

2016

Annual Report & Accounts

For The Year Ended 31 December 2016



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TRUST INFORMATION

PRINCIPAL PLACE OF BUSINESS

PPF House, 7th Floor,
Samora Avenue/Morogoro Road,
P. O. Box 8695,
Dar es Salaam, Tanzania

BANKERS

Standard Chartered Bank Tanzania Limited,
NIC Life House Branch & International House Branch,
P. O. Box 9011,
Dar Es Salaam, Tanzania

Commercial Bank of Africa Tanzania Limited,
Samora Branch,
P. O. Box 9640,
Dar es Salaam, Tanzania

National Bank of Commerce Limited,
Zanzibar Branch,
P. O. Box 157,
Zanzibar

National Microfinance Bank Limited,
Bank House Branch,
P. O. Box 2653,
Dar Es Salaam, Tanzania

SOLICITORS

Alex & Samwel Corporate Advisory Services,
4th Floor, Golden Jubilee Towers, Ohio Street,
P. O. Box 11695,
Dar es Salaam, Tanzania

AUDITORS

Ernst & Young
Certified Public Accountants,
Tanhouse Tower (4th Floor),
34/1 Ursino South,
New Bagamoyo Road,
P. O. Box 2475,
Dar es Salaam, Tanzania

LIST OF ACRONYMS AND ABBREVIATIONS

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	Danish International Development Agency
TTBP	Tanzania Tree Biotechnology Project
MKUBWA	Mpango wa Kukuza Ujasiriamali na Biashara za Wanawake
TGT	Tanzania Gatsby Trust
SMEs	Small and Medium Enterprises
CEO	Chief Executive Officer
KCMC	Kilimanjaro Christian Medical Centre
VIBINDO	Jumuiya ya wenye Viwanda na Biashara Ndogondogo
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

TGT BOARD OF TRUSTEES



Dr. Donath Raphael Olomi Chairperson

Dr. Donath R. Olomi is the Chief Executive Officer of the Institute of Management and Entrepreneurship Development. He was a Senior Lecturer and Director of the University of Dar es Salaam Entrepreneurship Centre until 2009 when he co-founded IMED to pioneer education and training that is responsive to current and future needs of society. Dr. Olomi's main area of expertise is entrepreneurship and private sector development a very key focus of TGT. He has extensive experience as an entrepreneur, academic, consultant and manager. Within IMED, the main focus is on development of frameworks, methods and materials that build capacity of

individuals and organizations to be more self directing, result oriented and transformative which is also TGT's key element of its Operations. He is a certified member of Institute of Directors, Tanzania and sits on a number of public and private sector Boards.



Ms. Margareth Mattaba Chacha

Vice Chairperson and Chairperson of the Finance, Audit and Procurement Committee.

She is the former Managing Director of the Tanzania Women's Bank Ltd. Possess over 28 years experience in senior managerial positions including Operation's Manager – UNDP Tanzania, Budget Officer - UN Mission Sudan, Director of Banking - CRDB Bank and Compliance Manager - NPF (NSSF). Margareth is a member of Global Women Banks Association, President of Women in Agri-Business in Sub Sahara Africa Alliance (WASAA). She is the key Trustee for women social economic empowerment and microfinance within TGT .



Engineer Zebadiah Moshi

Chairperson, Projects Oversight Committee.

Skills Development Consultant. Former Director General Vocational Education and Training Authority Tanzania. Also Consultant with GIZ (German Development Agency) He brings to the Trust the wide experience for TGT's Youth Employment and Entrepreneurship Programmes.

**Mr. Benson Joel Mwasaga Mahenya**

Mr. Benson Mahenya is a Tanzanian Certified Public Accountant in Public Practise (ACPA – PP) with more than twenty years of experience in audit, banking, finance, management and accounting. Benson has worked in different capacities with various local and international organisations.

Benson trained for his articles with Price water house Coopers, before joining the banking industry. He started off his banking career with Standard Chartered Bank as a Management Accountant before joining Bank ABC as Director of Finance and Administration and later on as Deputy Director of Finance with National Microfinance Bank (NMB), the largest bank in Tanzania. Prior to establishing his private practice in 2008 Benson worked with T-MARC, an international health NGO as their first Director of Finance and Administration.

Benson is a member of the Institute of Directors Tanzania. He also holds a M.Sc. in Finance from the University of Strathclyde, Scotland and an MBA in Marketing as well as B.Com. Finance (Hons - 1st Class) from the University of Dar es Salaam. Benson was the winner of the National Junior Mathematics Contest for the year 1986.

Currently Benson is the Managing Partner of BM Associates overseeing both auditing and advisory services with a diverse clientele base covering both private and public sectors. Benson has been a member of several boards of directors and is currently the Chairman of a commercial bank.

**Ms. Munira Said Humoud**

She is the Chief Executive of the Zanzibar National Chamber of Commerce Industry and Agriculture. TGT operates in Zanzibar and thereof She is the key link between the Mainland and Islands for TGT Operations.

**Prof. Cuthbert Zebadiah Mkindi Kimambo**

Prof. Kimambo is Deputy Vice Chancellor - Research, University of Dar es Salaam. He has been the key player in many research projects in various fields of energy and technology development and transfer some of which have involved outreach activities with small and medium enterprises (SMEs). Some of these have involved international multidisciplinary Teams with international funding and playing key roles such as Team Leader. They include general studies and energy issues (resources assessment, promotional issues, financing, marketing and impact assessment). The types of energy researched are solar thermal energy, solar photovoltaics, wind energy, micro hydro power, biomass energy natural gas and coal. Other areas of research and outreach include postharvest handling of fruits and vegetables, business/technology incubation and village level crystalline sugar processing. TGT has partnership Projects and Programmes with higher Learning Institutions and therefore Prof. Kimambo is the lead Trustee in such endeavors as well as directions on hands on SMEs technological needs and Development.

**Mr. Epaineto B. Toroka**

Immediate past Chairman and Trustee. He was TGT's Chairman since 2007. He retired in 2016 passing the baton to Dr. Donath Olomi.

THE CHAIRMAN'S STATEMENT



Dr. Donath Raphael Olomi

On behalf of the TGT Board of Trustees, I am happy to present the year 2016 Annual Report to all our stake holders. I am taking the office of the Chairmanship at a very crucial stage of the Trust amidst the so many socio economic changes that are facing the country and the world at large and the internal leadership change in the Governance of the Trust. However on a positive note, we as a Trust on the mission to harness, channel and unleash human energy to build Social, Financial and Physical Capital through farmer Entrepreneurship Development are happy that the Government has opted to take positive steps towards building an industrial economy because that is what TGT has been working i.e, creating the foundation for a thriving robust private sector in Tanzania through enterprise development within the SME scope of work. Within the TGT's Vision and Mission, TGT in partnership with other players mostly Gatsby Charitable Foundation (which has now Incorporated Gatsby Africa a Company limited by guarantee with a chapter in Tanzania) has also focused on forestry, cotton and textile development, which were mentioned as Tanzania's priority sectors that require strengthening and access to markets. TGT and its partners have taken these sectors from their infancy stages to their current state, where they are now seen as key in Tanzania. These sectors are now saturated with players, many of whom are working closely with the Government of Tanzania to boost market penetration and trade opportunities for these products.

During the year under review ,and taking full regard of the 25 Years TGT track record of building the capacity of and linking SMEs and farmers with resources and opportunities ,TGT sought the services of a consultant to analyze the range of options that could be pursued to improve TGT's sustainability and in the thrust of Tanzania's industrial development vision. There is market demand domestically, regionally, and globally, to ensure that our support truly acts as a catalyst for farmers and SMEs to afford

themselves better opportunities. Partnering strategically with industry and trade platforms both locally and regionally, and ensuring that we keep identifying new avenues, will be key in partnership with other actors to promote, support, develop and disseminate innovations that enable markets work for the poor using market based solutions to address the challenges of farmers and SMEs.

Our 2016 Annual Report which I am presenting portrays the activities and operations that were carried in line with the current Strategic Plan maximizing our effectiveness by working through three channels: direct impact, influence, and leverage. You will note from the reports that TGT's programs contain an integral gender component. Many of the programs target women specifically; and in all programs, gender sensitivity, awareness and sensitization workshops are a vital part of our approach to development. We believe that business development and women's rights training work to increase standards of living and improve welfare – both independently of each other, and in a self-reinforcing virtuous cycle.

As we present our 2016 Annual Report, We also take this opportunity to thank our Partners and Funders i.e. The Gatsby Charitable Foundation of UK and Gatsby Africa which going forward, from 2017 has now taken over the Cotton and Textile Development Programmes, Comic Relief for Funding the MKUBWA Programme (Programme to Grow Women SMEs), Ford Foundation and other funders for Funding the Small Holder Farmer Programme (Mbogamboga) in Zanzibar and DANIDA for the Mburahati informal SMEs market construction - a PPP programme between Kinondoni Municipal Council and VIBINDO Society.

As we celebrate our silver jubilee, we at Tanzania Gatsby Trust (TGT) seize this milestone opportunity to look at the rich experience we have gained building capacity and facilitating linkages of SMEs and smallholder farmers in Tanzania. As our Business Development Strategy directs, we are critically evaluating the wins and lessons of the past 25 years in order to **Refocus, Refresh, Resource, Reconnect, Restructure and Rebuild** TGT into an even more impactful and prominent catalyst for the growth of SMEs and small holder Farmers in Tanzania.

Dr. Donath Raphael Olomi

Chairman-TGT

Section One

MANAGEMENT'S REPORT



Olive Luena CEO

OVERVIEW

Tanzania Gatsby Trust (TGT) is a registered charitable Trust in mainland Tanzania and Zanzibar. TGT focuses on creating wealth and reducing poverty and inequality by investing in women and youth entrepreneurs and farmers, and shaping their businesses (MSMEs) into innovative, globally competitive enterprises. We take a holistic approach to enabling Tanzanian MSMEs and smallholder farmers to become more profitable. We believe that to grow their businesses, entrepreneurs need a winning mind-set, honed skills, and appropriate resources and secure markets. Through tailored program interventions, we empower with:

Winning Mind-sets: Self belief and commitment to goals enables entrepreneurs to achieve the direction they need to grow their businesses. Increased welfare and prosperity for low-income Tanzanian Households In our interventions, gender and age-based social and economic obstacles must often first be removed before female and young entrepreneurs and farmers can achieve their full potential.

Honed Skills: Our capacity building of entrepreneurs with appropriate Technical and soft skills such as finance, management, leadership, business ethics and etiquette as Well as business formalization and statutory compliance ensure businesses run efficiently and effectively and produce competitively as they standardize, brand and market their produce both locally and internationally.

Appropriate Resources: Availing access to finance, professional work premises and competitive business development services enable entrepreneurs' efficient and scalable production; and access to more and higher-value markets enables entrepreneurs to increase production quantity, quality and range, leading to their increased incomes.

The period under review has been met with challenges at both the programme and management level to achieve TGT's objectives mostly because of the declining funding at the market place and the restructuring of the Trust as Gatsby Charitable Foundation UK (Funding the Cotton and Textile Sectors in Tanzania) embarked on the road to incorporate Gatsby Africa as a company limited by guarantee with a branch in Tanzania. Nevertheless, despite the challenges TGT as a catalyst of farmer and SMEs development, continue to pursue its vision of "working in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed."

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Snap - shot of Programmes

MKUBWA -Mpango wa Kukuza Ujasiriamali na Biashara za Wanawake:

The goal of the MKUBWA project is to “contribute to development and poverty reduction in Tanzania by promoting women’s control of and access to economic resources, business development services and information on legal rights, as instrumental factors to increase women’s social protection, economic empowerment, wellbeing, participation in decision making and economic growth”. The overall objective is to contribute to poverty reduction, social inclusion and economic empowerment of women in Tanzania by supporting women entrepreneurs and creating employment opportunities: the three year funding for the MKUBWA Programme from both Comic Relief and Cherie Blair Foundation came to an end subjecting both programmes to very intensive external evaluations. Both the Cherie Blair Foundation evaluation and the Comic Relief reports have been approved. Management is happy to report that both evaluation reports are very positive indicating the achievement of the key result areas and the impacts.

Mbogamboga:

It is Vegetables/Horticulture Project which aims at changing the lives of small holder farmers through integrated horticulture farming and value addition to enable them benefit from Tourism Value Chain in Zanzibar. During the year the project continued to focus on improving yield and quality through a combination of business skills training, individual coaching and business plan preparation for financing, sensitization on human rights and gender awareness (including to spouses), linking farmer businesses to hotel markets, and linking farmers to financial institutions and opportunities so as to acquire loans to invest in drip irrigation and value addition. With funding ending from other funders and the Ford Foundation, the management team is revisiting the programme design based on the sustainability strategies that were put in place and restructuring it for further fundraising due to growing demands. In the interim period, the Belkin revolving Fund for microcredit to Mbogamboga clients continues.

PPP-Mburahati Market:

the Informal Economy Support Programme supported by DANIDA is still facing a lot of challenges. The project was supposed to be completed by June 2016 and an extension was requested and moved tentatively to September 2016 which again proved not feasible. Furthermore, the Kinondoni municipality has been divided into two districts, Kinondoni and Ubungu. TGT Management had meetings with the stakeholders’ representatives under the chairmanship of the His Excellency the Ambassador of Denmark to discuss the situation which resulted in the extension of the project to 2017.

Governance:

Two long serving Trustees namely, Laurence Cockcroft (founder Trustee) and Epaineto Toroka (the Chairman of the Trust) retired during the year and Dr. Donath Olomi was appointed Trustee and Chairman of Tanzania Gatsby Trust. The Board of Trustees and committee Meetings were held as per the statutory requirements including the TGT Standing Committees.

Management and organizational development issues:

During the year, the Board approved the Financial and Procurement policy, a tool that is in line with governance and management best practices. The Zanzibar Coordinator attended a training course in Ethiopia funded by the Ford Foundation to broaden her acumen in “Livelihoods and Markets”. The Chief Operations Manager was recruited. She joined the Trust in April 2016 at a very crucial stage of TGT’s development and has settled in well after her orientation.

Project Management:

Management continued to offer services to the Cotton and Textile Development Programme, TDU (Textile Development Unit) and the Forestry Development Trust for backstopping and liaison work. High-level meetings were facilitated by the CEO between the programme teams with the top Government leadership, Ministers, Government officials and the EPZ. During the year, Lord David Sainsbury the founder of Gatsby Charitable Foundation which is funding these programmes visited Tanzania and held a meeting with His Excellency the President of Tanzania and key sector ministers.



*“ Lord David Sainsbury meeting the President of Tanzania
H.E. Dr. John Pombe Magufuli at the State House in
Dar es Salaam. Looking on is the CEO of TGT, Mrs Olive Luena ”*



Taking full regard of this preceding summary the Management is happy to present the full programmes reports as follows hereunder and the year 2016 audited accounts at the end of the programme reports.

**Mark C. Mambo Finance
and Administrative
Manager-Deputy CEO**

Section Two

2016 OPERATIONS REPORTS



Ms Joan Kimirei
Chief Operations Manager



Ms Wankembeta Kinyau
MKUBWA Programme Manager

OVERVIEW

A. Mkubwa - Virtual Business Incubator Programme 2016 Update

1. Introduction

It was the last year of three years implementation of the MKUBWA PROGRAMME, which was funded by Comic Relief and Cherie Blair Foundation. The main activities performed for year 2016 were final evaluation and organization of market linkage sessions, which included SMEs exhibitions followed by closing ceremony for both locations.

The programme focused on developing women enterprises and entrepreneurship skills so as to increase social and economic protection and improve livelihood and income of women for poverty reduction. More than 700 women took part in project for three years; activities included training on entrepreneurship and business management, technical training on production and manufacturing, advanced follow up services including coaching, mentoring, business counselling and facilitation to marketing, business regulatory authorities and products certification. Furthermore the project

participants received training on cross cutting issues such as women's rights, HIV/AIDS, disability and fistula.

2. Mkubwa Evaluation and Results

In 2016 the MKUBWA project centred around four outcome areas, i.e.

- 1) Improved outcome of 700 women entrepreneurs;
- 2) Improved decision making, social networking, confidence and control over income;
- 3) Improved sustainability and well being of households; and
- 4) Improved organization partnership and capacity in deliver quality BDS services.

3. Mkubwa Exhibitions and Phase One closing ceremony

The fair was inaugurated by the Hon. Ms.Beng'i Issa – the Executive Secretary of National Economic Empowerment Council (NEEC) on 19th July 2016 at Mnazi Mmoja Grounds. The other Dignitaries present in the stand were the Deputy Head of Mission Netherlands Embassy, Mrs. Hinke Nauta, the Comic Relief representative Ms Jane Kelly, Chairperson of TGT Board of Trustees, Mr Epaineto Toroka, the Chief Executive Officer of TGT, Ms Olive D. Luena and other Stakeholders.



Guest of honour Ms Beng'i Issa officially opened the exhibition

The MKUBWA Exhibition was a forum for women entrepreneurs to test their markets in a wide ground and access different markets by display and sell their products. The exposure and the comments they received from the general public about their products were very encouraging and they were motivated to pursue and increase efforts to meet customers' demands.



Women entrepreneurs urged to formalise businesses

By Alfred Zacharia

@TheCitizenTz

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Dar es Salaam. Women entrepreneurs in Tanzania have been urged to formalise their businesses to get more opportunities.

The executive secretary of the National Economic Empowerment Council (NEEC), Ms Beng'i Issa, told journalists yesterday here that by formalising the businesses women stood a better chance to make the best of their ventures. She was speaking during a ceremony to hand over certificates to a group of women who completed entrepreneurial training under a project called *Misibwa*, run by Tanzania Gatsby Trust (TGT) and sponsored by Comic Relief.

A total of 510 were awarded certificates in a training conducted for three years.

"It is easier to get support from the government and other stakeholders if your businesses are formalised," Ms Issa said. She urged women to work harder to improve their living standards and the national economy at large.

She told the graduates that they should start formalisation processes by registering with the Business Registration and Licensing Agency, getting barcodes for their products and meeting required standards for their respective authorities.

She said the government was continuing with endeavours to solve challenges facing entrepreneurs.

TGT chief executive officer Olive Luena said the graduates were trained in various areas such as business management, bookkeeping, financial discipline, marketing and product innovation.



The executive secretary of the National Economic Empowerment Council, Ms Beng'i Issa (left), presents a certificate to Ms Halima Kinabo, one of 510 women who completed a training in entrepreneurship, yesterday in Dar es Salaam. PHOTO: THE CITIZEN CORRESPONDENT



"One participant trained on making liquid soap at her shop.."

4. Lessons learnt from Mkubwa

✓ Beneficiary level:

The evaluation indicates that despite empowerment of women, they still maintain the key responsibility for domestic chores, although most of them experience support from their husbands to do business. In general, the cooperation between husband and wife is reported to be positive, and women find that their business has not created tensions or issues in their relationships. Women reported that economic empowerment has strengthened their position in the community and in the families. This sentiment was echoed by Sylvester Magambo who said, *"After my retirement I depend much on my wife's business. The business takes care of me and the whole family. The business is everything in our family, its contribution is great. Thanks to MKUBWA project."*

✓ business level:

There does not seem to be any correlation between level of profit and type of business or sector. Challenges still exist for many women in relation to capital, packaging and raw materials. Furthermore, food producers have to meet requirements and standards to be certified as food processors. While women operate as individual business owners, the evaluation found that there is a potential for group- or sector based interventions which could address some of the challenges experienced by individual ownership.

B. Zanzibar Mbogamboga – Horticulture Project Report



*Teddy Kunulilo, TGT
Zanzibar Branch Coordinator*

1. Introduction

The objective of the Mbogamboga/Horticulture 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 to target hotels and communities, particularly in the dry season. Farmers who adopt good agronomy practices can increase incomes through taking loans to irrigate their land and enable them to participate in higher return markets and transform agriculture from subsistence

farming to small-scale commercial farming and increase profits through value addition. In order for the farmers to respond to market opportunities, the horticulture project for year 2016 managed to train 1,330 farmers on Good Agricultural Practices (GAP) for both vegetables and fruits. The training included crop management (spacing, weeding, organic fertilizer applications), irrigation methods, soil conservation, pest and disease management (botanical pesticides), use of baits and resistant varieties, top dressing applications, pruning processes, hot water treatment, height control and paring practices.

2. The project focused on enabling the smallholder farmers to capture and benefit from the Tourism value chain by:-

- (a) Strengthening existing Fruit Farmer Field schools by improving productivity and profitability
- (b) Strengthening production capacity of existing smallholder farmer groups to graduate from micro to small-scale commercial enterprises;
- (c) Introducing of new farming technologies for increasing production;
- (d) Enhancing skills and knowledge of farmers on how to access markets in order for them to benefit from the opportunities available within Zanzibar Tourism value chain markets;
- (e) Promoting gender equality among women and men within the working environmental;
- (f) Linking farmers to the traditional and innovative financial products to enable them secure loans for orders at hand from hotels and increase their working capital;
- (g) Continuing to build skills of farmers in value addition and food processing technologies including vegetables and fruits solar dryers;
- (h) Continuing to build business skills and quality management.

3. Outcome of the Project during the year.

- (a) 350 farmers adopted techniques of pruning and paring banana roots for controlling diseases and have increased their sales by 48%;
- (b) 950 farmers are using organic and botanic manure for products' quality improvement;
- (c) New farming technologies enabled 500 farmers to increase their production of tomatoes and sweet pepper from 100 kgs to 250 kgs of tomatoes and 50 kgs to 150 kgs of sweet pepper in a week;
- (d) 75 farmers accessed credit worth 107.3 million for increasing their farming capital and meeting orders at hand from hotels;

- (e) 600 youth farmers have turned vegetable farming into profitable businesses;
- (f) 40 hotels are buying vegetables from farmer groups hence average volume of sales increased from 285 million to 433 million per annum;
- (g) 300 women farmers have knowledge on food processing and solar drying technology.



Farmers at Donge growing cabbage



Farmers applying banana pruning skills



Farmers at Dunga harvesting



Good quality of chili from Unguja Ukuu

C. The Informal Economy Sector Support Initiative (IESI) Programme

1. Background

The IESI Programme is a pilot programme which was launched in November 2011. The programme involves two partners, KMC and VIBINDO Society, who explore tested PPP models 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 the software is the market facility at Mburahati in Kinondoni District.

From January to December 2016, TGT has been involved in numerous activities related to the IESI programme. This report represents what TGT has already accomplished and what is in progress.

2. Activities carried out

• Construction

The construction of the main market building started in October 2015 with a plan to complete the construction in June 2016. However, due to some challenges in the construction process, slow decision making from the partners and variations in the bill of quantities, the contractor failed to complete the construction on time and applied for an extension up to 2017

• Council Familiarization Seminar

On June 9th 2016, we conducted a familiarization seminar with the new council members. The aim of the seminar was to introduce the programme to the new council members. The seminar was attended by all the stakeholders and each stakeholder presented their role in the programme. The councilors congratulated the programme team for the good work in making sure the project was successful and they also showed their appreciation to DANIDA for initiating the programme.

• Documenting Lessons Learnt

The procurement of a consultant to document lessons learnt has been conducted. The tender was publicly advertised in national newspapers. Eight (8) consulting companies and two (2) individual consultants showed interest in doing the work. The evaluation team, composed of one member from KMC, one from VIBINDO and two from TGT, did the evaluation and the Professional Approach Group was awarded. TGT has started some ground work with the consultant to make sure the consultant starts the work as soon as possible.



Status of the Construction as at December 2017



The TGT Operations Manager (Ms Joan Kimirei) And the Project Coordinator Mr. Geoffrey Danda at the Site in Mburahati

D. Cotton Sector Development Programme



Mr Duncan Rhind – Programme Director

1. Policy engagement

As the intention of the CSDP is to create sustainable and lasting change to the structure of the cotton sector policy engagement continues to be important relying on the use of evidence-based research to inform high level advocacy. Three key review consultancies, all at differing stages, have been key to this: contract farming, seed systems and pricing mechanisms. Focus has been on engaging with the Minister of Agriculture and senior local government officials and this has led to extremely positive support for the re-introduction of contract farming arrangements in some areas. In this regard the support of Lord Sainsbury has proven invaluable in allowing us influential access to decision makers at the highest level.

The value of regional commissioners to support advocacy and influencing efforts has been well demonstrated but there still appears to be a high level of scepticism amongst ginners regarding the honouring of future buying concession contracts by the government. It is hoped that continued lobbying through a number of channels will **result in further level endorsement contract** farming and increased ginner confidence.

2. Contract farming



The cotton sector has seen renewed efforts by local government authorities for revival and this has been supported by central government. Following a briefing seminar for newly appointed Regional Commissioners (RCs) held in May 2016 the RCs for Mwanza, Mara and Simiyu requested meetings with the CSDP to request advice and assistance in the reintroduction of contract farming as a means of reviving cotton production. These meetings

focused on initiating contract farming models based on exclusive concessions awarded on the merits of farmer services offered by the ginner. The CSDP proposed practical selection criteria that focused on the provision of quality inputs, extension services and a track record of operating in a specific locality. Eight districts across Mwanza and Mara regions are implementing contract farming and form the core contract farming areas of CSDP focus in the 2016/17 season to pilot concessions that offer exclusive rights to ginners that invest in farmer productivity.

Quality, in the form of less contaminated seed cotton, significantly improved in the 2016 marketing season with farmers desisting from contaminating their seed cotton with sand and water in order to add weight. The change resulted from closer monitoring of buying points with a combination of Village Task Forces, Cotton Inspectors and local government authorities. Mobile courts were set up to speedily sentence offending farmers and buying agents and therefore sending out a strong message that deliberate weighing scale tampering and contamination were criminal and punishable. The CSDP was involved in the action plan formulation that included endorsing the LGA approach of the close monitoring of buying posts and the use of mobile courts.

3. Seed system and research

CSDP continued to support the cotton seed system to introduce high quality improved seed for farmers. On a practical level the programme worked with Ukiriguru Research Institute (URI) to produce early stage pure breeding seed on the Nkanziga farm and this resulted in a harvest resulting in over 21 tonnes pre-basic seed. This seed was sold to the commercial seed company Quton and the resultant funds have been reinvested in further seed production in the 2016/17 season. In 2016/17, CSDP will begin to hand over some of the farm management activities to URI in order to transition production to a more sustainable basis for early stage seed production. Despite CSDP efforts there have been continued challenges in developing a seed strategy, getting the government to pay debt to Quton and brokering a clear agreement between Quton and ginners regarding the costs of toll-delinting at Quton's seed processing plant. All these challenges remain serious issues which are being addressed by the CSDP.

Building on past research funded by the programme, CSDP supported funding of five other research programmes at URI in 2015/16 and remains a core supported of URI. With the assistance of a consultant supported by CSDP, URI is currently considering the development of a business plan which will focus on making the institution more financially sustainable.

4. Market developments and farmer support services

During the year the Market Development (MD) unit focussed on building the capacity and resilience of lead farmer agents (LFAs), leveraging the incentives, commissions and mark-ups. Through this, the unit has been linking LFAs to the private sector to ensure beneficial inclusion of the small holder farmers to motivate change and innovation for sustainability.

In addition to technical training emphasis has been placed on the commercial and financial aspects of running their businesses. Almost 1,000 LFAs were trained and mentored on the importance of saving and lending, the relevance on cash flow management and investment in the day to day running of their businesses and the importance of record keeping, providing advisory services to the farmers and the formalization of their business.

5. Cotton Inputs agro dealer



The total number of shops established by LFAs has now increased to 150. There are 321 active LFAs. Although the more formal Inputs Promotion Programme (IPP) consortium of agro-dealers came to an end in October 2016 the MD team will continue to work with the individual companies to provide inputs to farmers.

During the year the emphasis on transition of direct farmer engagement activities which had been carried out under the CARP programme continued and the decision was made to discontinue the use of Field Officers supporting and training

a lead farmer network. Instead many of the lead farmers have been encouraged to act either as sub-agents to existing LFAs or become LFAs in their own right. Interestingly enough many Field Officers have either become LFAs or been recruited by other commercial organisations (e.g. QFP - see below).

The MD unit has been working to link LFAs to output markets to have an additional service that they can offer to their farmers. The off-taker, QFP, has from October 2016 employed the Field Officer for Kibondo as part of its farmer engagement strategy and discussions are underway for them to employ more field officers from CSDP for Maswa, Bariadi, Busega, Kwimba, Bukombe and Geita Districts.

As the MD team considers how it can best make its activities sustainable in the longer term attention has turned to how the services that it currently offers can be taken up by the private sector going forward. To this end the programme engaged the services of two consultants to help understand the needs and wants of input supply companies, the LFAs and their farmer clients and how the value placed on the services provided by CSDP can be monetised to form the basis of a sustainable business model. This support and research has been further supplemented by learning and exposure visits to other relevant programmes including the Kenya Markets Trust - another organisation established and supported by the Gatsby Charitable Foundation.

Our work to develop service industries which will continue to promote the adoption of conservation agriculture technologies by farmers has continued with pilots supporting the training and establishment of commercial tillage services by the private sector. CSDP has also commenced pilots with providers of spraying services for herbicide and pesticide spraying. Initial results for these are encouraging but it should be stressed that these are still at the pilot stage and have yet to scale to any extent.

6. Communications

The programme continues to support sector communications in a range of ways from direct extension advice through radio and film media, through building communications capacity within TCB and engagement with the media to help inform the policy and advocacy debate.

CSDP engaged the support of a consultant to research key channels by which policy makers and other influencers receive information about the cotton sector. This research included in-depth interviews with local government officials, members of parliament and other influential figures and has been important in helping formulate strategies around the use of media to influence key decision makers.

The programme continues to support TCB on the radio programme, Pamba Yetu, and a newsletter will be published in Kilimo Kwanza. The CSDP also organised and funded a campaign on price announcements and transparency to allow farmers to be aware of price movements across the Lake Zone during marketing season and this successfully ran simultaneously on radio and SMS.

7. Performance Measurement

Performance measurement and monitoring and evaluation continue to play an important part in planning and measuring programme interventions. In addition to routine M&E activities the PM team carried out a number of targeted research activities - in particular around the business needs of LFAs and other service providers. In the 2016/17 cotton season there is heavy focus on the measurement and evaluation of contract farming pilots across a range of metrics and comparison of the performance of cotton production and ginner and farmer satisfaction in areas both with and without contract farming. This measurement, based on a range of quantitative and qualitative data will form the basis of high level briefing reports to senior government officials and other key figures as well as helping inform the further refinement of contract farming modalities and its future roll out to other areas.

E. Progress Report for the Tanzania Gatsby Trust's Textiles Development unit, 2016-17



*Stephen Ramsey Programme
Director*



The Textile Development Unit (TDU) is a specialist unit, established in 2012, embedded within Tanzania's Ministry of Industry, Trade and Investment (MITI) with the objective of stimulating the textile and apparel industry. It is funded by Gatsby Africa and the UK's Department for International Development. With expertise in technology, management and marketing, the TDU is designed to facilitate supplier relationships, build training capabilities, attract new foreign investors and coordinate policy implementation as well help existing factories to expand volumes, find new markets and improve efficiency. Through this work, the TDU aims to support the creation of 200,000 new jobs, and increased production, value addition and exports, in order that the industry produces exports of over \$1billion a year within the next 10 years. Over the past year the TDU has focused on several key interventions as well as acting as co-Secretariat to the country's national Cotton to Clothing strategy Round Table.

1. National Cotton to Clothing Strategy Implementation

The Textile Development Unit's (TDU) strategy aligns closely with the national Cotton to Clothing (C2C) strategy. The TDU is the co-Secretariat, alongside the Tanzania Cotton Board (TCB), of the national C2C Round Table forum. Every quarter the Round Table forum convenes industry experts from a broad range of stakeholder groups – government, industry associations, investment agencies and the private sector –to discuss the progress according to the national strategy's implementation plan. The TDU and the TCB are responsible for coordinating the progress report to the C2C implementation matrix each quarter, as well as suggesting policy focus areas for the Round Table to adopt.

2. TAMCO Industrial Zone at Kibaha, Textile and Garment Cluster

Over the past year the TDU has engaged three international experts on Special Economic Zones (SEZ) and Export Processing Zones (EPZs) to examine the standing of Tanzania's current zones and the associated policy environment. Based on the experts' findings, the TDU agreed a Memorandum of Understanding (MoU) between the National Development Corporation, the Export Processing Zones Authority, the Ministry of Industry, Trade and Investment (MITI) and Gatsby Africa to develop a Master Plan for the TAMCO industrial zone.

The TDU has also contracted expert financial advisors to review the zone's financial model and assist with fundraising for the construction of the zone. TDU's initial discussions have identified a number of potential funders in the zone including government finance, donor finance, development finance institutions and private sector investment.

3. Investor Roadmap Development

In parallel to the work on the TAMCO zone, the TDU has engaged a specialist Communications Agency which has engaged key investment authorities and agencies (Ministry of Industry, Trade and Investment, EPZA, TIC and TanTrade, among others). This initial step has secured early stage agreement from these bodies to a joined up approach to inward investment in the textiles and apparel sector, with the objective of developing a positive and proactive textile story. During quarter two and three of 2017, this joined-up Investor Roadmap will be developed, in accordance with the National C2C strategy plan of action.

4. Annual Survey of Industry: Analysis and Recommendations

In 2016 the TDU conducted a survey of the textile and garment factories in Tanzania. The survey objectives were to track the progress in the industry and highlight the areas of constraints to growth; to hear from the factories what issues are hindering their operations; and to highlight imbalances in textiles sector structure, capacity and performance. The survey data analysis highlights the positive growth of the industry over the past two years: an 8% increase in formal employment; a 30% increase in export value and a 35% increase in the use of Tanzanian cotton. However the survey analysis also highlights some key constraints that are holding the local industry back such as a shortage of qualified labour; unfair competition from improperly taxed imports; and a high cost of operating environment (for instance, poor power supply, inefficient customs procedures and unfriendly work permit regime).

5. Industry Development & Diversification: Denim Production

In 2016, the TDU also engaged a specialist technical textiles consulting firm to investigate the viability of building a fully integrated denim value chain: from cotton to denim garments. The consultants' report investigated the possibility of a greenfield denim fabric plant investment or reinvesting in one of the existing factories. After conducting detailed analysis of the Tanzanian investment opportunity the consultants concluded:

"Tanzania could be a competitive player in the denim industry, not only as a denim fabric producer but also as a jeans wear maker up. The social stability, the cheap labour costs, the availability of cotton, the availability of international trade agreements, all conjure up to make Tanzania a competitive if not leading player."

However, despite this positive assertion, the study warned that in order for Tanzania to become competitive in the global denim industry, one key facet that must be resolved is access to competitively priced power. The study therefore recommends that energy costs could be substantially reduced by building a co-generation plant using natural gas and thus the location of the plant should be close to a gas pipeline.

6. Benchmarking Study

To compare Tanzania to its regional neighbours and global competitors, the TDU commissioned the African Cotton and Textile Industries Federation (ACTIF) to conduct a benchmarking exercise of key investment parameters in Tanzania – such as the cost and availability of labour (including skilled labour), and the cost and reliability of power, the cost and duration of shipping and air freight – to those in leading garment producing nations, China, Cambodia and Vietnam, as well as Tanzania's regional neighbours, Kenya and Ethiopia. The study finds that Tanzania is competitive in terms of its duty preferences, labour availability, cotton fibre, and political and social stability. However, Tanzania does not score as well as its competitors in terms of skilled labour, the cost and stability of power, ready-built factory shells, port efficiency, finance costs and the age of textile equipment.

7. Developing Domestic Market: Phase Out of Mitumba Response

On the 2nd March 2016 the 17th Ordinary Summit of the East African Community (EAC) Heads of State produced a Joint Communiqué which:

"...directed the partner states to procure their textile and footwear requirements from within the region where quality and supply capacities are available competitively, with a view to phasing out importation of used textile and footwear within three years."

Following this EAC directive, the TDU was asked by MITI to commission a Policy Briefing to explore the potential impact of the phase out of second-hand clothing on Tanzanian consumers, producers and government revenue. The first study was completed by two leading Research Institutions: the Overseas Development Association and the Economic and Social Research Foundation. Immediately after the completion of the final draft, two stakeholder engagement meetings were held to seek feedback and to discuss the findings and implications for the local industry and the government. The TDU also commissioned the same leading Research Institutions to carry out a second study which conducted a Demand Assessment of the Tanzanian clothing market, as well as a critical examination of the current supply gap and potential, short, medium and long-term increases in capacity to meet the gap.

REPORT OF THE BOARD OF TRUSTEES AND ANNUAL FINANCIAL STATEMENTS

1. INTRODUCTION

The Board of 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 31 December, 2016 which disclose the state of affairs of the Trust.

2. INCORPORATION

Tanzania Gatsby Trust is a Charitable Organization established in 1992 under the Trustees' Incorporation Ordinance, Cap 375. TGT is registered both in Tanzania mainland and in Zanzibar in 1997 under the Societies Act no. 6 of 1995. TGT was awarded a certificate of Compliance under the Non-Governmental Organization Act, 2002 in 2005.

3. VISION, MISSION AND CORE VALUES

Vision

A leading catalyst for MSME and farmer development in Tanzania.

Mission

Working in partnership to transform youth and women MSMEs and small-holder subsistence farming into globally competitive enterprises.

Core Values

- Teamwork, partnerships and collaboration. We believe that high performing teams containing appropriate diversity can achieve what individuals alone cannot.
- Transparency and accountability. Transparency in all operations and accountability to all stakeholders (board, staff, clients, partners, government).
- Community and client involvement. In seeking solutions, we believe in harnessing and nurturing Client and Community based innovative ideas.
- Innovation. Success requires us to continually strive to produce breakthrough ideas that result in improved solutions to clients.
- Mentoring and Leadership. We believe everyone has potential that can be unleashed for the good of society.

4. PRINCIPAL ACTIVITIES

The overall aim is poverty alleviation through enabling hundreds of Small and Medium sized Enterprises (SMEs) to carry out productive and profitable enterprises and businesses. TGT is a leading catalyst for SMEs through innovations that make markets work for the poor and improving SME development. As a catalyst for Farmer and SMEs Development, TGT is open to partnerships in pursuit of its Vision. The TGT programme activities aim at empowering vulnerable groups SMEs with entrepreneurial skills and opportunities within a variety of sectors' value chains.

5. TGT'S GENERAL PERFORMANCE

The initial Trust Deed establishing the Trust emphasized on TGT offering a combination of financial and non financial services. As a catalyst for farmer and SMEs development, 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. TGT maximizes its effectiveness by working through three channels: direct impact, influence and leverage.

As a result, TGT is now recognized as an effective partner in inclusive private sector development in the country and has been 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.
- Rural financial deepening through investments in Community banks and providing linkages to microfinance institutions.
- 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 and PPP facilitation.

6. STRATEGIES TO IMPROVE PERFORMANCE

6.1 SMEs Sector

i. MKUBWA – Tanzania Virtual Business Incubator that Promotes Women's Entrepreneurship

The Tanzania Virtual Business Incubator (TVBI) – in Kiswahili –“MKUBWA” MpangowaKukuzaUjasiriamalinaBiasharakwaWanawake’ In English “Program to grow entrepreneurship and women entrepreneurs” (the acronym “MKUBWA” by itself means ‘BIG’ in English). It is supporting growth-oriented micro and small enterprises run by women who wish to improve their current businesses by increasing their firm's productivity, sales, profits, and improving women's control of income, children care and household wellbeing.

The programme is designed with scientific intention of measuring the effectiveness of an 'individualized', flexible business training package that creates change and minimizes the challenges realized by women SMEs versus a more traditional business development services training model.

ii. Sector Project Management

TGT continues to facilitate and manage sector development projects that aim at providing market based solutions to farmers and SMEs through Public Private Partnerships that accelerate the development of a thriving Tanzania Private sector. The Focus is value chain interventions focusing on the following sector.

iii. The Informal Sector Support Programme

The major aim of the initiatives 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 is exploring a Public-Private-Partnership (PPP) between Kinondoni Municipal Council (KMC) - representing the Public interests and taking a leading role to facilitate access to secured land, administer Laws and Regulations, and enforcement thereof while the Private Sector is represented by the VIBINDO Society as a body of beneficiaries. TGT has been commissioned to work as an independent as a Facilitator managing fund, supervising the implementation of activities and independently safeguard the interests of partners and sponsor towards the realization of the programme goal.

7.2 Tanzania Cotton and Textile Development Programme (TCTDP)

TGT is managing the Tanzania Cotton and Textile Development Programme (TCTDP). The Programme aims to double the yields of Tanzania's 400,000 plus cotton farmers who grow cotton as a cash crop supplying raw cotton to ginneries for value addition in the textile and clothing sector. Activities include providing technical assistance to the Tanzania Cotton Board and to the Tanzania Cotton Association. These institutions represent regulatory, investor and farmer interests to help them promote the necessary policy and institutional reforms, provide support to ginneries and farmers to ensure that contract farming is managed successfully and in developing public good solutions for the industry, including weather insurance to protect farmers who take loans, and a market database to help manage contract farming in a transparent and fair manner. The TCTDP is also helping Tanzania Cotton Board (TCB) to introduce improved cotton seed and is supporting Ukiriguru Research Institute to improve its research capacity to address new challenges facing the industry. In addition, the programme is promoting Conservation Agriculture among farmers to improve yields through a major Lead Farmer Training Programme (LFTP) and through a range of market development initiatives with input suppliers.

7.3 Forestry

This was one of the largest projects managed by TGT since 2008. The project sought to promote agro forestry in Tanzania so as to increase wood biomass to meet ever-increasing demand and environmental conservation. ISAAA Africentre worked with Tanzania Forestry Research Institute (TAFORI), linking the former to Mondi Forests to jointly develop the technology. Gatsby Charitable Foundation (GCF) of UK provided the initial three years funding directly through TGT and later on through Kilimo Trust. TGT provided project management services, monitoring implementation, chairing project oversight committee, backstopping TAFORI on business processes and accounting for funds. The Board composed of representatives from TGT, TAFORI, Tanzania Tree Seed Agency, Directorate of Forestry and Beekeeping Division, ISAAA AfriCentre, GCF, Mondi Forests, the private sector and a University.

Phase 1 started with the search for the right technology. The search eventually identified Eucalyptus hybrids as having outstanding performance including maturing within 7–8 years, ideal to match with the increasing demand. The research phase was concluded successfully with establishment of clonal screening and demonstration trials and a nursery at Kwamarukanga in Korogwe. The success heralded Phase Two – Promotion of Commercial Smallholder Forestry: Transfer and application of tree biotechnology in Tanzania. Based on this experience the Forest Development Trust has been incorporated to perpetuate this work now jointly funded by Gatsby Charitable Foundation of UK and the DFID.

7.4 Horticulture Development: The Mbogamboga Women's Programme

The Mbogamboga (Vegetables) Programme aims to change the lives of small holder farmers through integrated horticulture farming and value addition to enable them to benefit from the Tourism Value Chain in Zanzibar. Overall, the programme has shown 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 75 fields schools to achieve these goals and has reached 4000 plus small holder horticulture farmers in the past three years.

8. MAIN SOURCE OF FINANCE

The main source of funding for TGT's programs comes from donor agencies. During the year 2016, funding was received from Gatsby Charitable Foundation (GCF) and Comic Relief Foundation, and other private donors.

9. DONORS WILLINGNESS TO CONTINUE FUNDING

Tanzania Gatsby Trust is in a strong position with regards to long term funding opportunities. It has long term donor contract with the Gatsby Charitable Foundation of UK, lasting up to 2018. During 2016, TGT successfully negotiated extensions to Comic Relief Foundation whereby a grant of GBP 500,000 has been approved for three years (2017 to 2019). Also, a long-term donor, DANIDA has provided funding for the facilitation role for PPP between Kinondoni Municipal Council and VIBINDO for the period 2017/18 for DKK 2,703,122.

10. THE BOARD OF TRUSTEES

TGT's Board of Trustees is the highest policy making body and management is 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 has established committees that are operational to effectively help TGT discharge its role.

The committees include Governance Committee/Executive Committee; the Projects Oversight Committee and Audit, Finance and Procurement 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.

10.1. Members of the Board of Trustees' who served during the year and at the date of this report were:

Name and Age	Position	Qualification	Appointment
1. Mr E.B. Toroka (71)	Chairperson•	Economist	Reappointed 2014
2. Mr L.F. Cockcroft (73)	Trustee••	Economist	Reappointed 2014
3. Mrs M.L. Mahiga (36)	Trustee•	Consultant	Appointed 2012
4. Mrs M.M. Chacha (60)	Vice Chairperson•	Banker	Appointed 2012
5. Mr B. J. Mahenya (48)	Trustee•	Certified Public Accountant	Appointed 2014
6. Prof C. Z.M. Kimambo (57)	Trustee•	Engineer	Appointed 2015
7. Eng. Z.S. Moshi (60)	Trustee•	Engineer	Appointed 2015

• = Tanzanian •• = British

The Board is required to meet at least four times a year.

11. KEY MANAGEMENT PERSONNEL

The key management personnel who served the Trust during the year ended 31 December 2016 were:

Name	Title
Mrs Olive D Luena	Chief Executive Officer
Mr Mark C Mambo	Finance & Admin Manager/Deputy CEO
Ms Joan Kimirei	Chief Operations Manager
Mrs Wankembeta S Kinyau	SMEs BDS Manager

12. 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 any conflict of interest with TGT. All Trustees signed a declaration to that effect.

13. CORPORATE GOVERNANCE

The responsibility of governance of TGT is vested in a Board of Trustees. The Board of Trustees consists of seven members. Apart from the Chief Executive Officer, no Trustee holds an executive position 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 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.

The Trustees are committed to the principles of good corporate governance and recognise the need to conduct the Trust's operations and activities in accordance with generally accepted best practice. In so doing the Trustees therefore confirm that:

The Board of Trustees met regularly throughout the year;
They retain full and effective control over the Trust and monitor executive management;
The Board of Trustees accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

14. EMPLOYEES

During the year 2016, the number of employees was 55 at the end of the year. (2015: 59 employees).

15. EMPLOYEES' WELFARE

(a) Relationship between management and employees

There was continued good relationship between employees and management for the year ended 31 December 2016. There were no unresolved complaints received by management from employees during the year.

(b) Staff strength and gender parity

The Trust had 55 employees, out of which 18 were females and 37 were males (2015: Total 59; female 17 and, male 42)

(c) Medical facilities

The Trust meets a pre-determined cost of medical consultation and treatment for all employees and their immediate families under Medical benefits through AAR Medical Insurance Scheme.

(d) Employee benefits

All eligible employees are members of Parastatal Pensions Fund (PPF). The Trust contributes 10% of basic salary of each employee to PPF on behalf of all permanent employees.

16. EMPLOYMENT OPPORTUNITIES

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

17. GOING CONCERN

The Board of Trustee confirms that TGT has long term contracts with donors and will continue receiving donations from commitments made by donors in the foreseeable future. The Trust is solvent and able to meet its financial commitments and has excess of current assets over the current liabilities.

18. FINANCIAL PERFORMANCE

During the year ended 31 December 2016, the Trust had a deficit of TZS 250.526 million financed by funds brought forward from the previous year. In 2015, the Trust had a deficit of TZS 472.805 million. The results are set out on the Statement of Financial Performance on page 17 of the financial statements.

19. FINANCIAL POSITION

The statement of financial position is set out on page 16 of the financial statements.

20. RELATED PARTY TRANSACTIONS

Details of transactions with related parties are included in note 23 in the financial statements.

21. POLITICAL AND CHARITABLE DONATIONS

There were no donations made to any political party, but the Trust made a donation of TZS 120,000 towards the Support of costs for 2 Albinism for Treatment at the KCMC Hospital, Moshi.

22. ENVIRONMENT CONTROL PROGRAMME

TGT contributes to the environmental programme through the provision of support services to the Forestry Development Trust (FDT) and through Conservation Agriculture in the Tanzania Cotton and Textile Development Programme.

23. FINANCIAL RISK MANAGEMENT AND INTERNAL CONTROLS

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. TGT has in place a Risk Assessment Tool which is part of the best practices governance procedure to enable the Trustees constantly:-

- Identify, characterize, and assess threats that may be facing TGT.
- Assess the vulnerability of TGT's critical assets to specific threats.
- Determine the risk (i.e. the expected consequences of specific types of threats on specific TGT assets).
- Identify ways to reduce those risks.
- Prioritize risk reduction measures.

The Board assessed the internal control systems throughout the financial year ended 31 December 2016 and is of the opinion that they met accepted criteria.

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

24. AUDITORS

Ernst&Young were the auditors of the Tanzania Gatsby Trust during the period ended 31 December 2016. They have expressed their willingness to continue and are eligible for re-appointment.

By Order of the Board of Trustees

Approved by the Board of Trustees on 14 August, 2017 and signed on its behalf by:

Name: Dr. Donath Raphael Olomi Title: Chairperson Signature: 

Name: Ms. Margareth Mattaba Chacha Title: Board Trustee Signature: 

STATEMENT OF BOARD OF TRUSTEES RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2016

The members of the Board of Tanzania Gatsby Trust are required under the Non Governmental Act, 2002 of Tanzania to keep proper records and books of accounts, which should lead to the preparation of financial statements of the Tanzania Gatsby Trust each financial year that present fairly the state of affairs of Tanzania Gatsby Trust.

The Board is required to prepare financial statements for each financial year that present fairly the state of affairs of Tanzania Gatsby Trust, its operations and sources and applications of the funds obtained during the period.

The Board of Trustees further accept 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 TGT confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended on 31 December 2016 in accordance with the International Financial Reporting Standards and compliance with Non-Governmental Act, 2002 of Tanzania.

The Board of TGT is also responsible for maintaining proper accounting records that may be relied upon, as well as maintains adequate system of internal controls to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

The Trustees are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the Trustees indicate that the Trust will not remain a going concern for at least the next twelve months from the date of these financial statements.

By Order of the Board of Trustees

Approved by the Board of Trustees on 14 August, 2017 and signed on its behalf by:

Name: Dr. Donath Raphael Olomi Title: Chairperson Signature: 

Name: Ms. Margareth Mattaba Chacha Title: Board Trustee Signature: 

STATEMENT OF DECLARATION OF THE HEAD OF FINANCE ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) ACT No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with the statement of Declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Trustees to discharge the responsibility of preparing the financial statement of the Trust showing true and fair view position of the Trust in accordance with International Financial Reporting Standards and the requirements of the Non- Governmental Act ,2002 of Tanzania. Full legal responsibility for financial statements rests with the Board of Trustees as indicated in the statement of Trustees' responsibility.

I, Geofrey Danda, being the **Head of Finance** of Tanzania Gatsby Trust hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2016, have been prepared in compliance with the International Financial Reporting Standards and the Non-Governmental Organization Act ,2002 of Tanzania.

I thus confirm that the financial statements give true and fair view position of Tanzania Gatsby Trust as on that date and that they have been prepared based on the properly maintained financial records.

Signed by: Geofrey Danda



NBAA Membership No. ACPA 2749

Date: 14 / 8 / 2017

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the members of Tanzania Gatsby Trust

Opinion

We have audited the financial statements of Tanzania Gatsby Trust ("the Trust") set out on pages 15 to 35, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tanzania Gatsby Trust as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Non- Governmental Organization Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The other information comprises the Trustees' Report as required by the Non- Governmental Organization Act, 2002 of Tanzania. The other information does not include the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

RESPONSIBILITIES OF THE TRUSTEES FOR THE FINANCIAL STATEMENTS

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Non-Governmental Act 2002, of Tanzania, 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.

In preparing the financial statements, the trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for overseeing the Trust's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Trustees' members as a body and for no other purposes.

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 account have been kept by the Trust, so far as appears from our examination of those books;
- iii. The Trustee's Report is consistent with the financial statements;
- iv. Information specified by law regarding Trustees' remuneration and transactions with the Trust is disclosed; and
- v. The Trustee's statements of financial position and statements of financial performance are in agreement with the books of account.



Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure-Mssusa (Partner)



14 / 8 / 2017

TANZANIA GATSBY TRUST

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016	2015
	Notes	TZS '000	TZS '000
INCOME			
Project grants	5	9,803,712	9,422,329
Release of capital grants	21	228,120	226,114
Other Income	6	599,021	760,658
Foreign exchange (loss)/gain	7	(651,488)	65,710
		<u>9,979,365</u>	<u>10,474,813</u>
EXPENSES			
Staff Costs	8	2,240,451	2,235,445
Monitoring and evaluation	9	1,346,378	2,474,085
Technical trainings	10	1,725,900	931,940
Consultancy costs	11	2,466,364	3,468,343
Depreciation - Projects assets	14(a)	228,120	226,114
Depreciation - Non Projects assets	14(b)	18,643	30,285
Projects administration expenses	12	2,024,619	1,370,100
Other administration expenses	13	179,416	211,305
		<u>10,229,892</u>	<u>10,947,617</u>
Deficit for the year		<u>(250,526)</u>	<u>(472,805)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		<u><u>(250,526)</u></u>	<u><u>(472,805)</u></u>

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	2015 TZS '000
ASSETS			
Non Current Assets			
Equipment (for the project)	14(a)	344,009	555,642
Equipment (for the non project)	14(b)	28,714	44,413
		372,723	600,055
Current assets			
Investments	15	45,924	45,924
Endowment	16	-	-
Receivables	17	1	1
Prepayments and other receivables	18	342,039	224,816
Cash and bank balances	19	1,402,888	2,159,925
		1,790,852	2,430,665
TOTAL ASSETS		2,163,575	3,030,721
EQUITY AND LIABILITIES			
Equity			
Belkin Fund		101,757	79,180
Poetry Prize Fund		45,975	97,395
Revaluation Reserve		81,230	99,364
Accumulated Fund		410,212	642,604
		639,174	918,543

Liabilities

Non current liabilities

Deferred capital grants	21	344,008	555,642
		<u>344,008</u>	<u>555,642</u>

Current liabilities

Accruals and other payables	20	197,613	240,227
Deferred income	22	982,781	1,316,310
		<u>1,180,394</u>	<u>1,556,537</u>
TOTAL EQUITY AND LIABILITIES		<u>2,163,576</u>	<u>3,030,722</u>

The financial statements were authorised for issue by the Board of Trustees on 14 / 8 / 2017 and signed on its behalf by:

Name: Dr. Donath R. Olomi

Name: Margareth M. Chacha

Title: Chairperson

Title: Board Trustee



Signature: _____



Signature: _____

STATEMENT OF CHANGES IN EQUITY/ ACCUMULATED FUND

FOR THE PERIOD ENDED 31 DECEMBER 2016

	Belkin Fund	PoetryAward Fund	Revaluation Reserve	Accumulated Fund	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
2016					
As at 1 January 2016	79,180	97,395	99,364	642,604	918,543
Interest on loans	40,369	-	-	-	40,369
Expenses	(17,792)	(51,420)	-	-	(69,213)
Transfer from revaluation reserve	-	-	(18,134)	18,134	-
Deficit for the year	-	-	-	(250,526)	(250,526)
At 31 December 2016	101,757	45,975	81,230	410,211	639,172
2015					
As at 1 January 2015	45,014	104,538	99,364	1,115,409	1,364,325
Transfers	(45)	45	-	-	-
Donation received	23,154	-	-	-	23,154
Interest on loans	8,438	-	-	-	8,438
Loans processing fees	3,421	-	-	-	3,421
Expenses	(350)	(7,188)	-	-	(7,538)
Bank Charges	(452)	-	-	-	(452)
Deficit for the year	-	-	-	(472,805)	(472,805)
At 31 December 2015	79,180	97,395	99,364	642,604	918,543

STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	2015 TZS '000
Cash flows from operating activities			
Surplus/(Deficit) for the year		(250,526)	(472,805)
Adjustments for non cash items:			
Depreciation for non projects assets		18,643	30,285
Gain on disposal of property and equipment		(38,076)	(35,201)
		(269,959)	(477,721)
Changes in assets and liabilities			
Decrease in Investment		-	100,000
Increase in prepayment and other receivables		(117,223)	(50,298)
Decrease in accruals and other payables		(42,614)	150,460
Increase in deferred income		(333,529)	140,369
Net cash flows in operating activities		(763,325)	(137,190)
Cash flows from investing activities			
Proceeds from sale of property and equipment		15,700	35,200
Purchase of property, plant and equipment		19,432	(183,510)
Net cash flows from investing activities		35,132	(148,310)
Cash flows from financing activities			
Increase in Belkin Fund		22,577	34,211
Decrease in Poetry Award Fund		(51,420)	(7,188)
Net cash flows from financing activities		(28,844)	27,023
Net increase in cash and cash equivalents		(757,037)	(258,477)
Cash and cash equivalents			
At the beginning of the year		2,159,925	2,418,402
At the end of the year	19	1,402,888	2,159,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. TRUST INFORMATION

The financial statements are of Tanzania Gatsby Trust for the year ended 31 December 2016. 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.

2.1 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 2016, TGT successfully negotiated extensions to COMIC Relief Foundation who have been long term donors; this has secured funding through 2019.

2.2 New and amended standards and interpretations

The accounting policies adopted are consistent with those used in the previous year. The following new and amended standards and interpretations that became effective for the Trust during the year did not have any impact on the accounting policies, financial position or performance of the Trust:

- a. IFRS 14 Regulatory Deferral Accounts
- b. Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- c. Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- d. Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- e. Amendments to IAS 27: Equity Method in Separate Financial Statements
- f. Annual Improvements 2012-2014 Cycle:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting
 - Amendments to IAS 1 Disclosure Initiative

2.3 Standards and interpretations issued or revised but not yet effective for the financial year ended 31 December 2016

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 is still assessing the possible impact.

- IFRS 9 Financial Instruments (Effective 1 Jan 2018)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 Jan 2018)
- IFRS 16 Leases (Effective 1 Jan 2019)

The other new and amended standards that have been issued but are not yet effective are not expected to have a significant impact on the financial statements of the Trust.

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.

Grants are not recognised until there is reasonable assurance that Trust will comply with the conditions attaching to them and the grants will be received. Grants whose primary condition is that the Trust should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of profit or loss on a systematic and rational basis over the useful lives of the related assets. Other grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust with no future related costs are recognised in the statement of profit or loss in the period in which they become receivable.

b) Expense recognition

The effects of expenses are recognised when they occur (and not as cash or its equivalent is paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

c) Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less, and is measured at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents and financial investments with maturity of three months or less.

d) 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.

e) 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.

f) Property and equipment

TGT capitalizes assets with a cost of US\$300 /TZS500,000 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.

g) 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.

h) Taxation

The Trust is exempted from Corporate Tax under the Income Tax Act of 2004 subject to obtaining tax ruling from the Commissioner General. 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, 2016.

i) 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.

j) 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 financial performance on accrual basis.

k) 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.

l) 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 financial performance. 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 financial performance when the Trust's right to receive payment is established.

m) Financial Instruments – initial recognition and subsequent measurement

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 financial performance.

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 financial performance. The losses arising from impairment are recognised in the statement of financial performance 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 financial performance. 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 financial performance. 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 financial performance.

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.

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.

Financial liabilities at fair value through profit or loss

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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, 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.

	2016 TZS '000	2015 TZS '000
5 PROJECT GRANTS FINANCED BY:		
Beginning balance	1,316,310	1,604,906
Receipts during the year		
Gatsby Charitable Foundation UK	9,054,501	7,690,439
DANIDA	-	496,422
Cherie Blair Foundation	-	183,290
Comic Relief Foundation	61,204	284,467
Ford Foundation	-	178,879
Other grants	-	300,236
Youth & Entrepreneurship & Employment Programme	137,667	-
MKUBWA Programme (By Comic Relief)	216,812	-
	9,470,184	9,133,733
Ending balance (Note 22)	(982,782)	(1,316,310)
Amounts utilised during the year	9,803,712	9,422,329

6 OTHER INCOME

Reimbursement of administration expenses - CTD/PTU/ FDT	284,990	489,418
Reimbursement of administration expenses - HORTICUL- TURE	-	23,170
Reimbursement of administration expenses - BELKIN FUND	13,086	-
Fees for use of conference room	1,050	750
Funds from MKUBWA Project for Training the Women	-	6,450
Funds returned from ShoreCap International	-	154,528
Other income	323	1,001
Funds for TGT's Capacity Building	261,496	-
Interest on bank deposit	-	50,140
Gain on disposal of motor vehicles	38,076	35,201
	599,021	760,658

7 FOREIGN EXCHANGE GAIN/LOSS

Foreign currency exchange gain	79,257	65,711
Foreign currency exchange loss	(730,745)	-
	(651,488)	65,711

8 STAFF COSTS

Programme Management (CTDP)	1,939,873	2,004,353
Human Resources (DANIDA)	176,800	70,398
Administrative Costs (HORTICULTURE)	38,382	45,157
Human Resources (MKUBWA)	85,396	115,537
	2,240,451	2,235,445

9 MONITORING AND EVALUATION

Access to improved seeds (CSDP)	391,558	599,791
Conservation Agriculture (CSDP)	59,871	1,282,704
Research and Evaluation CSDP)	843,661	451,386
Administration & Governance (DANIDA)	4,662	19,200
Project Documentation & Lessons Learned (DANIDA)	23,274	-
Operations (DANIDA)	12,847	1,760

	Integrate Human Rights Awareness	-	27,437
	Linking Mbogamboga Famers to Financial Products	-	76,174
	Project Monitoring & Evaluation	-	793
	Project Operations (MKUBWA)	635	3,395
	Monitoring & Evaluation (MKUBWA)	9,354	819
	In depth Visits(MKUBWA)	516	10,626
		1,346,378	2,474,085
10	TECHNICAL TRAININGS		
	Input Markets (CSDP)	1,700,781	-
	Upgrading and Capacity Building	-	6,542
	Marketing investment	-	706,465
	Training Farmers in Vegetable Quality (HORTICULTURE)	25,119	95,020
	Management of Farmer Training School	-	44,567
	Technical Classes	-	5,023
	EBTM Training	-	21,122
	Technical Sessions	-	3,855
	TT Training	-	21,666
	EBM Training	-	21,315
	Technical Training	-	6,365
		1,725,900	931,940
11	CONSULTANCY COSTS		
	Contract Farming (CSDP)	917,097	2,702,990
	Textile Dev Unit (TDU)	1,519,785	741,188
	Consultancies (CSDP)	21,382	4,276
	Coaching (HORTICULTURE)	8,100	19,889
		2,466,364	3,468,343
12	PROJECT ADMINISTRATION EXPENSES		
	Policy & Communication (CSDP)	820,688	292,145
	Project Admin costs by TGT	154,143	75,388
	Site Meetings & Stakeholders Expenses (DANIDA)	28,595	-
	Vibindo (MKUBWA)	25,000	200
	Kinondoni Municipality (MKUBWA)	25,000	500

Implementing Farmer Field Training (HORTICULTURE)	21,869	-
Value Addition Technologies (HORTICULTURE)	1,950	10,633
Internal allocation of expenses	-	440
Debt Faroring (HORTICULTURE)	100	-
Greenhouse technology (HORTICULTURE)	5,294	-
Introduction of new varieties of fruits (HORTICULTURE)	30,012	-
Overheads (HORTICULTURE)	78,267	-
Other costs - Mkubwa project (Cherie blair foundation)	-	42,069
Mentoring	-	340
Awareness Creation	-	2,822
Other costs - MKUBWA project (Comic Relief foundation)	13,051	16,040
Graduation Ceremony and Closure of Phase II (MKUBWA)	39,356	-
Project Admin Expenses	781,293	929,523
	2,024,619	1,370,100

13 OTHER ADMINISTRATION EXPENSES

Gratuity	92,036	98,636
Bad debts written off	2,780	-
Community Social Support	620	6,348
Fundraising expenses	5,033	6,321
Interest on call account overbooked in previous years	55,322	-
Payment to ex-employee expenses	7,095	-
Impairment of Investment in equity	-	100,000
Retirement benefit	16,465	-
Others	65	-
	179,416	211,305

14 (a) EQUIPMENT (PROJECTS' ASSETS)

	Computers & Office Equipment	Motor vehicles & motor cycles	Furniture & Fittings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2016				
Cost				
As at 1 January 2016	113,789	1,807,139	87,779	2,008,708
Additions	15,102	-	1,385	16,487
Disposal	-	(648,468)	-	(648,468)
As at 31 December 2016	128,891	1,158,671	89,164	1,376,726
Amortisation				
As at 1 January 2016	101,198	1,309,618	42,249	1,453,065
Charge for the year	6,295	214,208	7,617	228,120
Depreciation on disposal	-	(640,968)	-	(648,468)
As at 31 December 2016	107,493	882,858	49,866	1,032,717
Closing Value				
As at 31 December 2016	21,399	275,813	39,298	344,009
31 December 2015				
Cost				
As at 1 January 2015	94,903	1,656,347	80,788	1,832,038
Additions	18,886	150,792	6,991	176,669
Disposal	-	(259,992)	-	(259,992)
As at 31 December 2015	113,789	1,547,147	87,779	1,748,715
Amortisation				
As at 1 January 2015	84,550	1,107,478	34,923	1,226,951
Amortisation for the year	16,648	202,140	7,326	226,114
Disposal	-	(259,992)	-	(259,992)
As at 31 December 2015	101,198	1,049,626	42,249	1,193,073
Closing Value				
As at 31 December 2015	12,591	497,521	45,530	555,642

14 (b) EQUIPMENT (NON-PROJECTS' ASSETS)

	Computers TZS '000	Motor vehicles TZS '000	Furniture & fittings TZS '000	Office Equipment TZS '000	Total TZS '000
31 December 2016					
Cost					
As at 1 January 2016	23,058	97,745	23,942	36,683	181,428
Additions	2,945	-	-	-	2,945
As at 31 December 2016	26,003	97,745	23,942	36,683	184,374
Depreciation					
As at 1 January 2016	17,312	81,902	16,005	21,797	137,016
Charge for the year	3,992	11,460	1,172	2,018	18,643
As at 31 December 2016	21,304	93,362	17,177	23,815	155,659
Carrying Value					
As at 31 December 2016	4,699	4,383	6,765	12,868	28,713
31 December 2015					
Cost					
As at 1 January 2015	18,318	97,745	23,942	34,583	174,588
Additions	4,740	-	-	2,100	6,840
As at 31 December 2015	23,058	97,745	23,942	36,683	181,428
Depreciation					
As at 1 January 2015	13,060	62,353	13,648	17,670	106,731
Charge for the year	4,252	19,549	2,357	4,127	30,285
As at 31 December 2015	17,312	81,902	16,005	21,797	137,016
Carrying Value					
As at 31 December 2015	5,746	15,843	7,937	14,887	44,413

15 INVESTMENTS

	2016	2015
	TZS '000	TZS '000
Unquoted Shares		
Fanikiwa Microfinance Co Ltd	2,640,000	2,640,000
Provision for impairment	(2,640,000)	(2,640,000)
Discounted Equity FMFC	-	-
Mwanga Community Bank Ltd	45,924	45,924
Njombe Community Bank Ltd	100,000	100,000
Provision for impairment	(100,000)	(100,000)
Discounted Equity NJOCBA	-	-
Meru Community Bank Ltd	49,000	49,000
Provision for impairment	(49,000)	(49,000)
Discounted Equity Meru	-	-
Tandahimba Community Bank Ltd	20,000	20,000
Provision for impairment	(20,000)	(20,000)
Discounted Equity Tandahimba	-	-
Total Investments	45,924	45,924

16 ENDOWMENT

As at 1 January	-	665,266
Transferred to Cash	-	(665,266)
As at 31 December	-	-

This was endowment fund held at Commercial Bank of Africa (T) Limited which ended in the year 2015 and the balance was transferred to CBA Bank Call Account.

17 RECEIVABLES

As at 1 January	42,883	42,883
Less: Provision for impairment	(42,882)	(42,882)
As at 31 December	1	1

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.

18	PREPAYMENTS AND OTHER RECEIVABLES	2016 TZS '000	2015 TZS '000
	Medical Insurance	85,931	56,023
	Others	2,228	-
	Staff Advances	68,669	137,845
	Staff Imprests	80,257	-
	Hurumzi Art Gallery	-	1,775
	Belkin Fund for Credit Scheme for Women	104,954	24,173
	Farm Deposit refundable	-	5,000
		342,039	224,816
19	CASH AND BANK BALANCES		
	Cash at bank for:		
	Cotton & Textile Development Programme	775,858	913,231
	Public Informal Economy Support Programme	23,058	270,341
	Public Informal Economy Support Programme	-	11,250
	Horticulture Programme	-	24,093
	Youth & Entrepreneurship & Employment Programme	30,259	-
	MKUBWA Programme	70,183	-
	BELKIN Funds for Microcredit	19,088	50,827
	Poetry Prize Award Funds	83,424	97,395
	Call Accounts - Non Projects	194,780	93,253
	Transfer from Endowment Fund to Call account	-	665,266
	Current Accounts - Non Projects	200,425	33,152
	Sub total	1,397,075	2,158,808
	Cash in hand		
	For the Projects	3,267	1,116
	For the Non Projects	2,546	-
	Sub total	5,813	1,116
		1,402,888	2,159,924

20 ACCRUALS AND OTHER PAYABLES

	2016 TZS '000	2015 TZS '000
Audit fees	23,223	20,988
Retirement benefit	85,063	68,598
Gatsby Africa	8,839	-
PPF Claim payable	-	14,833
Gratuity	49,655	92,751
Other accruals	7,095	-
PPF	-	35,065
Belkin Fund for Credit Scheme for Women	23,738	7,992
	197,613	240,227

21 DEFERRED CAPITAL GRANTS

Cost

As at 1 January	1,748,715	1,832,038
Additions	16,487	176,669
Disposals/transfers	(648,468)	(259,992)
As at 31 December	1,116,733	1,748,715

Accumulated amortasations

As at 1 January	1,193,073	1,226,951
Amortisation for the year realeased	228,120	226,114
Amortisation on disposals/transfers	(648,468)	(259,992)
As at 31 December	772,725	1,193,073
Deferred capital grants carrying amount at 31 December	344,008	555,642

Deferred capital grants represents the amount of funds used for purchase of project fixed assets provided by various donors . The capital expenditure used to acquire long term non monetary items are recognised as deferred capital grant in the statement of financial position and amortised to project income and expenditure on straight line basis over the useful life of the respective non monetary capital items acquired.

22 DEFERRED INCOME

Beginning balance as at 1 January	1,316,310	1,604,906
Additions during the year	9,470,183	9,133,733
Project expenses/(utilisation)	(9,803,712)	(9,422,329)
Balance as at 31 December	982,781	1,316,310

Breakdown of closing balance

Cotton & Textile Development Programme	775,858	913,231
Public Informal Economy Support Programme	23,057	270,341
Public Informal Economy Support Programme	-	11,250
Horticulture Programme	-	24,093
Youth & Entrepreneurship & Employment Programme	30,260	-
MKUBWA Programme	70,183	-
Poetry Prize Award Funds	83,424	97,395
	982,782	1,316,310

Deferred income represent grants received from Donors in monetary form to finance various projects. Unutilised funds are carried forward to next financial period and recorded in the statement of financial position as deferred income.

23. 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.

	2016	2015
	TZS' 000	TZS' 000
Short term benefits	549,239	432,274
Post-employment benefits	7,773	7,773
	557,012	440,047

24. COMMITMENTS AND CONTINGENCIES

Capital commitments

There are no approved and contracted capital commitments as at year end 31 December 2016.

Operating lease commitment – Trust as a lessee

The Trust has entered in commercial leases on premises for its office space. These leases have an average life of between three to five years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2016 TZS'000	2015 TZS'000
Within one year	156,551	118,894
After one year but not more than five years	489,339	523,556
More than five years	-	-

Contingencies

There are no known contingencies at the year end.

25. 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.

26. ASSETS PLEDGED AS SECURITY

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

27. 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.

28. SUBSEQUENT EVENT

With effect from 01 April 2017, the Cotton and Textile Development Project has been taken over by Gatsby Africa, a branch of Gatsby Africa (UK) a company limited by guarantee, established in order to implement the Africa programmes of the Gatsby Charitable Foundation.

As at 31 December 2016, significant component of the Income and Expenditure Statement and the Statement of Financial Position related to the CTDP as shown in the table below (TZS '000)

	Total	Related to CTDP	Ratio of CTSP/ Total
	TZS	TZS	TZS
Grants	9,803,712	9,054,501	92.35%
Expenditure	10,229,892	8,416,712	82.27%
Cash and Bank balances	1,402,888	775,858	55.30%
Property and equipment	372,723	344,009	92.30%

Consequently, for the Financial Statements for the year ending 31 December 2017, the results and financial position would be much less in monetary figures as the case is for the year ended 31 December 2016.

29. COMPARATIVE FIGURES

Comparative figures have been re-grouped whenever considered necessary in order to conform to the current year's presentations.

