new sector business networks as influence of MKUBWA interventions (soap, batik and poultry), and some of them have joined the existing business groups such as village community banks (VICOBA) and MWAKUDA-(Network for women who rear poultry in Dar Es Salaam). Those networks aimed at facilitating its members for easy access of raw materials, veterinary services, markets and finance.

- 6) Businesses formalization and compliance with regulatory authorities

As per our 2014 midterm evaluation survey data, most of our target groups do their business at home and not at secured and suitable premises. Therefore after the project intervention;

- o 16 women have the Tax Identification Number (TIN) of which 10 of them are paying income taxes to TRA and 8 are in the process of getting the TIN Certificate.
- o 49 women have registered their businesses with BRELA and 56 are in the process
- o 6 women have TBS certificate and 36 are in the process of obtaining.



## E-Mentoring programme

This is a programme which facilitates the new way of supporting women entrepreneurs. The programme breaks down the distance barriers. It helps to accelerate the pace women are making in taking their businesses, confidence and skills to the next level. All of the mentoring is done online using a specially-designed Google platform, which allows for great flexibility and cross-border networking and learning.

TGT for the year 2014 managed to recruit and train 19 women; who benefited from the service and have developed confidences, new Networks and cultivated positive altitude in enterprises development. Moreover, quality of products have been Improved and others have introduced new product lines to the market.

## Success stories

### 1. SESILIA MHANGA

My name is Sesilia Emmanuel Mhango, Im doing batik making business both printing and colour mixing. I started in 2008 with a capital of 200,000/= shillings.

*Before MKUBWA I was doing a number of businesses such as processing soaps and detergents, batiks and accessories. After the MKUBWA training this year 2014, I realized that I can make more money if I stick to one business; therefore I got skills on designing and color mixing from the programme which helped me gain confidence and manage to leave the other businesses and work hard on batik making business only.*

*Since then, I have seen my batik business taking off with a very successful trend. Though I don't have the building/store to displaying my products, I only use the place outside my house, but I can realized profits which I usually reinvest to grow my working capital. My currently capital has grown to 3,000,000 tshs and I have managed to buy a motorcycle. I recommend MKUBWA to other women that it brings sustainable development!!*



## 2. GODLIVER MWOMBEKI

Being a house wife, Ms Godliver Mwombeki was tired of being idle and wanted to have a business which can keep her busy and give her a certain income. One day in year 2007, she had a dream in creative arts especially bead work. Without training or any skill she took her only 10,000/= as initial/ starting capital and bought some beads and few tools. She started to make products which had great attractiveness to customers. Her sales started to soar and many people knew her products and became her repeating customers.



In the year 2014 she heard about MKUBWA through a friend. She successfully joined MKUBWA program which she appreciates very much. She said *“MKUBWA played a big role to my business especially in record keeping, costing and pricing, financial discipline and networking. My current capital has grown to tshs 3,000,000/= (an increase of 300 times in seven years) and sales increased steadily up to Tshs 516,000/= per month and monthly profit of tshs 384,000/= through the profit realized I am able to pay school fees, household upkeep and other financial consequences”.*

She really applauds MKUBWA for topping up what she was missing in herself and in her business. She is confident that she will do better if she will get good and reliable sources of raw material. Godliver salutes MKUBWA for its superb program and wishes it being delivered national wide.

## 3. JOVITA STORY

“I saw the opportunity in soap making because every day people are using soap in the bathroom to clean their hands and scrub their toilets and in the kitchen to wash things. I knew it could be a good business. I looked at others making soap and I knew I could do it better than them.”

Jovita launched Jonoma Products in 2012 with just ten litres of soap, which she sold to her neighbours. Since then her business has grown at an extraordinary rate. Today, Jovita sells soaps, shampoos and disinfectants to government ministries and the University of Dar es Salaam. She has also received large orders from companies in neighbouring Zambia and the Congo.



Jovita says the turning point came when she attended the enterprise training, which made her realise how important it was to register her business and secure capital to invest in further growth.

Putting her training into practice, Jovita immediately registered her business with a government organization for small industry. This opened a lot of doors for her, including admittance to Dar es Salaam's annual international trade fair where she has reached new customers and sold two million shillings worth of products.

Jovita's ambition now is to reach new markets and scale up her flourishing business. She plans to take out a bank loan to finance the cost of a delivery vehicle and a driver, so that her products can reach a growing international customer base.

"Before the training, I was so scared of taking out a loan, even a small one," Jovita explains. "But the training taught me about loans and record keeping. So now I can save, keep records and then take my records to the bank. I am confident that even if I take out a big loan, I am able to repay because the business is there."



*Ms. Wankembeta  
Kinyau SMES /Mkubwa  
Programme Manager*

## Informal Economy Sector Programme



*Erick Kimasha IESP Coordinator*

The IESP Programme is a pilot programme which has been in implementation since November, 2011. The purpose of the initiative is: *To ease the access to suitable and secure business premises available to businesses operating in the informal economy in greater Dar es Salaam.*

The programme involves two partners; KMC (Kinondoni Municipal Council) and VIBINDO Society in exploring tested PPP model for solving the challenge of business premises facing traders operating in the informal sector. TGT has been supervising the programme implementation and managing funds on behalf of DANIDA.

To achieve the programme goal, different activities in different programme phases were initiated. These include the activities to establish a national PPP platform, building and strengthening the management capacity of VIBINDO, and facilitating the establishment of a PPP Unit at KMC. These are the software of the programme deliverables. The hardware which should come to operate with these software's is the market facility at Mburahati in Kinondoni District. During the year under



review operations of the project included the auditing of VIBINDO Society, finalization of tendering procedures for selection of the contractor, sourcing of extra fund required for successful Mburahati investment. By end of the Year TIB had in principle agreed to extend a loan for the construction to top up the DANIDA grant of Tshs 700,000,000. Construction of the facility is expected to take off in 2015. Challenges faced have mainly been in brokering the partnership for mutual goal setting and adhering to timelines. It is hoped that this project will stimulate other players and in particular municipal councils to develop such facilities for the informal sector operators in their localities.

### **Zanzibar Mbogamboga-Horticulture Project Report**

The objective of the Mbogamboga project is to change the lives of smallholder farmers through integrated horticulture farming and value addition to enable them to benefit from the Tourism Value Chain in Zanzibar and improve livelihoods of the women within the mbogamboga project. Overall, the project showed that best practice agronomy and access to irrigation are essential in order to enable a regular supply of produce, particularly in the dry season to hotels and communities. Farmers who adopt good agronomy practices can increase incomes through taking loans to irrigate their land and enable them to progress from subsistence agriculture to small scale commercial farming and increase their profits through value addition. TGT operates farmers' field schools to achieve these goals which focus on:

- (i) Agronomy best practices: - Which includes provision of extension services; establishment of training centres for nursery establishment, Pesticide management, Irrigation, proper use of organic fertilizer.

- (ii) Agro-Business training includes business and entrepreneurship training, financial management, access to finance and linkages to sustainable markets,
- (iii) Sensitization and awareness creation of gender and human rights to women involved in the project.

This was the second phase of the project funded by Ford Foundation for two years (2013 – 2014) and Porticus for year 2014. The planned target was to reach 1500 farmers, but the actual outreach surpassed the target and reached 1650 farmers. The project was focusing on:

- a) Scaling up the intervention through a combination of business skills training, individual coaching and business plan refinement, selection and incubation.
- b) Supporting the current women's horticulture and agribusinesses to graduate from micro to small and reach out to more starters.
- c) Integrating access to human rights and gender awareness programmes within its work to create a positive and lasting change in the opportunities and potential of women farmers and entrepreneurs.
- d) Providing loans (through TGT Belkin Fund and Faniikiwa Microfinance Company) to trained farmers with orders at hand from hotels.
- e) Supporting the adoption of drip irrigation, better agronomy and growing calendars to enable farmers maximize income all year around and be able to pay back loans.
- f) Assisting farmers learn better agronomy and growing calendar patterns thus moving farmers move from subsistence farming to sustainable levels.



- g) Providing sample of successful farmers with the green houses technology Kits for sustainable farming which has proven to be a way out for many who are suffering from food insecurity and proactive route to improving community livelihood
- h) Enhancing skills and knowledge of farmers on how to access markets and link women producer groups/ associations to the local markets and the tourist hotel value chain;
- i) Building skills of the farmers in value addition and food processing technologies including vegetables and fruits solar dryers

### Outcome of the Project

- 9 hotels are buying vegetables from farmer groups hence average volume of sales increased from Tshs 0.75 million to Tshs 1.5 million per month;
- 350 women famers have turned subsistence Mbogamboga farming into profitable businesses;
- More than 500 women farmers actively engaged in economic farming to improve their livelihoods
- 75 Farmers accessed loan from TGT Belkin Fund worth Tshs 39.2 million to increase their working capital
- 1600 farmers are practicing the utilization of organic fertilizers and bio pesticides
- 300 women farmers have the ability to own land, house, drip irrigation kit, wells and water reservoir tanks. They are capable and have confidence in decision making on buying and use of household assets.

**TGT operates farmers' field schools which focus on training centres to empower good agronomic practices to increase the income agro business training with access and linkages to financial market**



*Farmers on practical training at Ketwa (above) and Chaani*

**A video summary of the project ( filmed in October 2014) can be found at the following YouTube links:**

1. Swahili: [http://youtu.be/DWX\\_6xQNnbk](http://youtu.be/DWX_6xQNnbk),
2. English: <http://youtu.be/b0nkOQRMym0M>



*Mrs Teddy Kinalolo,  
Project Co-ordinator  
Mbogamboga Project*



## Cotton Sector Development Programme



### The Challenges

More than 400,000 smallholder farmers grow cotton in Tanzania, but their average yields were just over 200 kgs per acre - barely a quarter of the world average with smallholders in West Africa achieving yields twice as high. Furthermore, quality has deteriorated for many years, meaning Tanzania's cotton lint trades at a discount on world markets.

Changing this long-term direction and building a more internationally competitive sector requires establishing sustainable mechanisms that enable farmers to secure quality inputs, training, credit and information, as well as incentives for quality production.

We are working with local institutions and private sector partners to restructure Tanzania's cotton sector and build supportive markets to ensure more than 400,000 farmers can access the quality inputs and training they need to improve agronomy, increase yields and boost incomes.

Since 2007, the Cotton Sector Development Programme (CSDP) which is jointly funded by the UK Department for International Development (DFID) Conservation Agriculture Regional Programme (CARP) and the Gatsby Charitable Foundation (GCF) has worked with the Tanzanian Cotton Board (TCB) and other key stakeholders, to drive up productivity in Tanzania's cotton sector. Pilot initiatives, research and coalition-building have enabled the programme to reach a point where it is having a positive impact on over 100,000 farmers, with a strong position to potentially, benefit more than 400,000 farmers.

Previous input supply mechanisms in the sector have included a passbook system of forced saving and a collectively funded trust fund for input procurement. The passbook system and the trust fund failed or are failing on quality control, transparency, debt collection and trust.

However, private investment has not filled the gap, as high levels of competition in buying and the risk of side-selling by farmers undermine incentives for the primary processors - ginneries - to invest in pre-harvest services for farmers.

### Our Approach

In 2007 Gatsby and the Tanzania Cotton Board (TCB) began assessing different options for sector reform, eventually embarking on contract farming pilots, where ginneries become the critical investors in farmers with their investments protected through contracts and licensing. Pilots were established in the isolated region



of Mara where side-selling could be controlled due to the limited number of ginners. They solidified support for contract farming at high levels of government and with industry stakeholders such that in 2011/12 the whole industry was switched over to a limited form of contract farming. Over 290,000 farmers received inputs on credit, contributing to a record harvest. However, that success was in part due to the cost of the inputs supplied being split between ginners and a subsidised industry trust fund, with initial credit coming from input suppliers, not ginners (who subsequently only part-paid off input suppliers). Moreover, under this limited form of contract farming, ginners were not investing in farmer training. The system broke down in 2012/13 resulting in a 40% fall in production.

### Adapting The Approach

A thorough review of the programme and the sector in 2013 concluded contract farming was still the most likely mechanism for transforming the sector. The programme scaled back in terms of area, but increased the depth of its work with local governments (which benefit from a 5% cess on cotton production in their area and thus have direct financial incentives to increase output), concentrating on building the capacity of districts to manage local contract farming relationships. Momentum has gradually been rebuilt while the wider industry has lurched toward crisis as the industry trust fund has not been repaid and is close to bankruptcy, with the government unable to bail it out. Increasingly ginners recognise they do not have enough cotton and will have to put in their own investment to secure supply.

The programme supported a group of nine ginners in and around Geita Region to form a coalition called UMWAPA with another later formed by eight ginners in Kwimba district called KIMWAPA, and in 2014/15 about 95,000 farmers in Geita and 29,000 farmers in Kwimba will have received inputs and training through these ginners, with the programme facilitating the details of the

legal arrangements and working with local districts to strengthen the systems needed for effective regulation, including a management information system - PambaNET. At the same time, the programme has sought to reduce its dependence on the strength of government regulation of ginner investments by investigating possible market based solutions.

The programme had trained a network of 1,700 lead farmers across 1,700 villages to disseminate conservation agriculture techniques to increase yields in cotton as well as a range of other crops including maize, cowpea and jatropha. After reversal of the contract farming policy, the programme trialled efforts to develop these lead farmers into input distributors, initially bulking village demand but with a number developing into stockists of inputs for a range of crops. To date lead farmers collectively made input sales of US\$ 1.9 million over a 12month period from a base of zero. This developing network might ultimately be coordinated in the future under a not-for-profit enterprise which could play further roles including in crop purchase, marketing and even credit supply.

The programme also is supporting Ukiriguru Agricultural Research Institute to: trial, register and multiply new improved seed varieties; assess pesticide and fertiliser options as well as best agricultural practices; and conduct disease surveys. The improved seed and new pesticides will better serve both farmers and ginners through improved yields and improved ginner outturn, with expected improvements of up to 50% in farmer yields and a further 25%+ in lint production per kilo of seed cotton.



*Duncan Rhind,  
Programme Director*



## Textile Development Unit

The Textile Development Unit, TDU, a consulting Unit in the Ministry of Industry and Trade is now in its third year; having started working in August, 2012. In the last year the Unit continued with its roles of helping the textile and garment to improve their operational performance, reduce their manufacturing costs, improve their capacity utilization, improve the quality of their products, improve their connectedness, diversify their production, develop new markets and associate and air their views on infrastructural problems and business climates hindering their operations. The Unit also took steps aimed at promoting the country's profile to investors. To achieve this, the Unit had to strengthen its workforce.

The Unit strengthened its workforce by employing two full time staff members and one part time staff. The new full time staff members include the investment expert, Mr. Tim Armstrong, and the industrial engineer, Eng. Richard Mghamba. The Unit is availed the services of the part time policy expert, Ms Lindi Hlanze. The TDU staff strength now stands at six; the three other members are the Senior Advisor, Mr. Geoffrey Willis; the Senior Textile Specialist, Mr. Johnvianney Ndyamukama and the Assistant Administrative Officer, Mrs Farida Mwinyimkuu.

To help the mills improve their operational performance, capacity utilization and quality of their products, TDU has undertaken productivity studies/surveys of several mills – URAFIKI Ltd, POLYTEX Ltd and TABOTEX Ltd to start with. The findings and recommendations made by the study/survey team have been well taken by the managements of the mills. The Unit will continue with studies/surveys of the remaining mills.

The mills which are using gas as their industrial fuel complained to TDU about the monopolistic exploitation

exercised by the lone gas supplier Ms Panafrican Ltd. TDU took up the matter with the Ministry of Industry and Trade and the Ministry of Energy and Minerals. This helped to speed up the establishment of the National Gas Policy. Following this, there has now been a gradual downward revision of the natural gas prices supplied to these factories. The factories in the country are also still complaining about the sudden upward revision, by 40%, of the electricity prices. Our country's prices, however, remain the lowest in the East Africa Community block. TDU has failed to build a strong case on this.

TDU has helped mills work together on a win-win basis. Mills requiring more warp yarn than they can produce, are now buying their extra requirements from local mills. Mills which used to import grey fabric are now getting their supplies from local mills. TDU has encouraged fabric processing mills to establish weaving sheds for producing their grey fabric and the response has been positive.

On diversification of products, TDU encouraged mills to set up knitting sections. One mill has done that and another one is undertaking trials. It is easier to get export standards in knitted fabrics than in woven fabrics.

The Unit has taken steps to promote the country to potential foreign direct investors. It has established the Investment Guide. Mills are allocated domains in this Guide; several of them have started posting their activities and products on this Guide. The Unit has also set up its website: [www.tdu.or.tz](http://www.tdu.or.tz). The Assistant Administrative Officer has taken a special course on its management as directed by the investment expert.

The Unit will be sending a team of 3 people to the

SOURCING at MAGIC show due to take place in Las Vegas in the USA in February, 2015. This will help promote the country's profile and attract potential investors into our country, preferably in garment making.

The country has lately received an influx of traders from West Africa looking for tie-and -dye and batik printed fabrics. They would like to have well hand woven fabrics as well. With this development, the Unit now has plans to promote the micro-producers of these fabrics. There is also a lucrative market in South Africa for two-for-one twisted yarn. The local producers have been directed to this market.

The challenges facing the industry include the delayed registration of the industrial association, TEGAMAT. The file containing the Registration Certificate that was awaiting the Registrars signature disappeared miraculously from the Registrar's Office!

The other challenge is the availability of empty factory sheds for potential foreign garment makers. The Unit is working with the Export Processing Zone Authority to find out whether it could get speculative developers to set up such sheds in EPZA zones.

The industry still has a long way to go. TDU is working hard to have it get there soonest.

*The photograph below shows the current TDU staff members. standing from left are Lindi Hlanze, Geoffrey Willis, Johnvianney Ndyamukama, Tim Armstrong, Eng. Richard Mghamba and Farida Mwinyimkuu.*



## TRUSTEES' REPORT AND FINANCIAL STATEMENTS

### 31 DECEMBER 2014

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## LIST OF ACRONYMS AND ABBREVIATIONS FOR THE YEAR ENDED 31 DECEMBER 2014

TDU	Textile Development Unit
CTDP	Cotton and Textile Development Programme
FDT	Forestry Development Trust
GCF	Gatsby Charitable Foundation of UK
DFID	Department of Foreign and International Development
CARP	Conservation Agriculture Regional Programme
DANIDA	Dannish International Development Agency
TTBP	Tanzania Tree Biotechnology Project
MKUBWA	Mpango wa Kukuza Ujasiria Mali na Biashara kwa Wanawake
TGT	Tanzania Gatsby Trust
SMEs	Small and Medium Enterprises
CEO	Chief Executive Officer
KCMC	Kilimanjaro Christian Medical Centre
VIBINDO	Vikundi vya Biashara Ndogondogo (Small Traders' Groups)
FMFC	Fanikiwa Microfinance Company Ltd
KMC	Kinondoni Municipal Council
PPP	Public Private Partnership
TCB	Tanzania Cotton Board
IAAA	International Service for the Acquisition of Agri-biotech Applications
TAFORI	Tanzania Forestry Research Institute
PPF	Parastatal Pension Fund
TVBI	Tanzania Virtual Business Incubator



## INDEPENDENT AUDITORS' REPORT to the Trustees of TANZANIA GATSBY TRUST



**Building a better  
working world**

We have audited the accompanying financial statements of the Tanzania Gatsby Trust, which comprise the statement of financial position at 31 December 2014, the statement of financial performance, and the statement of cash flows for the year then ended and the notes, which comprise a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements***

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion based on our audit. We conducted our audit in accordance with the

International Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain a reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on 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 assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statement in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on 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 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 present fairly, in all material respects, the financial position of Tanzania Gatsby Trust at 31 December 2014, and statement of financial performance and its statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards and in compliance with Constitution establishing the Trust.

### Report on other legal and regulatory requirements

As required by the Trustees' Incorporation Ordinance, Cap 375, we report to you, based on our audit, that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of accounts have been kept by the Trust, so far as appears from our examination of those books;
- iii. The Trustees' Report is consistent with the financial

statements;

- iv. Information specified by Ordinance regarding Trustees remuneration and transactions with the Trust is disclosed; and
- v. The Trust's statement of financial position and statement of financial performance are in agreement with the books of accounts.

**Ernst & Young**

**Certified Public Accountants**

**Dar es Salaam**

**Signed by: Neema Kiure - Mssusa**

**Engagement Partner**

**Date:08/07/2015**



## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 TZS '000	2013 TZS '000
<b>REVENUE</b>			
Project Grants	6	9,214,780	6,840,687
Other Income	7	415,442	728,175
		<b>9,630,222</b>	<b>7,568,862</b>
<b>EXPENSES</b>			
Staff Costs		2,760,201	2,802,400
Monitoring and Evaluation		1,507,083	2,038,873
Technical Trainings		1,297,879	1,768,991
Consultancy costs		2,419,499	3,637,275
Depreciation and amortisation		439,865	406,881
Administration Expenses		649,680	725,331
Other Administration Expenses		293,092	534,711
<b>TOTAL EXPENSES</b>		<b>9,367,299</b>	<b>11,914,462</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>262,923</b>	<b>(4,345,600)</b>

The financial statements were approved for issue by the Board of Trustees  
on 8<sup>th</sup> July 2015 and signed on its behalf by:

Name: Margareth Chacha

Title: Trustee

Signature.....

Name: Epaineto Toroka

Title: Chairman

Signature.....

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 TZS '000	2013 TZS '000
<b>ASSETS</b>			
Non Current Assets			
Equipment (Project and Non Project)	9	672,944	813,580
		672,944	813,580
Current assets			
Investments	8	145,924	143,338
Endowment	10	665,266	1,117,335
Receivable	11	1	42,883
Prepayments and other receivables	12	174,889	37,520
Cash and bank balances	13	1,753,136	1,103,485
		2,739,216	2,444,561
<b>TOTAL ASSETS</b>		<b>3,412,160</b>	<b>3,258,141</b>
<b>EQUITY</b>			
Projects' Fixed Assets Fund		605,087	714,203
Belkin Fund		45,014	13,906
Poetry Prize Fund		104,538	125,041
Revaluation Reserve		99,364	99,364
Accumulated Fund		1,040,021	856,486
		1,894,024	1,809,000
<b>LIABILITIES</b>			
Current liabilities			
Accruals and other payables	14	89,770	99,927
Deferred income	15	1,428,366	1,349,214
<b>TOTAL LIABILITIES</b>		<b>1,518,136</b>	<b>1,449,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,412,160</b>	<b>3,258,141</b>

The financial statements were approved for issue by the Board of Trustees on 8<sup>th</sup> July 2015 and signed on its behalf by:

Name: Margareth Chacha

Name: Epaineto Toroka

Title: Trustee

Title: Chairman

Signature.....

Signature.....



## STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2014

	Notes	2014 TZS '000	2013 TZS '000
Cash flows from operating activities			
Surplus(Deficit) for the year		262,923	(4,345,600)
Adjustments for non cash items:			
	9	34,198	36,541
		405,667	369,487
		702,788	(3,939,572)
Cash flows in operating activities			
Decrease/(Increase) in Investment		(2,586)	2,705,000
Decrease/(Increase) in Endowment		452,069	(225,603)
Decrease in receivable		42,883	(467)
Increase in prepayment and other receivables		(156,967)	(1,252,448)
Decrease in accruals and other payables		(10,157)	117,821
Increase in deferred income		(79,152)	1,271,516
Net cash flows in operating activities		246,090	2,615,819
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(299,227)	(318,896)
Net cash flows from investing activities		(299,227)	(318,896)
Net increase in cash and cash equivalents		649,651	(1,642,649)
Cash and cash equivalents			
At the beginning of the year		1,103,485	2,746,134
At the end of the year	13	1,753,136	1,103,485
		<b>1,753,136</b>	<b>1,103,485</b>

The financial statements were approved for issue by the Board of Trustees on 8<sup>th</sup> July 2015 and signed on its behalf by:

Name: Margareth Chacha

Title: Trustee

Signature.....

Name: Epaineto Toroka

Title: Chairman

Signature.....

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2014

	PROJECTS' FIXED ASSETS FUND	BELKIN FUND FOR CREDIT FACILITY TO WOMEN	POETRY PRIZE FUND	REVALUATION RESERVE FUND	ACCUMULATED FUND	TOTAL
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Balance as at 1 January 2014	714,203	13,906	125,041	99,364	856,486	1,809,000
Surplus -Non project	-	-	-	-	183,535	183,535
Amortisation during the year	(405,667)	-	-	-	-	(405,667)
Additions	296,551	25,688	(20,503)	-	-	301,736
Interest	-	5,420	-	-	-	5,420
Balance as at 31 December 2014	605,087	45,014	104,538	99,364	1,040,021	1,894,024
Balance as at 1 January 2013	793,565	10,191	-	99,364	3,542,001	4,445,121
Impairment	-	-	-	-	(2,705,000)	(2,705,000)
Surplus -Non project	-	-	-	-	19,485	19,485
Amortisation during the year	(369,487)	-	-	-	-	(369,487)
Additions	290,125	2,355	125,041	-	-	417,521
Interest	-	1,360	-	-	-	1,360
<b>Balance as at 31 December 2013</b>	<b>714,203</b>	<b>13,906</b>	<b>125,041</b>	<b>99,364</b>	<b>856,486</b>	<b>1,809,000</b>

The financial statements were approved for issue by the Board of Trustees on 8<sup>th</sup> July 2015 and signed on its behalf by:

Name: Margareth Chacha

Name: Epaineto Toroka

Title:Trustee

Title:Chairman

Signature.....

Signature.....



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 1. TRUST INFORMATION

The financial statements are of Tanzania Gatsby Trust for the year ended 31 December 2014. It is incorporated under Trustees' Incorporation Ordinance, Cap 375 with certificate issued March 03, 1992.

### 2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards. (IFRS) and have been prepared on the accrual basis of accounting.

The financial statements are presented in Tanzanian Shillings and rounded to the nearest thousands (TZS '000), except when otherwise indicated.

#### Going concern assumption

TGT is implementing several projects with duration of more than one year. The operations of the Trust largely depend on funds from donors. As at the end of the year, TGT has long term donor contracts with the Gatsby Charitable Foundation of UK and other private foundation donors for the period ending 2014 and up to 2018. During 2014, TGT successfully negotiated extensions to Ford Foundation who have been long term donors; this has secured funding through 2016.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Revenue

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 to the extent not utilized are credited to the current liabilities under the deferred income component.

#### b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks with a maturity of less than three months.

#### c) Advances, prepaid expenses, deposits and other receivables

Advances, prepaid expenses and deposits consist of funds provided to vendors and employees to meet future obligations. In addition, advances are made to employees to cover travel expenses. Other receivables represent miscellaneous receivables not occurring through grant activity.



**d) Provision**

Provisions are made when the Trust has a present obligation, as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate for the amount of the obligation can be made for the obligation. Purchase orders raised are provided for as commitments at the end of reporting period.

**e) Equipment**

TGT capitalizes assets with a cost of US\$300 /TZS 500,000 and above. Equipment are recorded at cost less accumulated depreciation and accumulated impairment if any. Equipment comprise of furniture, fixtures, computers and motor vehicles. Depreciation is calculated on a straight-line basis, at monthly rates estimated to write off carrying values of the property and equipment over their expected useful lives. The estimated useful lives in years are as follows:

Item	Year
Motor vehicles	5
Equipment	8
Furniture & Fittings	8
Computers	3

In accordance with contractual disposition guidelines, certain equipment acquired for direct use in programs is expensed in the year of acquisition, as disposition is determined by the grantor upon program termination.

**f) Foreign currency translation**

The functional currency of these financial statements is Tanzanian Shilling. Foreign currency transactions are translated at the exchange rates ruling of transaction date. The aggregate gains or losses from translations to functional currency are included in the statement of financial performance.

Monetary assets and liabilities denominated in foreign currency are translated into TZS using the exchange rate prevailing at the balance sheet date. Exchange differences on Endowment Fund are recognized in the statement of changes in Equity.

**g) Taxation**

The Trust is exempted from Corporate Tax under the Income Tax Act of 2004. However, other taxes such as Pay As You Earn, Skills and Development Levy, Withholding tax on services and rent, stamp duty, etc. are not exempted and are paid on time, including filing of Provisional and Final Tax Returns with Tanzania Revenue Authority as required the Income Tax Act, 2014.

**h) Employees benefits  
Defined contribution**

TGT employees are members of state owned pension scheme, the Parastatal Pensions Fund (PPF). The Trust contributes to the scheme 10% of basic salary for each employee, and the employee contributes 10%. The Trust's contributions to the fund are charged to the statement of financial performance in the year to which they relate.



**i) 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.

**j) Leases**

Leases where the Trust does not receive substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental expenses. Contingent rents are recognised as expenses in the period in which they are incurred.

**k) 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 arm's

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.

**l) Financial Instruments – initial recognition and subsequent measurement**

**i. Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trust determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Trust commits to purchase or sell the asset.



The Trust's financial assets include cash and short-term deposits and other receivables.

### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follow:

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Trust that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the statement of comprehensive income.

The Trust has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Trust evaluated its financial assets at fair

value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Trust is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Trust may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

### **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs

### **De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:



The rights to receive cash flows from the asset have expired, The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Trust's continuing involvement in the asset.

In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

### **Impairment of financial assets**

The Trust assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is

impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost the Trust first assesses individually for financial assets that are individually significant whether objective evidence of impairment exists or collectively for financial assets that are not individually significant. If the Trust determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value



of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Trust. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash

flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

## ii. **Financial Liability**

### **Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, and loans and borrowings. The Trust determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Trust's financial liabilities include trade and other payables, bank overdraft, and loans and borrowings.

### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.



Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Trust that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of financial performance. The Trust has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

#### 4. **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the company's financial statements are described below. This description is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the company's financial position or performance in the period of initial application. In cases where it will have an impact, the company is still assessing the possible impact.

*Standards and interpretations issued or revised but not yet effective for the current financial year*

- IFRS 14: Regulatory Deferral Accounts

(Effective 1 January 2016)

- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2016)
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)
- IAS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRS 9: Financial instruments (Effective 1 January 2018)
- IFRS 11: Accounting for the acquisition of interests in a Joint Operation (Effective 1 January 2016)
- IAS 27: Equity method in separate financial statements (Effective 1 January 2016)
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception Amendments (Effective 1 January 2016)
- IAS 1 Disclosure Initiative (Effective 1 January 2016)

#### **Improvement project**

Below is a summary of the improvements issued by December 2013 but which were not yet effective for the financial year ended 31 December 2014:

- IFRS 2 – Share-based Payment (Effective 1 July 2014)
- IFRS 3 – Business Combinations (Effective 1 July 2014)



- IFRS 8 – Operating Segments (Effective 1 July 2014)
- IAS 16 – Property, plant and equipment and IAS 38 Intangible Assets (Effective 1 July 2014)
- IAS 24 – Related Parties (Effective 1 July 2014)
- IAS 40 – Investment Property (Effective 1 July 2014)
- IFRS 13 - Short term receivables and payables (Effective 1 July 2014)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Organization.

The organization has assessed the significance of these new standards, amendments to standards and new interpretations, and concluded that they will have no material financial impact.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are

believed to be reasonable under the circumstances.

### ***Useful lives of Equipment and intangible assets***

Critical estimates are made by management in determining the useful lives and residual values to equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 TZS '000	2013 TZS '000
<b>6 PROJECT GRANTS FINANCED BY:</b>		
Gatsby Charitable Foundation UK	7,771,117	5,847,806
DANIDA	687,501	349,796
Cherie Blair Foundation	253,000	141,975
Comic Relief Foundation	219,843	223,190
Ford Foundation	161,960	161,960
Other grants	121,359	-
Kilimo Trust	-	80,000
World Bank	-	35,960
	<b>9,214,780</b>	<b>6,840,687</b>
<b>7 OTHER INCOME</b>		
Reimbursement of Administration Expenses - CTD/PTDU	333,320	639,957
Reimbursement of Administration Expenses - TTBP	-	8,000
Reimbursement of Administration Expenses - MKUBWA	15,909	18,115
Fees for Use of Conference Room	1,050	1,200
Training Fees from MKUBWA Project	5,320	4,255
Dividend from The Bank of New York	34,016	63,511
Other income	16,300	3,640
Exchange Loss on Non Endowment accounts	(22,346)	(19,941)
Interest on Investment	28,425	-
Interest on bank deposit	3,448	2,409
Trade Fair Participation Fees	-	7,029
	<b>415,442</b>	<b>728,175</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 TZS '000	2013 TZS '000
<b>8</b>	<b>INVESTMENTS</b>		
	Unquoted Shares		
	Fanikiwa Microfinance Co Ltd	2,640,000	2,640,000
	Provision for impairment	(2,640,000)	(2,640,000)
	Discounted Equity FMFC	-	-
	Njombe Community Bank Ltd	100,000	100,000
	Mwanga Community Bank Ltd	45,924	43,338
	Meru Community Bank Ltd	45,000	45,000
	Provision for impairment	(45,000)	(45,000)
	Discounted Equity Meru	-	-
	Tandahimba Community Bank Ltd	20,000	20,000
	Provision for impairment	(20,000)	(20,000)
	Discounted Equity Tandahimba	-	-
	Total Investments	145,924	143,338



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Computers TZS '000	Motor vehicles TZS '000	Furniture & fittings TZS '000	Office Equipment TZS '000	Total TZS '000
<b>9 EQUIPMENT (NON-PROJECTS ASSETS)</b>					
31 December 2014					
Cost					
As at 1 January 2014	15,641	97,745	23,942	34,583	171,911
Additions	2,677	-	-	-	2,677
As at 31 December 2014	18,318	97,745	23,942	34,583	174,588
<b>Depreciation</b>					
As at 1 January 2014	10,253	37,917	10,732	13,631	72,533
Charge for the year	2,807	24,436	2,916	4,039	34,198
As at 31 December 2014	13,060	62,353	13,648	17,670	106,731
<b>Carrying Value</b>					
As at 31 December 2014	5,258	35,392	10,294	16,913	67,857
31 December 2013					
Cost					
As at 1 January 2013	17,520	79,205	21,636	32,379	150,740
Additions	5,720	18,540	2,306	2,204	28,770
Disposal	(7,599)	-	-	-	(7,599)
As at 31 December 2013	15,641	97,745	23,942	34,583	171,911
<b>Depreciation</b>					
As at 1 January 2013	13,421	13,481	7,567	9,123	43,592
Charge for the year	4,432	24,436	3,165	4,508	36,541
Disposal	(7,599)	-	-	-	(7,599)
As at 31 December 2013	10,254	37,917	10,732	13,631	72,534
Carrying Value					
<b>As at 31 December 2013</b>	<b>5,387</b>	<b>59,828</b>	<b>13,210</b>	<b>20,952</b>	<b>99,377</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Computers & Office Equipment TZS '000	Motor vehicles & motor cycles TZS '000	Furniture & Fittings TZS '000	Total TZS '000
31 December 2014				
Cost				
As at 1 January 2014	92,887	1,384,975	57,625	1,535,487
Additions	2,016	271,372	23,163	296,551
As at 31 December 2014	94,903	1,656,347	80,788	1,832,038
Amortisation				
As at 1 January 2014	63,828	752,182	5,274	821,284
Amortisation for the year	20,722	355,296	29,649	405,667
As at 31 December 2014	84,550	1,107,478	34,923	1,226,951
Closing Value				
As at 31 December 2014	10,353	548,869	45,865	605,087
31 December 2013				
Cost				
As at 1 January 2013	81,993	1,144,346	19,023	1,245,362
Additions	10,894	240,629	38,602	290,125
As at 31 December 2013	92,887	1,384,975	57,625	1,535,487
Amortisation				
As at 1 January 2013	31,466	419,818	513	451,797
Amortisation for the year	32,362	332,364	4,761	369,487
As at 31 December 2013	63,828	752,182	5,274	821,284
Closing Value				
<b>As at 31 December 2013</b>	<b>29,059</b>	<b>632,793</b>	<b>52,351</b>	<b>714,203</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 TZS '000	2013 TZS '000
<b>10</b>	<b>ENDOWMENT</b>		
	The Bank of New York		
	At 1 January	68,604	2,737
	Additions	31,431	63,511
	Interest earned	82	16
	Exchange difference	2,818	2,340
	Closure of account	(102,935)	-
	At 31 December	-	68,604
	ShoreCap International		
	At 1 January	645,253	454,286
	Additions	-	173,415
	Return of capital	(670,000)	-
	Exchange difference	24,747	17,552
	At 31 December	-	645,253
	Commercial Bank of Africa (T) Ltd		
	At 1 January	403,478	434,709
	Additions	363,446	136,638
	Interest	28,342	32,131
	Withdrawals	(130,000)	(200,000)
	At 31 December	665,266	403,478
	<b>Total Endownments</b>	<b>665,266</b>	<b>1,117,335</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 TZS '000	2013 TZS '000
<b>11</b>	<b>RECEIVABLE</b>		
	At 1 January	42,883	42,883
	Less: Provision for impairment	(42,882)	-
	At 31 December	1	42,883
	These are funds disbursed to Women Entrepreneurs Development (WED) for procurement of Packing Materials for the SMEs Food processors since 2007; the amount is unlikely to be refunded and is now being provided as doubtful of recovery.		
<b>12</b>	<b>PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Medical Insurance	115,527	105,461
	Prepaid Insurance	1,596	1,915
	Prepaid Rent	-	5,123
	Staff Advances	41,002	(85,440)
	Belkin Fund for Credit Scheme for Women	16,764	6,310
	Deposit Rent	-	4,151
		174,889	37,520
<b>13</b>	<b>CASH AND BANK BALANCES</b>		
	Cash at bank		
	Cotton & Textile Development Programme	506,818	225,896
	Public Informal Economy Support Programme	700,000	292,576
	MKUBWA Programme (By Cherie Blair Foundation)	132,344	30,087
	MKUBWA Programme (By Comic Relief)	140,703	79,430
	Non Project	272,008	473,525
	Sub total	1,751,873	1,101,514
	Cash in hand	1,263	1,971
		1,753,136	1,103,485



## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 TZS '000	2013 TZS '000
<b>14 ACCRUALS AND OTHER PAYABLE</b>		
Audit fees	22,787	9,410
Retirement benefit	60,867	53,132
Gratuity	1,459	30,775
PAYE	192	419
Mbogamboga Loans Security	4,465	6,191
	89,770	99,927
<b>15 DEFFERED INCOME</b>		
At 01 January	1,349,214	2,620,730
Revenue received during the year	9,214,781	6,840,687
Expenses	(8,521,379)	(8,726,453)
At 31 December	1,428,366	1,349,214

### 16. RELATED PARTY DISCLOSURE

#### Key management remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly, (whether executive or otherwise) of the Trust.

	<u>2014</u>	<u>2013</u>
	<b>TZS' 000</b>	<b>TZS' 000</b>
Short term benefits	461,737	392,840
Post-employment benefits	7,773	5,585
	<b><u>469,510</u></b>	<b><u>398,425</u></b>

### 17. EVENTS AFTER REPORTING DATE

There are no events that have occurred date between the financial reporting period and when the financial statements are authorised for issue to be disclosed.



## 18. COMMITMENTS AND CONTINGENCIES

### **Capital commitments**

There are no approved and contracted capital commitments as at year end 31 December 2014.

### **Operating lease commitment – Trust as a lessee**

The Trust has entered into commercial lease of office building. The leases have remaining lease period of 12 months as at year end and there was no renewals obtained for the existing contracts as at the date of this report.

	2014	2013
	TZS '000	TZS '000
Rental expenses recognized during the year	<u>56,249</u>	<u>44,422</u>

### **Contingencies**

There are no known contingencies at the year end.

## 19. FINANCIAL RISK MANAGEMENT

### **OBJECTIVES AND POLICIES**

The Trust's activities expose it to a variety of financial risks: credit risk, foreign currency risk and liquidity risk. The Trust's overall risk management programme seeks to minimize potential adverse effects on the Trust's financial performance. Risk management is carried out by the management team.

## 20. ASSETS PLEDGED AS SECURITY

The Trust had no any assets pledge as security as at year end.

## 21. CAPITAL MANAGEMENT

The Trust has no issued share capital. The capital of the Trust consists of surplus generated from excess funds received from donor contribution. The operating capital of the Trust depends on grants from donors. The Trust manages its capital by ensuring it raises enough funds from donors for its operations.

## 22. COMPARATIVE FIGURES

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



## APPDENDIX I: INCOME VERSUS EXPENSES PER DONOR FOR THE YEAR ENDED 31 DECEMBER 2014

	2014			2013		
	Revenue	Expenses	Carried Forward	Revenue	Expenses	Carried Forward
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>PROJECTS' GRANTS</b>						
Cotton & Textile Dev Programme (GCF)	7,771,118	(7,413,952)	357,165	5,847,806	(7,800,454)	(1,952,648)
Public Informal Sector (DANIDA)	687,501	(280,077)	407,424	349,796	(302,061)	47,735
MKUBWA Project (Cherie Blair Foundation)	253,000	(248,892)	4,108	141,975	(190,679)	(48,704)
MKUBWA Project (Comic Relief Foundation)	219,843	(225,186)	(5,343)	223,190	(107,860)	115,330
Horticulture Project (Ford Foundation)	283,319	(353,271)	(69,952)	161,960	(191,579)	(29,619)
Tree Biotechnology Project (Kilimo Trust)	-		-	80,000	(83,183)	(3,183)
MKUBWA Project (World Bank)	-		-	35,960	(35,960)	-
Vegetable and Crafts Project (GCF)	-		-	-	(14,677)	(14,677)
Subtotal	9,214,781	(8,521,379)	693,402	6,840,687	(8,726,453)	(1,885,767)
Non-Project expenses		(845,920)			(3,188,009)	
<b>TOTAL EXPENSES</b>		<b>(9,367,299)</b>			<b>(11,914,462)</b>	

## APPDENDIX II: NON PROJECT EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2014

Description	2014	2013
	Tzs'000	Tzs'000
Audit fees	-	838
Bank Charges	-	1,297
Board/Various Committees Meeting Expenses	-	26,256
Communication	-	2,683
Electricity & Water	-	1,388
Entertainment	-	597
Office Expenses	-	4,153
Gratuity Exp	76,706	68,852
Management Fees	29,913	134,117
Repairs & Maintenance	2,921	-
Staff Salaries and Overtimes	12,718	47,999
Training	11,945	5,040
Community Social Support	1,350	2,135
Professional Fees	-	2,533
Printing and Stationery	-	1,698
Dar Trade Fair Expenses	-	18,025
Stamp Duty	-	853
Fuel Expenses	4,255	-
Repairs and Maintenance	-	4,516
General Insurance	1,821	-
Insurance - Motorvehicles	1,860	2,325
Insurance - Non Projects Fixed Assets	974	-
Insurance - Workmens Compensation	281	2,973
Internet Charges	3,171	1,740
Medical Insurance	19,940	38,109
Motor Vehicles Running Expenses	5,592	11,229
Office Rent	56,249	44,422
Write back FMFC current account	(16,893)	-



	2014	2013
Write off investment ShoreCap	535,523	-
Provision for Impairment of Investmet	-	2,705,000
Publications	-	7,569
Poerty Prize Exp - TGT's Contribution	2,644	-
Provision Charge - WED	42,883	-
Retirement Benefit	7,733	5,585
Severance Pay - Ex TGT Staff	5,125	-
Subscriptions	606	4,306
Traveling Expenses	4,403	5,233
Depreciation	34,198	36,541
<b>TOTAL</b>	<b>845,920</b>	<b>3,188,009</b>





