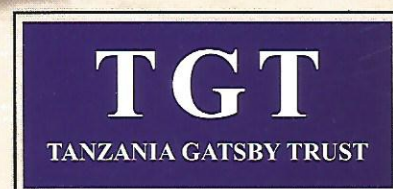


# Tanzania Gatsby Trust



**Report and Accounts for the  
Year Ended 31 December 2005**





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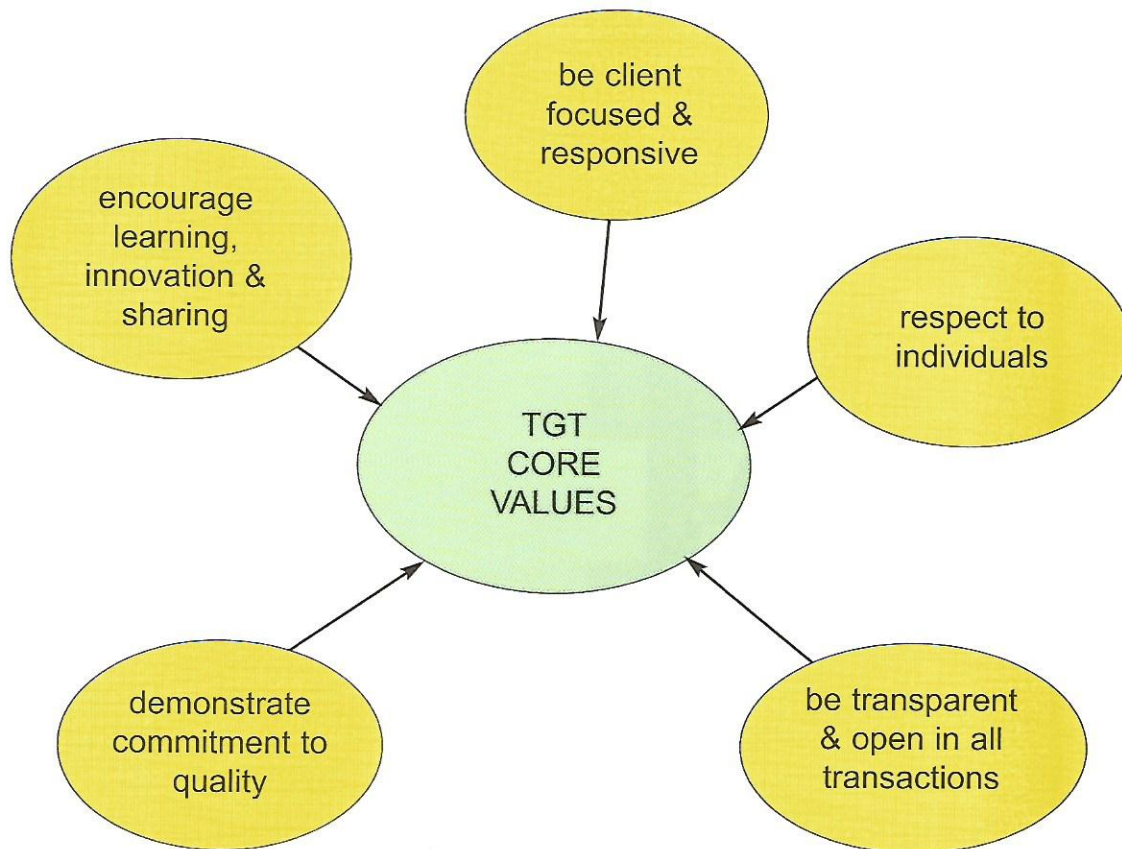
## ABBREVIATIONS:

TFDA	Tanzania Food and Drugs Authority
TBS	Tanzania Bureau of Standards
BRELA	Business Registration and Licensing Agency
TAFOPA	Tanzania Food Processing
DSM	Dar es Salaam
SADEC	Southern Africa Development Corporation
ADAT	Artisan Development Agency of Tanzania
KGT	Kenya Gatsby Trust
UGT	Uganda Gatsby Trust
ATOS	Alternative Trading Organisations

## THE TANZANIA GATSBY TRUST BACKGROUND

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 with a vision to work in partnership with other organisations striving towards an enterprising Tanzania in which prosperity is widely distributed.

Over the years, the Trust's mission has evolved and developed to encompass its desire to strive to harness, channel and unleash human energy to build social, financial and physical capital through entrepreneurship development. The Trust's core values in implementing its stated mission are:-



## GOVERNANCE

TGT has a Board of Trustees consisting of seven members each with the skills, knowledge and experience needed to govern the Trust economically and effectively. Board Committees for audit, finance, credit endowment, and endowment investment meet regularly during the year to transact business as mandated by the Board.

Day to day management of the Trust and implementation of the Board's directives is undertaken by a task orientated, capable and committed team under the dynamic leadership of General Manager, Mrs Olive Luena.

The Trust's books of account as at 31 December 2005 were written up by PricewaterhouseCoopers, and audited by Tanna Sreekumar & Co. The Trust has bank accounts with the Standard Chartered Bank, the CRDB Bank, the National Bank of Commerce, the National Micro-finance Bank and the Bank of New York Ltd.



*Mrs. Olive Luena  
TGT General Manager/ CEO*



## THE BOARD OF TRUSTEES - 2005



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



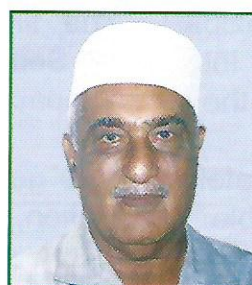
**Mr. Hatim Karimjee** -  
*Deputy Chairman*  
Managing Director  
Karimjee Jivanjee  
Limited



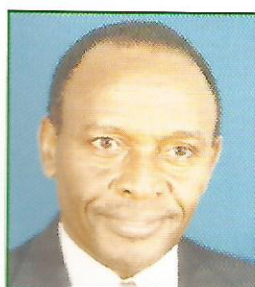
**Mrs. Ndema Mbise** -  
*Trustee*  
Consultant - Financial  
Analyst



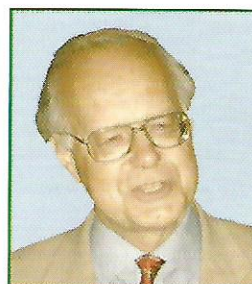
**Hon. Kate Kamba** -  
*Trustee*  
MP East Africa  
Legislative Assembly  
Business Woman  
Former Deputy Minister



**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

For many years TGT has strived to help create an enterprising Tanzania in which prosperity is more widely distributed. We endeavour to do this in partnership with other similarly minded organisations primarily through people centred development at the grass roots level.

The year 2005 marked the final year of the Trust's three year strategic plan (2003-2005). Challenging targets were set at the outset, and I believe we can look back with pride at our performance over the period - a period during which the Trust developed and grew considerably.

Year 2005 was a particularly challenging period in terms of the activities that were planned for implementation. It is pleasing to report that TGT once again surpassed the target of loans disbursements and outreach. By contrast however, loans repayment collections continue to be difficult in some cases and pose a major challenge. We are very much aware that for the Trust's survival we must minimise loan defaults and are working to that end. We urge our borrowers to take the timely repayment of loans as a responsibility.

During the year we continued to move towards our stated objective of establishing an endowment fund to ensure self sustainability in the future. We are grateful to the Ford Foundation for its planning grant of US\$75,000 to prepare for the launch of the fund in 2006. We are also grateful to the Gatsby Charitable Foundation in UK for its contribution to the fund. It is pleasing to note that our own local fundraising target for 2005 was surpassed which is an encouraging start.

Year 2005 also saw major progress in the TGT / Habitat housing scheme being piloted in Zanzibar. The first pilot homes were recently launched during the 6<sup>th</sup> Gatsby Inter Trust Seminar in May 2006. The happy faces on page 10 and 16 show the social impact of this initiative.

We continue to be grateful for the general on-going support the Trust receives from Gatsby Charitable Foundation, the Ford Foundation, and 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 Seushi  
CHAIRMAN



## OVERVIEW 2003 - 2005

In 2005, the Trust concluded its three year strategic plan for 2003-2005. Over this period the Trust has developed and grown considerably.

### Credit Outreach Performance 2003-2005

Activities / credit scheme	Outreach plan SMEs	Outreach actual SMEs	Variance %
<b>Wholesale</b> Funds are provided through intermediary microfinance institutions for on-lending. TGT supports the creation of people-owned-community financial structures such as rural community banks by taking equity and facilitating technical assistance.	11,750	11,130	-5.3%
<b>UPATU / KIBATI</b> Funds are provided to groups based on the traditional savings and credit societies, popularly known as UPATU or KIBATI	5,335	3,600	32.5%
<b>Individual Loans</b> Extended to those who have graduated from the group loan schemes and whose enterprises demand larger loans. These must be fully licensed and registered with the relevant authorities.	265	200	25%
Totals	17,350	14,930	-13.9%



## TAFOPA Scheme 2003-2005

Objective	Target	Actual
Out reach ( no. of SMEs)	40	44
Average turnover (Tshs.000)	5,000	8,500
Geographical coverage (no.of regions)	3	4
Loan disbursement (TSh '000)	94,000	115,000
Interest income (TSh '000)	22,000	32,000
Repayment rate %	100	98.7
Business training (no. of SMEs)	45	60
Trade fair support (no. of SMEs)	40	50
Technology linkage through CET	5	2
Financial support for packaging (TSh '000)	20,000	22,300

Other achievements in the food processing programme during the period include:-

- remarkable impact to entrepreneurs' businesses in terms of productivity and profit margins
- changes in entrepreneurs' livelihoods i.e. acquisition of business and home assets, schooling of children, improvement of women's social and economic status
- assisted 30 entrepreneurs to formalise their businesses through registration by TFDA, TBS, or BRELA
- all clients recruited have been retained (nil % drop out)
- 10 new businesses established
- jobs created 396 (average 3 employees per SME per annum)

## TRAINED SMES 2003-2005

Location / Group name	No. groups	No.of SMEs
RAAWO - Rukwa Association for the Advancement of Women	30	250
UPATU Zanzibar - a traditional women's saving group	65	883
UPATU Rukwa - a traditional women's saving group	30	100
UPATU DSM - a traditional women's saving group	13	80
UPATU Morogoro - a traditional women's saving group	47	272
UWAZI Zanzibar	25	247
Totals	210	1,832



## Trade Fairs & Exhibitions 2003-2005

Particulars	SMEs	TShs support	TShs sales **
DSM International Trade Fair	10	5,700,000	6,000,000
SADC Trade Fair	10	-	3,500,000
Songea Trade Fair	12	2,000,000	1,500,000
Southern Highlands Trade Fair	14	2,000,000	1,800,000
Zanzibar Trade Fair	51	2,000,000	4,000,000
Mtwara Trade Fair	59	1,656,700	16,000,000
ADAT	32	2,000,000	4,500,000
UGT Trade Fair - Kampala	5	3,269,000	15,500,000
Juakali Exhibitions - Nairobi	6	4,984,250	5,856,565
KGT Exhibitions - Kenya	8	3,994,000	8,102,000
Sub-total of SMEs	207	27,603,950	<b>66,758,565</b>
WAWATA (30 dioceses)	-	4,000,000	8,702,300
<b>TOTALS</b>	<b>207</b>	<b>31,603,950</b>	<b>75,460,865</b>

\*\* recording of sales and orders achieved as a result of the trade fair is not exhaustive

## Exports 2003-2005

Item	Quantity	US\$
Baskets	16,275	75,238
Batik textiles	5,084	11,573
Home furnishings	6,019	32,947
Earrings	5,419	11,029
Candles	5,717	40,719
Carvings	5,067	18,114
Musical instruments	7,008	13,743
Ceramics	898	3,218
Food	101	511
<b>Totals</b>	<b>51,588</b>	<b>207,092</b>

## Tree Bio-Technology Project

The tree biotechnology project established in 2003 has continued to grow. There are now 12 trial sites in various locations throughout the country. The earliest trial sites now have trees over 6 metres in height with varying diameters depending on the clone under test. Each trial site is fenced, weeded clean, and termitecide applied. The plantings are watered in their juvenile stages, and monitoring and growth assessments are conducted annually on each site.

## OPERATIONS REPORT 2005

Year 2005 was the third and final year of implementation of the three year (2003-2005) strategic plan pursuing the Trust's long term mission to enable small and medium sized entrepreneurs and low income producers achieve a real increase in output and net income through the provision of support for finance, training, marketing strategy, and technology development. The specific objectives of the three year plan were:

- consolidate direct and on-lending credit schemes, and enhance the capacity of rotating credit and savings groups (UPATU / KIBATI)
- initiate a direct lending facility in the Coast region, and link with SACCOS for potential outlets of a wholesale credit scheme
- introduce housing microfinance to selected groups
- establish TGT cluster groups for specific technology developments to promote product development innovations
- establish an endowment fund and develop TGT assets to enhance sustainability of the Trust and improve output for future operations
- assist SMEs to access appropriate technologies generated by the College of Engineering and Technology of the University of Dar es Salaam
- implement a credit scheme within the Entrepreneurship Development Programme framework with special focus on women in agro processing
- undertake training and capacity building in SME Associations
- enhance marketing strategies in collaboration with AMKA and other ATOs for specific products and link entrepreneurs to markets
- support the creation of community banks through sponsorship for the formation of an association, and investment in equity

### PROVISION OF CREDIT

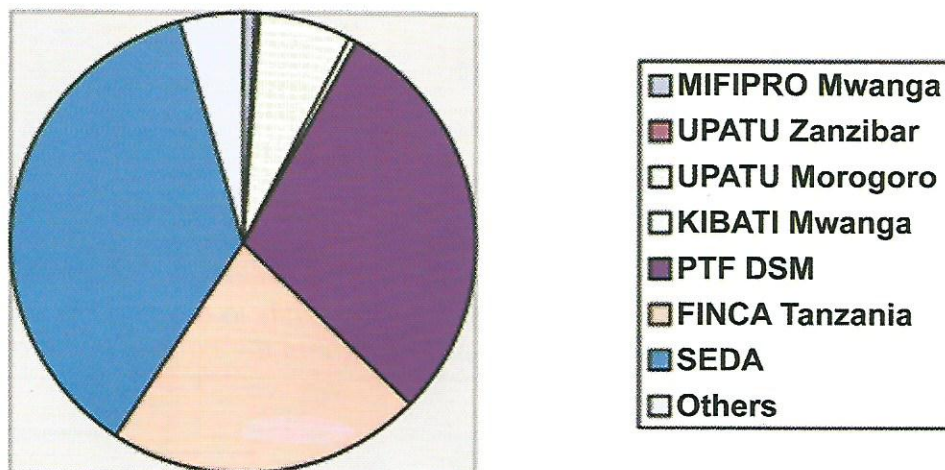
TGT's credit target for 2005 was to reach 7290 SME clients with a total loan portfolio of TShs 630 million. If achieved, this would be an increase of 38% on clients reached and an increase of 35% on loan amounts over the 2004 performance. Actual outreach achieved in 2005 exceeded expectation with the loan portfolio growing to 9735 clients receiving total loans of TShs 684 million - an increase of 109% on 2004 clients and an increase of 46% on 2004 loan amounts.



## Outreach Performance 2005

Borrowers	Loan amount TShs '000		Outreach to Clients		Outreach
	Target	Actual	Target	Actual	Variance
MIFIPRO Mwanga	10,000	5,000	100	65	-35%
UPATU Zanzibar	50,000	2,000	200	20	-90%
UPATU Rukwa	50,000	0	600	0	-
UPATU Morogoro	0	44,050	0	230	+100%
KIBATI Mwanga	10,000	3,900	50	25	-50%
SIDO Morogoro	50,000	0	450	0	-
SIDO Iringa	50,000	0	200	0	-
PTF DSM	200,000	200,000	4,000	4,500	+13%
FINCA Tanzania	150,000	150,000	1,500	1,800	+20%
SEDA	0	250,000	0	3,000	+100%
Others	60,000	30,000	190	95	-50%
Totals	630,000	684,950	7,290	9,735	+33%

## Loan portfolio analysis by value of lending



## Interest earned

The target for interest collection during the year 2005 was TShs 116 million over all TGT credit schemes. However, some loans were disbursed later in the year than originally envisaged and consequently the amount of interest accruing on the later disbursements was less than that in the start of year target. Actual interest due on 2005 lending activity amounted to TShs 76 million for the year, of which TShs 73 million was collected.

## Overdue loans

During the year, some clients fell into arrears with their loan repayments. Accordingly some loan repayments have been rescheduled in agreement with those clients who seemed willing to honour their debts. However in some instances for other clients in arrears it was necessary for the Trust to appoint debt collectors and/or pursue the clients through the courts for repayment. It is likely that loan repayment collection will continue to pose a major challenge in the years to come.



*Tanzania Gatsby Trust is working with Habitat for Humanity in building low cost houses in Zanzibar. Above is a celebration for handing over of the houses to the owners.*

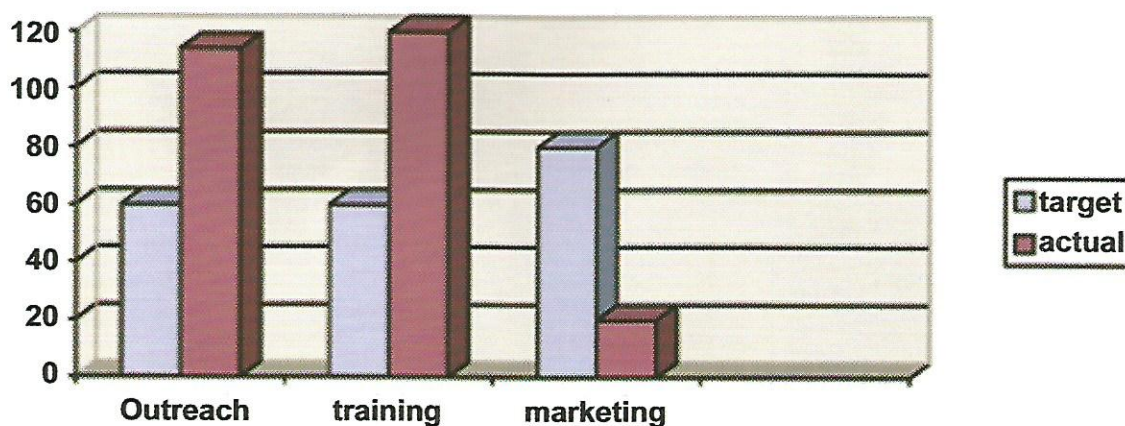


## TGT/TAFOPA Credit Scheme

The Trust entered into an agreement with UNIDO in November 2001 to implement a credit scheme with special focus on women in the food processing industry. Under this program UNIDO provided US\$ 60,000 and TGT US\$ 30,000 for seed money in a revolving credit fund to SMEs operating in the sector. The project objectives were:

- In the initial phase of the project (2002-2004) to reach 40 TAFOPA borrowers with a total of TShs 94 million to be disbursed. This overall target has been achieved as the scheme has disbursed loans amounting to TShs 96 million to 36 clients as first loans and 4 repeat loans.
- In the main phase of the program starting in 2005, to reach 125 TAFOPA borrowers with a total of TShs 196 million to be disbursed.
- To strengthen the TAFOPA Association through credit provision and capacity building.
- To strive to improve accessibility of appropriate technology and market development to TAFOPA members through the College of Engineering and Technology of the University of Dar es Salaam.

The three year pilot program officially ended in November 2004 and during 2005 the project has been in a transition period, continuing to carry out normal credit activities whilst preparations for the roll out of the main program phase are undertaken. During the year, loans amounting to TShs 20.6 million were disbursed to 114 clients in Dar es Salaam, Iringa and Njombe; and 120 clients were trained under the scheme. Both these performances surpass the 2005 targets, however there was a shortfall against the target for marketing. The target and actual performances for 2005 are set out below.



A shortfall in marketing activity was experienced mainly due to a change of management in the collaborating partners. However, it is expected that the year 2006 target will be achieved.



Similar to the main credit scheme, some loan accounts fell into arrears during the year. Recovery efforts are under way.

As referred to earlier, 2005 was a transitional year for the scheme and preparatory work during the year for the full roll - out including:-

- UNIDO audit of pilot program
- submission of final report on pilot program to UNIDO
- feasibility study on possible new markets outside TAFOPA
- review of operation manual
- SUA project survey (see below)

### Other credit scheme projects

The aim of the TGT/SUA (Sokoine University of Agriculture) project is to increase cassava cultivation and utilisation, and improve incomes through on-farm processing for both human and livestock produce. TGT is responsible for credit administration to farmers who process cassava. During the year, 101 farmers received pre-credit training, and cassava processing machinery worth TShs 9 million will be delivered in early 2006.



*Formation of Gatsby Clubs is one of the activities being undertaken in the TGT - CoET Collaboration project. Above are members of the Nyamagana Gatsby Club in front of their temporary office.*



## TECHNOLOGY TRANSFER - TGT/CoET COLLABORATION

The collaboration between the Trust and CoET which first began in 2001 continued throughout 2005 with the aim of enhancing SMEs performance through technology development and transfer. During the year, 55 student projects received support and are now complete. Many SMEs are already benefiting through improved productivity as a result. In one instance an entrepreneur who lost 28% of maize flour as dust through incorrect use of equipment, waste was cut down to only 2% after the student project involvement.

Two workshops were held during the first quarter of 2005 in Arusha and Iringa. A major recommendation from the workshops was the desire to form "Gatsby Clubs" made up of SME groups to share resources and jointly access skills and knowledge sources. By the end of 2005, six Gatsby Clubs had been formed. The workshops also considered the findings of the SME survey carried out the previous year, and identified the following common traits across the country:-

- most SMEs are not satisfied with their trading results due to underperformance of equipment and the lack of markets for their products
- sources of capital need to be diversified as personal funds are often limited
- technology and machinery are top of the wish list to be changed if the opportunity arose
- most SMEs expect technology support free of charge

### Technology Incubation Programme

During 2005, TGT and CoET continued to work together to progress their joint project to provide incubator facilities throughout the country. The focus of activities throughout the year was establishing and operating three pilot incubators in Kibaha, Morogoro and Lushoto. Ground staff (field assistants) and incubator managers have been employed and an office established at each site. A monitoring and evaluation system has been established for the pilot phase and progress in all three locations has been encouraging.

In July 2005, TGT reached an agreement with the University of Dar es Salaam for the establishment of an incubator with walls at the University. A proposal has been made to possible financiers, and the University has agreed to provide land for the incubator.

### TGT/TAFORI bio-technology project

Four new trial sites representing arid, semi-arid, and coastal conditions were selected during 2005 in this on-going tree planting project. Meanwhile work for tending and protecting the clonal tree sites established in 2004 continued during the year.





*The TGT Tree Biotechnology Project: Above is the TAFORI - KINGOLWIRA site showing trees planted recently.*



*Tanzania Tree Biotechnology Project Board of Directors being shown eucalyptus trees at a trial site in Zanzibar. Left is the TGT General Manager Mrs. O. Luena and right is the Project Board Chairman Mr. E. Toroka.*



## MARKETING SUPPORT

As in previous years, during 2005 TGT undertook a number of marketing initiatives to support and assist SMEs expand and improve their exposure in the market place.

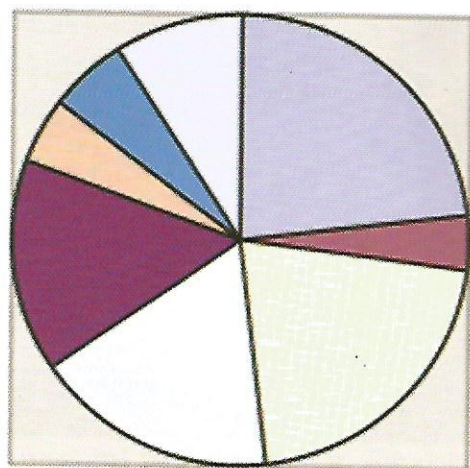
### TGT/AMKA collaboration

In 2004 TGT and AMKA entered into an agreement to participate in a collaborative marketing program for the benefit of the target groups whose identity both TGT and AMKA share, to promote improved access to markets of selected producers and products. As part of this program, during 2005 a marketing brochure detailing a number of SME products was developed and printed.

Special training in basketware designs was delivered to 12 SMEs in Njombe for WAWATA women's groups. The improved designs and techniques enabled the groups to win more export orders.

In general, the following export sales were achieved as a result of TGT/AMKA collaboration during the year:-

Product	Quantity ( units)	Sales( US\$)
Baskets	2,785	13,595
Textiles	513	2,321
Home furnishings	1,605	12,385
Candles	585	10,245
Carvings	859	8,939
Music instruments	2,258	2,855
Ceramics	898	3,218
Earrings	3,246	5,385
Total	12,749	58,943



## Regional SME Exhibitions

During 2005, TGT assisted and supported various SMEs to attend regional craft exhibitions in Nairobi, Kampala and a number of locations in Tanzania thereby improving and expanding their outreach to new markets.

Products exhibitions consisted mainly of textiles, handicrafts, spices and processed food items. In all cases, the exhibitors achieved successful cash sales during the course of the exhibitions and many follow-up confirmed orders.

Attendance at these exhibitions necessitated a considerable effort on TGT's part to co-ordinate all aspects of each trip, but the excellent results and outreach of the SMEs supported made it all worth while.

## TGT / HABITAT HOUSING SCHEME

During the year, TGT entered into partnership with Habitat for Humanity in Tanzania (HFHT) in a low cost housing scheme to be piloted in Zanzibar.

The first 10 houses were launched by Mr. Michael Pattison, Director of the Gatsby Charitable Foundation in UK, on the occasion of the 6th Gatsby Inter Trust Seminar in May 2006.

Loan repayments will be collected by HFHT, and will revolve into more house building capital for future beneficiaries. The house buying loans will be interest free, but inflation will be covered in loan repayments thereby ensuring one house will pay for another to be built.



*Some of the women who are the beneficiaries of the Low Cost Housing scheme in Zanzibar during the houses hand over ceremony.*



## SUSTAINABILITY

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. A planning grant of US\$ 75,000 was received from the Ford Foundation, enabling the Trust to prepare for the launch of the Fund in 2006.

In January 2005, the Trustees and the General Manager undertook a study tour to Nelson Mandela's Children Fund in South Africa and gained an insight into governance issues, management of an endowment fund, and fund raising techniques and best practice investment strategies for an endowment fund.

During the year, the strategic plan for the fund was finalised following extensive consultations with potential clients, potential contributors, and experts in the field. The strategic plan is a clear road map for TGT to build the fund between 2006 and 2025, providing clear guidelines and processes for all concerned parties.

In particular, following a review of the Trust Deed establishing TGT, appropriate governance instruments have been enacted to ensure complete accountability in the endowment fund raising process:-

- a stated endowment policy
- Trustees' by-laws
- Trustees' code of ethics
- employees' code of conduct
- personnel policy
- clients' charter

The Trustees are grateful to the Gatsby Charitable Foundation (GCF) of UK for its contribution to the fund of GBP 173,428 to date including interest. A further GBP 250,000 has been invested for TGT in Shore Cap International Ltd.

Local endowment fund raising during 2005 almost reached the target set of TSh 10 million with a total sum of TShs 9.9 million raised. This is an encouraging beginning.

**TANZANIA GATSBY REGISTERED TRUSTEES**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

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Income and expenditure statement	20
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Cash flow statement	23
Notes to the financial statements	24 - 28



## **TANNA SREEKUMAR & Co.**

Certified Public Accountants  
(Independent Member of *Morison International*)



P.O.BOX 948, DAR ES SALAAM, TANZANIA  
Plot No. 2309-50, 1st Floor,  
Corner of Garden Avenue / Azikiwe Street  
TEL: (255 22) 211 86 57/ 58/ 59,  
(255 784) 505678  
FAX: (255 22) 211 2660  
E-MAIL: audit@uniquetz.com

### **AUDITORS' REPORT TO THE TRUSTEES OF TANZANIA GATSBY REGISTERED TRUSTEES**

We have audited the financial statements on pages 24 to 28 in accordance with International Standards on Auditing. 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 activities, 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 2005 and of its surplus of income over expenditure of Shs 292,116,000 and cash flows for the year then ended in accordance with International Accounting Standards and in compliance with International Financial Reporting Standards.

**Tanna Sreekumar & Co.**

Dar es Salaam

**Certified Public Accountants**

Date: 27 JUN 2006

**TANZANIA GATSBY REGISTERED TRUSTEES**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>Notes</u>	<u>2005</u> <u>Shs'000</u>	<u>2004</u> <u>Shs'000</u>
<b>INCOME</b>	<b>3</b>	<b><u>1,228,473</u></b>	<b><u>836,861</u></b>
<b>EXPENDITURE</b>			
Projects	4	51,239	42,372
Projects support costs	5	170,590	100,795
Projects development costs	6	8,578	6,143
Administration expenses	7	260,392	167,950
Others	8	445,558	183,688
<b>TOTAL EXPENDITURE</b>		<b><u>936,357</u></b>	<b><u>500,948</u></b>
<b>SURPLUS OF INCOME OVER EXPENDITURE</b>		<b><u>292,116</u></b>	<b><u>335,913</u></b>

The accounting policies and notes on pages 24 to 28 form part of these financial statements.




**TANZANIA GATSBY REGISTERED TRUSTEES**

**BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	<u>Notes</u>	<u>2005</u> Shs'000	<u>2004</u> Shs'000
<b>CAPITAL EMPLOYED</b>			
<b>RETAINED SURPLUS</b>	(page 22)	<u>1,603,455</u>	<u>1,196,633</u>
<b><u>REPRESENTED BY</u></b>			
<b>FIXED ASSETS</b>	9	22,949	19,788
<b>INVESTMENT</b>	10	40,000	20,000
<b>ENDOWMENT FUND</b>	11	366,961	297,579
		<u>429,910</u>	<u>337,367</u>
<b>CURRENT ASSETS</b>			
Debtors	12	871,985	586,341
Cash and bank balances	13	415,956	301,987
		<u>1,287,941</u>	<u>888,328</u>
<b>CURRENT LIABILITIES</b>			
Creditors	14	<u>114,396</u>	<u>29,062</u>
<b>NET CURRENT ASSETS</b>		<u>1,173,545</u>	<u>859,266</u>
		<u>1,603,455</u>	<u>1,196,633</u>

The accounting policies and notes on pages 24 to 28 form part of these financial statements.

TRUSTEE  .....

TRUSTEE  .....

Date: 26 June 2006.

Date: 26 June 2006

**TANZANIA GATSBY REGISTERED TRUSTEES**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>2005</u>	<u>2004</u>
<b>RETAINED SURPLUS</b>	<b>Shs'000</b>	<b>Shs'000</b>
As at 1 January	1,196,633	977,198
Prior year adjustment	<u>114,706</u>	<u>(116,478)</u>
	1,311,339	860,720
Surplus of income over expenditure	292,116	335,913
As at 31 December	<u><u>1,603,455</u></u>	<u><u>1,196,633</u></u>

Adjustment is in respect of total expenses for the TAFORI that were reflected in the balance sheet as part of the Trust's Bank balances.



**TANZANIA GATSBY REGISTERED TRUSTEES**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>2005</u> Shs'000	<u>2004</u> Shs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus of income over expenditure	292,116	335,913
Adjustment for depreciation:	8,360	8,191
Prior year adjustment	114,706	(116,478)
	<u>415,182</u>	<u>227,626</u>
<b>Working capital changes in:</b>		
Debtors	(285,644)	(83,266)
Creditors	85,334	17,702
<b>Cash generated from operations</b>	<u>214,872</u>	<u>162,062</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Endowment fund	(69,382)	(56,231)
Investment	(20,000)	-
Purchase of fixed assets	(11,521)	(4,356)
<b>Net cash used in investing activities</b>	<u>(100,903)</u>	<u>(60,587)</u>
<b>NET CASH OUT FLOW FOR THE YEAR</b>	113,969	101,475
<b>CASH AND CASH EQUIVALENT AS AT 1 JANUARY</b>	<u>301,987</u>	<u>200,512</u>
<b>CASH AND CASH EQUIVALENT AS AT 31 DECEMBER</b>	<u><u>415,956</u></u>	<u><u>301,987</u></u>

# TANZANIA GATSBY REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 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 in accordance with International Accounting Standards and are in compliance with International Financial Reporting Standards. The financial statements are based on 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.

	<u>2005</u> Shs'000	<u>2004</u> Shs'000
<b>3 INCOME</b>		
Grants from Gatsby Charitable Foundation (GCF)	454,501	372,862
GCF University project	281,853	58,440
GCF Transfer for Tanzania Forestry Research Institute(Tafori)	205,887	173,109
Interest on loans	90,700	65,622
Ford Foundation	84,444	82,247
GCF Contribution on endowment	45,904	29,619
Fees for managing various projects	43,745	-
Interest on bank deposits	13,228	13,518
Exchange difference	-	27,753
Local endowment contribution	7,216	-
Donation for newsletter	995	976
Other income	-	11,094
Credit balances written back	-	1,621
	<u>1,228,473</u>	<u>836,861</u>
<b>4 PROJECTS</b>		
Grants to clients – marketing	24,985	20,367
Others	11,979	-
Seminars	8,910	8,161
Grants for training	3,450	13,844
Grants to Mikindani old Historical Building	1,915	-
	<u>51,239</u>	<u>42,372</u>



**TANZANIA GATSBY REGISTERED TRUSTEES**

**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>2005</u>	<u>2004</u>
	Shs'000	Shs'000
<b>5 PROJECTS SUPPORT COSTS</b>		
University of Dar Es Salaam	143,724	61,140
Tanzania Food Processing Association (Tafopa)	4,316	16,408
Rukwa	-	5,145
Mwanga and Same	1,360	4,217
Zanzibar	2,075	4,617
Dar Es Salaam	-	2,753
Others	18,055	2,816
Mtwara	790	2,399
Mikindani	270	1,300
	<u>170,590</u>	<u>100,795</u>
<b>6 PROJECTS DEVELOPMENT COSTS</b>		
Tafopa expenses	4,911	-
Others	2005	-
Upatu Mwanga	1,430	-
Masasi RAWOO	232	1,700
Zanzibar	-	2,393
Pemba	-	2,050
	<u>8,578</u>	<u>6,143</u>
<b>7 ADMINISTRATION EXPENSES</b>		
Consultancy fees	31,676	19,043
Management fees	95,196	51,611
Medical	7,238	3,395
Fuel expenses	10,942	6,031
Telephone and postage	15,281	15,814
Travelling and accommodation	6,245	3,247
Trustees' expenses	10,782	10,057
Office rent	20,284	15,325
Audit fee	3,080	3,080
Bank charges	5,084	3,319
Printing and stationery	6,994	4,488
Insurance	6,873	4,498
Repairs and maintenance - vehicles	9,806	14,303
Repairs and maintenance - equipment	2,770	758
Bad debts written off	1,271	-
Internet charges	2,698	1,420
Refuse tax	108	216
Withholding tax on Savings Account	194	4,968
Office expenses	3,123	1,909
Office cleaning	2,033	2,052
Subscriptions and donations	2,727	3,064
Exchange difference	9,220	-
Advertisement	4,018	3,844
Entertainment	2,336	1,409
Electricity and water	413	456
Others	-	247
	<u>260,392</u>	<u>174,554</u>

# TANZANIA GATSBY REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

8	OTHERS EXPENDITURE	2005		2004
		Shs'000		Shs'000
	Ford Foundation expenses	70,935		76,307
	Provision for bad and doubtful debts	-		45,900
	Tafori expenses	293,949		31,097
	MONDI expenses	9,222		-
	MWANGA office expenses	1,200		1,500
	Endowment building expenses	27,855		-
	Housing Study Tour	28,315		7,785
	Newsletter	5,722		6,304
	Other project expenses	8,360		8,191
		<u>445,558</u>		<u>177,084</u>
				Total
9	FIXED ASSETS	Motor vehicles		Furniture, fittings & equipment
		Shs'000		Shs'000
	<u>Cost</u>	Shs'000		Shs'000
	As at 1 January 2005	46,748	29,845	76,593
	Additions	-	11,521	11,521
	Disposals			
	As at 31 December 2005	<u>46,748</u>	<u>41,366</u>	<u>88,114</u>
	<u>Depreciation</u>			
	As at 1 January 2005	37,671	19,134	56,805
	Charge for the year	4,951	3,409	8,360
	On disposal			
	As at 31 December 2005	<u>42,622</u>	<u>22,543</u>	<u>65,165</u>
	<u>Net book amount</u>			
	As at 31 December 2005	<u>4,126</u>	<u>18,823</u>	<u>22,949</u>
	As at 31 December 2004	<u>9,077</u>	<u>10,711</u>	<u>19,788</u>
10	INVESTMENT	2005		2004
		Shs'000		Shs'000
	This represents 4,000 Redeemable Preference Shares of TShs 5,000 each, in the following banks:			
	Mwanga Rural Community Bank Limited	20,000		20,000
	Tandahimba Community Bank Limited	20,000		-
		<u>40,000</u>		<u>20,000</u>

TGT entered into share purchase agreement with Tandahimba Community Bank Limited, for purchase of 4,000 shares. The advance paid is for share capital pending allotment and transfer.

In 2004, the Gatsby Charitable Foundation (GCF) has invested GBP 97,401 on behalf of TGT in ShoreCap International Limited (SIL). There is a balance of GBP 152,599 with GCF to be invested in SIL.

Shares will be transferred in the name of TGT, when all the capital calls have been made and money invested in SIL.

Thus, total amount held on behalf of TGT which will be realized once all the capital calls have been made is GBP 250,000.



# TANZANIA GATSBY REGISTERED TRUSTEES

## NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

### 11 ENDOWMENT FUND

This is a long-term investment with the Bank of New York Limited, denominated in Pound Sterling, and a local endowment fund with Standard Chartered Bank Ltd-Tanzania, denominated in US Dollar as shown below:

	<u>2005</u>		2004	
a) Bank of New York Limited	<u>Stg Pound</u>	<u>Shs'000</u>	Stg Pound	Shs'000
As at 1 January	147,676	296,727	115,484	241,348
Additions during the year	29,306	59,467	32,192	55,379
As at 31 December	<u>176,982</u>	<u>356,194</u>	<u>147,676</u>	<u>296,727</u>
b) Standard Chartered Bank Ltd - Tanzania	<u>9,238</u>	<u>10,767</u>	424	852
	<u>9,238</u>	<u>366,961</u>	<u>424</u>	<u>297,579</u>

### 12 DEBTORS

Loan debtors	910,701	625,376
Less: Provision for doubtful debts	<u>(51,900)</u>	<u>(51,900)</u>
	<u>858,801</u>	<u>573,476</u>
Other debtors and prepayments	<u>13,184</u>	<u>12,865</u>
	<u>871,985</u>	<u>586,341</u>

### 13 BANK BALANCES

Mtwara/TGT Collection account - (CRDB)	16,066	8,816
Rukwa Bank - Savings Account	56,372	15,378
TGT/TAFOPA - USD A/c	361	323
TAFOPA Collection account - (CRDB)	35,874	40,386
GBP Account - Standard Chartered Bank	155,570	48,970
USD Account - Standard Chartered Bank	(1,010)	43,114
TShs Account - Standard Chartered Bank	(30,169)	20,999
TGT Loan repayment account	5,106	3,589
Mwanga Rural Bank - Kibati Disbursement account	-	23,100
Mwanga Rural Bank - Kibati interest account	936	936
Mwanga Rural Bank - savings account	23,448	1,407
NBC Zanzibar - Disbursement account	1,616	5,455
NBC Zanzibar - Collection account	58,756	11,574
NMB Chake Chake - Savings account	1,785	1,734
TGT Mikindani Project	-	103
TGT/TAFORI - Standard chartered Bank Ltd. - USD account	91,245	76,103
	<u>415,956</u>	<u>301,987</u>

## TANZANIA GATSBY REGISTERED TRUSTEES

### NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

14 CREDITORS	2005 Shs'000	2004 Shs'000
Accrued expenses and provisions	48,460	29,062
Current account - Community Bank Association	<u>65,936</u>	<u>-</u>
	<u>114,396</u>	<u>29,062</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'000).

### 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.







**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: [tgt@tanzania-gatsby.com](mailto:tgt@tanzania-gatsby.com)

Website: [www.tanzania-gatsby.com](http://www.tanzania-gatsby.com)