

Tanzania Gatsby Trust

T G T

TANZANIA GATSBY TRUST



Report and Accounts for the

CONTENTS

Tanzania Gatsby Trust background	1
Principal Objective	2 - 3
Board of Trustees	4
Chairman's Statement	5
Overview of Strategic Plan 2003 - 2005	6
Operations Report 2003	
- Training	7
- Credit	9-10
- Marketing	12
- Endowment Building	12
- TGT / pCET Collaboration	14 - 15
- TGT / TAFORI biotechnology tree project	16
- EAAG	17
Financing Received in 2003	18
Management & Governance	18
Financial Statements 2003	19 -28

The Tanzania Gatsby Trust

The Tanzania Gatsby Trust (TGT or the Trust) was registered in Mainland Tanzania in 1992 as a charitable trust under the Trustees Incorporation Ordinance Cap 375. TGT's mission is to help bring about poverty alleviation by enabling hundreds of Small and Medium sized Enterprises (SMEs) to carry out productive and profitable micro enterprises.

The establishment of the Trust is based on the premise that there is an underlying productive potential in the SMEs sector that is yet to be fully mobilized. This is reflected in the high levels of unemployment, under-employment and low income in Tanzania today. TGT provides support to artisans and entrepreneurs in micro, small and medium sized enterprises.

Entrepreneurs in Tanzania are struggling to expand their businesses. They continue to face major constraints in the form of limited availability of affordable credit, underdeveloped markets, and

limited access to technical, business and management development training. TGT provides support to help them overcome these difficulties.

Although primarily based in Dar es Salaam, TGT has expanded its operations and projects coverage to ten regions. The Trust is currently working to extend coverage to the lake zone in collaboration with the Coordinating Office of Engineering and Technology (COET) through its Technology Development and Transfer Centre, and the University Entrepreneur Centre at the University of Dar es Salaam.



*Solar drying
of foodstuffs*

Principal Objective

The principal objective of TGT is to enable SMEs, including low income producers to achieve a real increase in output and net income by making credit finance, marketing strategies, training and technology development support available to them. This goal is translated into numerous projects and programmes as detailed below.

Provision of Credit Finance

TGT operates various credit schemes aimed at providing capital to SMEs. The credit schemes are categorized into three types:-

wholesale

where funds are provided through intermediary microfinance institutions

retail

where funds are provided to women groups based on the traditional savings and credit societies popularly known as UPATU or KIBATI

individual loans

extended to those SMEs that have graduated from the group loans schemes, and whose enterprise growth demands larger inputs

Interest rates vary between 18-24% for wholesale scheme loans, and 24-30% for individual and retail loans.

Marketing Support

TGT marketing schemes aim to assist SMEs in the manufacturing sector to access local and international markets primarily through trade fairs and exhibitions with emphasis on:-

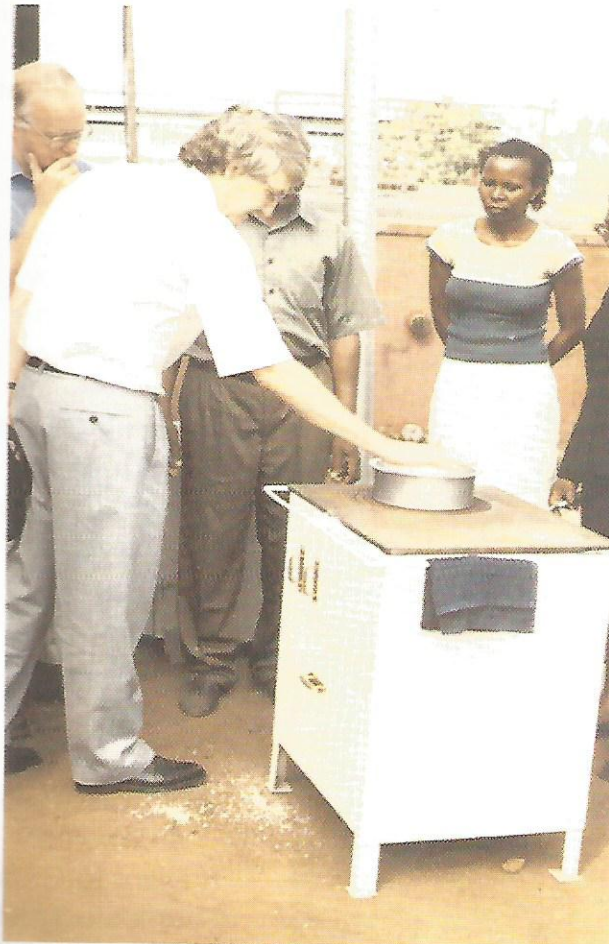
- increasing SMEs market linkages
- making more business information available
- strengthening the advocacy of fair trade business associations representing SMEs
- enhancing SMEs marketing skills and techniques
- collaborating with AMKA and other ATOs to increase SMEs access to finance for confirmed orders.

Training

TGT has developed tailor made training programmes to build the capacity of its SME clients in the areas of skills development, enterprise development, and management development.

Specific credit training is a prerequisite to all SME clients applying for credit under the group lending schemes. A total of 696 clients received pre-credit training in 2003.

TGT also provides training to support SMEs access to new technology, and technology knowledge transfer to SMEs.



Technology Support

TGT's technology support to SMEs has primarily taken the form of training in solar drying technology, food processing, leather tanning technology, woodwork and textile technology, and renewable energy awareness and sensitization. Overall seven solar dryers and five biogas plants have been constructed.

In 2001, the Trust entered into a three year programme with the prospective College of Engineering and Technology of the University of Dar es Salaam (pCET) to undertake technology transfer to SMEs. Specific measures include a survey of SMEs throughout Tanzania, sponsoring students to undertake research based on activities of SME clients in food processing, and the promotion of low cost housing and technology incubators. This specific programme is discussed in more detail later in the report.

CGF Chairman, Mr. C. Stone admiring a fuel saving stove manufactured by a TGT client during his recent visit to Tanzania

The Board of Trustees



Mr Ibrahim Seushi - Chairman
Director - Public Sector Group
PricewaterhouseCoopers Limited



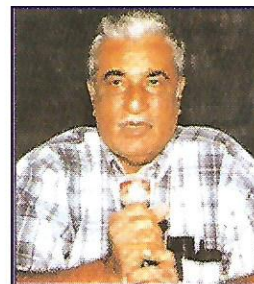
Mr. Hatim Karimjee -
Deputy Chairman
Managing Director
Karimjee Jivanjee
Limited



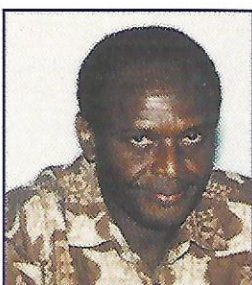
Mrs. Ndema Mbise -
Trustee
Consultant - Financial
Analyst



Hon. Kate Kamba -
Trustee
MP East Africa
Legislative Assembly
Business Woman
Former Deputy Minister



Mr. Sherali Champsi -
Trustee
Director, Spice Inn,
Zanzibar



Mr. Epaineto Toroka -
Trustee
Former Director General
Small Industries
Development
Organisation



Mr. L. Cockcroft -
Trustee
Advisor to Gatsby
Charitable Trustee
Foundation (UK)

The Chairman's Statement

Tanzania continues to face an increasing number of people living in poverty in its rural and urban areas. The available labour force is growing rapidly, and the economy is finding it difficult to generate sufficient jobs for youths, women, college graduates and the disabled etc. The Tanzania Gatsby Trust strives to bring about change in these circumstances at the grass roots level through people centred development.

During 2003, TGT provided credit in excess of TSh 420 million to a total of 4153 SME clients. Many SMEs have in turn been able to create employment and contribute to Tanzania's economy through direct payment of taxes and the social well-being of their families and communities. The Trust continued to enjoy successful collaboration with Vocational Training Centres, Technical Secondary Schools, and with the prospective College of Engineering at Dar es Salaam University through out the year.

We were honoured and pleased to receive Mr Christopher Stone, the Chairman of the Board of the Gatsby Charitable Foundation, on an official visit to TGT in October. Mr Stone was able to see first hand some of the many projects that TGT supports.

A highlight of the year must surely be the signing of the agreement to establish the Biotechnology Tree Project. TGT will play a pivotal role in this important project to enhance forestry production and thereby improve the availability of wood fuel as an energy source for the poor in Tanzania, whilst being mindful of environmental conservation and improving the living standards of rural communities. This project will diversify economic activities for the poor through franchising tree nurseries and cultivation of wood.

During 2003, the Trust also moved closer to its goal of establishing an endowment fund to improve the self-sustainability of TGT in years to come. It is still early days for this exciting project, but we are encouraged by our success to date in generating interest in the fund, and raising finances to set up the endowment scheme.

We continue to be grateful for the on-going support the Trust receives from its supporters, especially the Gatsby Charitable Foundation, the Ford Foundation, UNIDO and the many more collaborators who share with us the vision of a poverty free Tanzania someday.

If you share our vision, please do not hesitate to contact us.



Ibrahim H. Seushi

CHAIRMAN

Strategic Plan 2003 - 2005

The Trust launched a three year strategic plan in 2003. The plan will provide a framework for TGT's operations during the period, and sets out specific objectives:-

- consolidate the current direct and on-lending credit schemes, and enhance the capacity of UPATU / KIBATI groups
- initiate a direct lending facility in the Coast Region, and link up with SACCOS as possible outlets of the wholesale credit scheme
- assist SMEs to access appropriate technologies
- implement a credit scheme with special focus on women in agro processing
- introduce housing micro - finance to selected groups
- develop TGT special cluster clubs for specific technology and product development innovations linked to low cost housing technologies
- undertake training and capacity building for SMEs Associations
- enhance SMEs marketing strategies for specific products and link entrepreneurs to markets in association with AMKA
- support the creation of three community banks
- build an endowment fund and develop the assets of TGT to enhance sustainability of the Trust and improved output for future operations



Some of the TGT clients' products on display

Operations Report 2003

During 2003, in line with the three year strategic plan, the Trust continued to focus on the core areas of provision of training, provision of credit finance, and provision of marketing support to SMEs. During the year, progress was also achieved against the Trust's stated objectives in technology support and in moving towards the establishment of an endowment fund for enhanced sustainability and improved output. These achievements are discussed in detail below.

Internal Training

During the year, in line with the Trust's objective to improve its internal sustainability, TGT staff training programmes were primarily focused on the key issues relating to foundation building, asset development, grant making, governance, and management.

Trustee Mbise and Trustee Toroka together with the Trust's General Manager participated in the East Africa Learning Group workshop in Nanyuki, Kenya in February 2003. TGT co-hosted a follow up workshop in Dar es Salaam in April 2003.

In November 2003 Trustee Toroka, Trustee Mbise and the Projects Officer attended a workshop and grant-making training course in Uganda organized by Allavida.

Client Training

The Trust organised a successful client's seminar during the year, supported by a grant from the Ford Foundation. The main focus was the concept of endowment building and asset development, and the importance and relevance of TGT's efforts in this area this to the clients.

Study Tours

Trustee Toroka and the General Manager visited the ISSA (International Service for the Acquisition of Agri-biotech Application) in connection with the TAFORI project. During field trips they were able to see tree planting projects, and learn about how ISSA works.

Sixteen people were sponsored by The Gatsby Charitable Foundation to attend a study tour on housing on Zanzibar.

Philanthropy Programme

The Trust was proud and privileged when the General Manager, Mrs. Olive Luena was made a fellow of the John Hopkins University - Centre for Civil Society, to participate in the International Fellows Programme in Philanthropy.

Mrs. Luena's area of study during the five month programme was "Building and managing endowment funds for the on-going work of the non-profit sector in Tanzania". Her research paper has greatly benefited the Trust in developing its endowment policy.



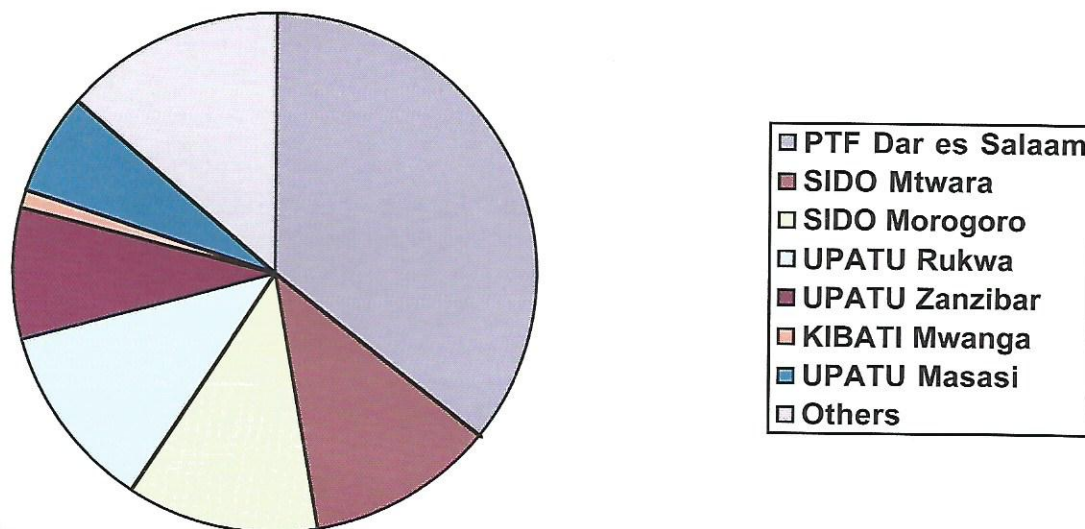
Provision of Credit

TGT's credit target for 2003 was to reach 4935 SME clients with a total loan portfolio of TSh 380 million; actual outreach achieved was 4153 clients with total loans disbursed of TSh 423 million from which TGT expects to earn interest of TSh 91 million. Of this, interest amounting to TSh 68 million was collected during 2003, the remaining balance falling due for collection during 2004.

Analysis of credit provision for year 2003

LOCATION	LOAN PORTFOLIO Tshs. ('000)	PLAN FOR OUTREACH	ACTUAL OUTREACH	VARIANCE	REPAYMENT RATE (average)
PTF Dar es Salaam	150,000	2000	2500	+25%	100%
SIDO Dar es Salaam	0	300	0	-	-
SIDO Mtwara	50,000	700	250	-64%	100%
SIDO Morogoro	50,000	300	150	-50%	100%
UPATA Rukwa	50,000	300	156	-48%	98%
UPATA Zanzibar	33,420	250	244	-2.4%	99%
KIBATI Mwanga	4,800	500	24	-95%	70%
UPATA Masasi	26,715	500	385	-23%	100%
OTHERS	58,114	85	444	+422%	95%
TOTAL	423,049	4,935	4,153	15.8%	95.2%

Loan portfolio analysis by value of lending



Although the total amount of credit disbursed exceeded the original target, the number of clients reached fell short. This was mainly as a result of the suspension of credit provision to Mwanga UPATA during the second half of the year due to accumulated outstanding repayments reaching an unacceptable level. The Trust is intensifying its efforts to collect the outstanding amounts, and will thereafter select the more responsive clients for continuation of the credit scheme.

The Trust's target for interest collection in 2003 was TSh 60 million from all credit schemes, including the TAFOPA scheme in the following section. This target was surpassed by the collection of TSh 68 million as mentioned above, excluding the TAFOPA scheme.

TGT / TAFOPA Credit Scheme Report

In November 2001, the Trust entered into an agreement with United Nations Industrial Development Organisation (UNIDO) for the implementation of a credit scheme with special focus on women in the food processing industry. 2003 heralded the beginning of a three year strategic plan during which the emphasis was on the identification and mobilisation of credible food processors into groups for guarantee purposes and skills development training. Specific objectives and achievements in 2003 were:-

- 4 pre-credit delivery training workshops were delivered, against an original target of 5 workshops for the year;
- TSh 36 million of credit was disbursed to 10 clients, compared to a target of TSh 45 million to 15 clients;
- TSh 4 million was disbursed for marketing, in line with the target for the year;
- Two clients were assisted to access food processing machinery at the University of Dar es Salaam, in line with the objective to make technology more accessible.

The scheme was unable to meet in full its training and credit disbursement targets for the year primarily due to a shortage of credible borrowers within TAFOPA regions. The main weaknesses are a lack of credit management skills, and very low asset bases among the individual borrowers.

*The statue, opposite, donated by TGT and is
currently housed in the National Museum in
Dar es Salaam.*



TO THE CHILDREN OF
TANZANIA
NATIONAL POLIO CAMPAIGN
1996. ARTIST
BY JOHN ZENO BOX
M. ENA NDANDA NTWADA

Marketing

During the year, TGT continued to provide marketing support to SMEs in the form of financial assistance to attend trade fairs as detailed in the table below.

The Trust was invited to act on the preparatory committee of the SADC trade fair organized by the Equal Opportunity Trust in collaboration with the Board of NSSF. TGT's General Manager and the Projects Manager were amongst the facilitators providing pre-fair training to SME exhibitors to help them to maximize their marketing impact.

Endowment Building

During the year, the Trust continued to move towards its stated objective of establishing an endowment fund sufficient to ensure self sustainability in the future.

In October 2003, TGT commissioned a feasibility study to test ideas about

the Trust and endowment funds with a thoughtful and informed audience of people close to the organisation who are willing to offer advice and candid opinions.

Although it is still early days in terms of establishing a fully fledged fund, the Trust's fund-raising efforts have been very successful with GBP 115,484 being raised to date and invested in a long term deposit with the Bank of New York Limited. The fund also has TSh 2 million in a savings account in Dar es Salaam.

Asset Development

The Trust continued to hold its share equity of TSh 20 million in the Mwanga Community Bank that again returned a profit for the year.

Requests for equity support have been received from other community banks, and the Trust is considering what level of support it is able to provide.

Name	Date	No. of SMEs Supported	Amount of Support TSh	Sales/Orders TSh
DSM, International Trade Fair	July	10	2,000,000	3,000,000
Songea Trade Fair	October	12	2,000,000	1,500,000
Southern Highland Trade Fair	March	14	2,000,000	1,800,000
Zanzibar Trade Fair	December	51	2,000,000	4,000,000
Mtwara Trade Fair	November	59	1,656,700	16,000,000
Total		156	9,656,700	29,800,000



Sun grain drying

TGT / pCET Collaboration

In 2001, TGT and the University of Dar es Salaam - prospective College of Engineering and Technology signed a Memorandum of Understanding to collaborate in a programme to assist SMEs to access technology generated by the Coordinating Office for Engineering and Technology (pCET) through its Technology Development and Transfer Centre (TDTC), and by the University Entrepreneurship Centre (both of which are University entities).

The first full year of the collaboration, 2002 was regarded as a pilot year for the scheme. In May 2002, a detailed support proposal entitled "Extended Support for SMEs' Performance Enhancement through Technology Development and Transfer (TDT)" was submitted to TGT requesting a total of TSh 290 million to finance the scheme for the period 2002 - 2005. Of this, TSh 167 million was approved and disbursed by the end of 2003.

Activities planned for 2003 included the following:

- student projects relevant to SMEs;
- SME survey and stakeholders' workshop in the Western Zone of Tanzania;
- establishment of a national technology-based SME Incubator Programme;

- Feasibility study on shelter/housing in Zanzibar, Rukwa, and Mtwara regions; and

- research work on housing/shelter.

Student projects

All of the ten projects executed during the pilot year dealt with food processing. In 2003, the scope of the projects was widened to cover other disciplines and emphasise the need for strong SME collaboration. A further five projects were added specifically for low cost housing studies.

Survey in the Western Zone

The survey covered Tabora, Kigoma, Shinyanga, Mwanza, Kagera and Mara regions - a total of 34 districts. Over 700 survey questionnaires were returned and analysed, and a report prepared. It is interesting to note that the results were very much similar to those obtained in the Eastern Zone survey the previous year.

Stakeholders' workshop

A workshop was held for Western Zone stakeholders in Mwanza on 16th December 2003 during which the results of the Western Zone survey were presented. One of the major recommendations coming out of the workshop was the idea to organize the SMEs into groups to be known as Gatsby Clubs to make liason between TGT and SMEs easier. TGT is working on the modalities of setting up the Clubs in the area, and if the idea proves successful, may introduce it into other areas in the future.

Technology incubation

TGT and pCET are working on the establishment of incubators. Five localities have been identified in the Eastern Zone as having big potential for establishing incubator activities, namely:- Bagamoyo, Kibaha, Morogoro, Lushoto and Zanzibar.

Initial visits have been made to these localities during which the incubator concept was presented and discussed with various stakeholders including potential promoters and clients. The local coordinators for Kibaha, Lushoto and Morogoro in particular responded positively.

Background analysis and feasibility studies of all the selected localities are now at an advanced stage. For the time being, it has been decided to focus on the three localities mentioned above which have shown good potential, including response by the local actors. The background analysis is expected to be complete by early 2004, and a stakeholders' workshop has been planned for March 2004.

Housing / Shelter

The issue of housing is critical in Tanzania, particularly in regions that are less advantaged economically. Many organization, including TGT have already established that there is a dire need for improvement of the existing shelter / housing for the poor. It has been recognized that emphasis should be placed on technologies that can enable low-income earners to build good houses at less cost. This can only be achieved through the development of new technologies for building affordable housing using locally available materials.

The Trust and pCET have agreed to initially focus on Rukwa, Mtwara and Zanzibar regions. A survey was undertaken in these three regions during 2003. The survey report is due in early 2004.



TGT assisted a client to establish a canoe rental business on Nyumba ya Mungu dam at Lang'ata.



Christopher Stone - GCF Chairman signing the TAFORI-TGT tree planting agreement when he visited TGT projects in Tanzania in October 2003

Biotechnology Tree Project

During 2003, the Gatsby Charitable Foundation (GCF) together with the Tanzania Forestry Research Institute, Mondi Forest of South Africa and the International Service for the Acquisition of Agribiotech Applications (ISAAA) agreed to establish a biotechnology tree project in Tanzania.

TGT's role is to disburse to the project funds received from the Gatsby Charitable Foundation for that purpose, and provide quarterly management accounts to GCF and ISAAA. The Trust will also provide two persons to sit on the project board. Trustee Toroka and TGT's General Manager will undertake these roles, with Trustee Toroka serving as chairman of the project board.

The project will play an important role increasing the number of trees planted in designated woodlots, thereby alleviating the pressure on Tanzania's natural forests. The objective is to improve the large scale production and distribution of several tree species, beginning with Eucalyptus clones imported from Mondi Forest in South Africa, to build a self-sustaining system.

This project will enhance forestry production. Given the central role that wood fuel plays in the energy sector for the poor in Tanzania, this project will play a major role in poverty alleviation and environmental conservation, thereby improving the living standards of rural communities.

East African Association of Grant Makers

During the East Africa Learning Group workshops in Nanyuki, Kenya and Dar es Salaam mentioned earlier in this report, the participating organisations recognised that they would all collectively and individually benefit by working together in the spirit of East African co-operation. The East African Association of Grant-makers (EAAG) was consequently formed by grant making bodies across the region.

The founding members of EAAG share a fundamental belief in the importance of developing a strong philanthropic sector in East Africa that can harness resources locally and hold them in trust, to be used to support community development initiatives.

As local grant-makers, EAAG members support a range of activities in their respective communities. The establishment of an association provides an opportunity to not only promote philanthropy more broadly, but also to strengthen individual grant making institutions through common support and knowledge sharing. The key objectives of EAAG are:-

- to demonstrate and promote philanthropy in East Africa as an integral strategy for permanent wealth creation for social development;
- to promote ethical practices in grant-making
- to support members with learning and capacity-building opportunities for effective asset development, management, governance and grant-making;
- to strengthen the collective and individual identity, credibility, co-ordination and positioning of EAAG members; and
- to engage effectively with governments, the private sector, and civil society partners to influence policy and the enabling environment.

TGT is proud to be a founding member and Co-Chair of EAAG.



Financing received in 2003

During the year the Trust received funding for its operations from The Gatsby Charitable Trust.

Most of the Trust's activities are in the areas of project support, development, and consultancy that are by their nature, not sustainable. Consequently further inputs of funds are always necessary. However, during 2003 the Trust generated local income of TSh 68 million, most of which was interest collected on its loan portfolio. This internally generated income was sufficient to cover 58% of the Trust's administration expenses for the year, thereby enabling further funds to be made available to projects.

Management & Governance

The Board of Trustee met three times during the year. Technical sub committees for credit, finance, audit, and the endowment fund met several times during the year to transact business as mandated by the Board.

Day to day management of the Trust is undertaken by a task-orientated, capable, committed team under the leadership of Mrs Olive Luena, the General Manager, who has a strong management and NGO background.

The Trust's accountants are PricewaterhouseCoopers.

Tanna Somaiya is the auditor. The Trust has clean audit reports since inception.



*Mrs. Olive Luena,
TGT General Manager*

TANZANIA GATSBY REGISTERED TRUSTEES

INCOME AND EXPENDITURE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

Contents:	Pages
Auditor's report	20
Income and Expenditure Statement	21
Balance Sheet	22
Statement of changes in equity	23
Cash Flow Statement	24
Notes to the Financial Statements	25 - 28

AUDITORS' REPORT TO THE TRUSTEES OF TANZANIA GATSBY REGISTERED TRUSTEES

We have audited the financial statements on pages 2 to 9 in accordance with Tanzania Auditing Standards. The financial statements are in agreement with the accounting records and we obtained the information and explanations we required.

Respective responsibilities of trustees and auditors

The trustees are responsible for the preparation of the financial statements and adopting the accounting policies. It is our responsibility to form an independent opinion, based on our audit on those statements and to report our opinion to you.

Basis of opinion

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the trustees in the preparation of the financial statements, and whether the accounting policies are appropriate to the trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Trust's financial affairs as at 31 December 2003 and of its surplus of income over expenditure of Shs 233,405,000 and cash flows for the year then ended in accordance with Tanzania Financial Accounting Standards.


Certified Public Accountants

Dar Es Salaam

Date: 07 APR 2004

TANZANIA GATSBY REGISTERED TRUSTEES

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	<u>2003</u> Shs'000	2002 Shs'000
INCOME	3	<u>560,775</u>	<u>420,520</u>
EXPENDITURE			
Projects	4	25,748	38,986
Projects support costs	5	123,735	86,895
Projects development costs	6	1,612	4,146
Administration expenses	7	118,465	124,002
Others	8	57,810	36,790
TOTAL EXPENDITURE		<u>327,370</u>	<u>290,819</u>
SURPLUS OF INCOME OVER EXPENDITURE		<u>233,405</u>	<u>129,701</u>

The accounting policies and notes on pages 25 to 28 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u> Shs'000	<u>2002</u> Shs'000
<u>CAPITAL EMPLOYED</u>			
RETAINED SURPLUS	(page 4)	<u>977,198</u>	<u>743,793</u>
<u>REPRESENTED BY</u>			
FIXED ASSETS	9	23,623	31,876
INVESTMENT	10	20,000	20,000
ENDOWMENT FUND	11	241,348	156,426
		<u>284,971</u>	<u>208,302</u>
<u>CURRENT ASSETS</u>			
Debtors	12	504,190	310,137
Withholding tax deducted	13	4,885	1,497
Cash and bank balances		200,512	253,564
		<u>709,587</u>	<u>565,198</u>
<u>CURRENT LIABILITIES</u>			
Creditors	14	<u>17,360</u>	<u>29,707</u>
<u>NET CURRENT ASSETS</u>			
		<u>692,227</u>	<u>535,491</u>
		<u>977,198</u>	<u>743,793</u>

The accounting policies and notes on pages 25 to 28 form part of these financial statements.

TRUSTEE *[Signature]*

Date: *7/04/04*

TRUSTEE *[Signature]*

Date: *7th April, 2004*

TANZANIA GATSBY REGISTERED TRUSTEES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>2003</u> Shs'000	2002 Shs'000
RETAINED SURPLUS		
As at 1 January	743,793	614,092
Surplus of income over expenditure	233,405	129,701
As at 31 December	<u>977,198</u>	<u>743,793</u>

TANZANIA GATSBY REGISTERED TRUSTEES

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>2003</u> Shs'000	<u>2002</u> Shs'000
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus of income over expenditure	233,405	129,701
Adjustment for depreciation	8,253	7,497
Operating profit before working capital changes	241,658	137,198
Working capital changes in:		
Debtors and withholding tax deducted at source	(197,441)	(119,552)
Creditors	(12,347)	9,289
Cash generated from operations	31,870	26,935
CASH FLOW FROM INVESTING ACTIVITIES		
Endowmnet fund	(84,922)	(44,207)
Purchase of fixed assets	-	(23,550)
Net cash used in investing activities	(84,922)	(67,757)
NET CASH OUT FLOW FOR THE YEAR	(53,052)	(40,822)
CASH AND CASH EQUIVALENT AS AT 1 JANUARY	253,564	294,386
CASH AND CASH EQUIVALENT AS AT 31 DECEMBER	200,512	253,564

TANZANIA GATSBY REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 PRINCIPAL OBJECTIVE OF THE TRUST

The principal objective of Tanzania Gatsby Registered Trustees is to provide support to small-scale artisans and agricultural producers in Tanzania.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

These financial statements have been prepared under the historical cost convention.

(b) Income

Monies received from overseas donors, interest on bank deposits and loans are recognised on receipt basis.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful life. The annual rates used are:

	%
Motor vehicles	25.0
Furniture and fittings	12.5

(d) Translation of foreign currencies

Transactions during the year which are denominated in foreign currencies are converted into Tanzania Shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure statement in the year in which they arise.

	2003 Shs'000	2002 Shs'000
3 INCOME		
Grants from Ford Foundation	-	66,989
Grants from Gatsby Charitable Foundation	341,955	216,510
GCF Contribution on endowment	18,281	17,850
GCF Transfer for Tafori	31,488	-
Housing study tour	22,902	-
East African Bi-Annual Show	16,250	-
Donation for newsletter	2,336	6,779
University Project	-	26,070
Interest on loans	68,125	42,870
Interest on bank deposits	8,787	3,742
Exchange gain	45,499	39,620
Credit balances written back	5,152	90
	<u>560,775</u>	<u>420,520</u>
4 PROJECTS		
Grants for training	6,290	15,559
Grants to clients – marketing	18,524	11,382
Seminars	886	11,745
Mikindani	48	300
	<u>25,748</u>	<u>38,986</u>

TANZANIA GATSBY REGISTERED TRUSTEES

**NOTES TO THE FINANCIAL STATEMENTS - (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 Shs'000	2002 Shs'000
5 PROJECTS SUPPORT COSTS		
Dar Es Salaam	3,670	3,383
Tafopa	12,946	6,501
Mwanga and Same	12,000	11,326
Mtwara	4,381	4,440
Zanzibar	5,918	5,316
University of Dar Es Salaam	64,519	32,572
Rukwa	8,898	8,477
Newsletter	4,824	6,649
Mikindani	3,528	4,113
Others	3,051	4,118
	<u>123,735</u>	<u>86,895</u>
6 PROJECTS DEVELOPMENT COSTS		
Other centres	1,000	513
Tafopa expenses	402	-
Zanzibar	-	620
Mwanga Rural Community Bank	210	2,000
Masasi	-	705
Mtwara (Upatu)	-	230
Pemba	-	78
	<u>1,612</u>	<u>4,146</u>
7 ADMINISTRATION EXPENSES		
Consultancy fees	15,125	18,127
Gratuity	10,012	-
Management fees	22,000	34,929
Medical	1,194	1,104
Fuel allowance	3,841	3,166
Telephone and postage	16,205	10,555
Travelling and accommodation	4,053	7,911
Trustees' expenses	6,257	8,615
Office rent	11,086	12,000
Audit fee	3,080	3,360
Bank charges	2,103	3,246
Printing and stationery	3,231	5,054
Insurance	5,945	1,698
Repairs and maintenance - vehicles	5,828	5,937
Repairs and maintenance - equipment	579	-
Office expenses	2,035	2,959
Office cleaning	1,500	-
Subscriptions and donations	2,500	2,921
Advertisement	317	388
Entertainment	999	569
Electricity and water	306	1,050
Others	269	413
	<u>118,465</u>	<u>124,002</u>

TANZANIA GATSBY REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

8	OTHERS	2003	2002
		Shs'000	Shs'000
	East Africa Bi- Annual Show	16,250	-
	Ford Foundation expenses	19,372	-
	Housing Study Tour Expnses	1,675	-
	Bad debts written off	4,333	-
	Office facility rental charges	1,200	-
	Stamp duty	155	-
	Internet charges	500	242
	Provision for bad and doubtful debts	6,000	-
	TGT 10th Anniversary activities	-	23,330
	Bonus for the General Manager	-	4,258
	Clearing charges	-	1,265
	Refuse tax	72	198
	Depreciation	8,253	7,497
		<u>57,810</u>	<u>36,790</u>
9	FIXED ASSETS		
		Motor vehicles Shs'000	Furniture, fittings and equipment Shs'000
	<u>Cost</u>		Total Shs'000
	As at 1 January 2003	46,747	72,236
	As at 31 December 2003	<u>46,747</u>	<u>72,236</u>
	<u>Depreciation</u>		
	As at 1 January 2003	27,454	40,360
	Charge for the year	5,264	8,253
	As at 31 December 2003	<u>32,718</u>	<u>48,613</u>
	<u>Net book amount</u>		
	As at 31 December 2003	<u>14,029</u>	<u>23,623</u>
	As at 31 December 2002	<u>19,293</u>	<u>31,876</u>
10	INVESTMENT	2003	2002
		Shs'000	Shs'000
	This represents 4,000 Redeemable Preference Shares of Shs 5,000 each in Mwanga Rural Communiy Bank Limited	<u>20,000</u>	<u>20,000</u>

TANZANIA GATSBY REGISTERED TRUSTEES

NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2000

11 ENDOWMENT FUND

This is a long-term investment with the Bank of New York Limited, denominated in Pound Sterling, as shown below:

	<u>Stg Pound</u>	<u>2003</u> <u>Shs'000</u>	<u>Stg Pound</u>	<u>2002</u> <u>Shs'000</u>
As at 1 January	99,633	156,426	84,363	112,219
Additions during the year	15,851	84,922	15,270	44,207
As at 31 December	<u>115,484</u>	<u>241,348</u>	<u>99,633</u>	<u>156,426</u>

12 DEBTORS

	<u>2003</u> <u>Shs'000</u>	<u>2002</u> <u>Shs'000</u>
Loan debtors	495,311	298,320
Other debtors and prepayments	8,879	11,817
	<u>504,190</u>	<u>310,137</u>

13 WITHHOLDING TAX DEDUCTED AT SOURCE

This represents amount of withholding tax on interest deducted by Banks

<u>4,885</u>	<u>1,497</u>
--------------	--------------

14 CREDITORS

Accrued expenses and provisions	16,602	25,576
Other creditors	758	4,131
	<u>17,360</u>	<u>29,707</u>

15 REGISTRATION

The Trust was registered in Tanzania on 30 April 1992 under the Trustees Incorporation Ordinance, (Cap 375).

16 CURRENCY

These financial statements are presented in Tanzania Shillings (Shs).

17 COMPARATIVE FIGURES

Comparative figures on certain classes of expenses have been reclassified in order to conform with the presentation of the figures for the current year.



How to contact us

Tanzania Gatsby Trust,
Third Floor, PPF House,
Samora Avenue,
P.O Box 8695,
Dar es Salaam,
Tanzania.

Tel: +255 22 211 2900

Fax: +255 22 211 2899

E-mail: gatsby@cats-net.com

Website: www.tanzania-gatsby.com