



# TANZANIA COTTON BOARD

## Annual Report and Accounts

for the year ending on 30th June 2013





# Tanzania Cotton Board



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## PROFILE

Tanzania Cotton Board (TCB) is a parastatal organization which was formed in 2001 and came into operations in July 2004. The operations of the Board are governed by the Cotton Industry Act No.2 of 2001 (“the Act”). The Cotton Board is empowered by the Act to carry out regulatory functions and such other activities necessary, advantageous or proper for the benefit of the cotton industry. It can also advise the Government on the policies and strategies for the development of the cotton industry and regulates and controls the quality of cotton and cotton by-products. The activities of the Board are funded by three major sources of income; which are the Government Subventions, Internal Revenue from rental on investment property, and contributions from cotton stakeholders through the Cotton Development Trust funds (CDTF) and the Tanzania Gatsby Trust fund (TGT). The regulatory activities of the Board are 100% funded by the Government. The Cotton Board is managed by the Board of Directors whose functions, among others are, control ownership of the assets and the ability to borrow. The tenure of the Board of Directors is three years.

### VISION

To promote cotton production, improve quality and enhance the competitiveness of Tanzania Cotton.

### MISSION

To improve the production, productivity and profitability of cotton by maximizing the compliance to rules and regulations that safeguard the quality of cotton sold both locally and abroad; by providing effective and efficient services to cotton stakeholders; by enhancing strong stakeholder relationships in order to boost self regulation and promoting the production, processing and consumption

### Core Values

- Wealth creation
- Creation of industrial linkages
- Sustainability
- Professionalism
- Innovation and creativity

## ABBREVIATIONS AND DEFINITIONS

<b>AIDS</b>	Acquire Immune Deficiency Syndrome
<b>CDTF</b>	Cotton Development Trust Fund
<b>EU</b>	European Union
<b>FANRM</b>	Food Agriculture and Natural Resources Management
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standards Board
<b>ICT</b>	Information Communication Technology
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISA</b>	International Auditing Standards
<b>MAFC</b>	Ministry of Agriculture Food and Cooperatives
<b>NSSF</b>	National Social Security Fund
<b>PPF</b>	Parastatal Pension Fund
<b>PSPF</b>	Public Service Pension Fund
<b>TGT</b>	Tanzania Gatsby Trust Fund
<b>TCB</b>	Tanzania Cotton Board
<b>TCLSB</b>	Tanzania Cotton Lint and Seed Board
<b>TFRS</b>	Tanzania Financial Reporting Standards
<b>TZS</b>	Tanzanian Shillings
<b>ULV</b>	Ultra-Low Volume
<b>VAT</b>	Value Added Tax
<b>The Act</b>	The Cotton Industry Act No. 2 of 2001 (as amended in 2009)
<b>Investment Property</b>	Is a property held to earn rentals or for capital appreciation or both.
<b>Intangible Assets</b>	Is an identifiable nonmonetary asset without physical substance

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## Letter of Transmittal

**Hon. Eng. Christopher KajoroChiza (MP)**

**Minister of Agriculture,**

**Food Security and Cooperatives**

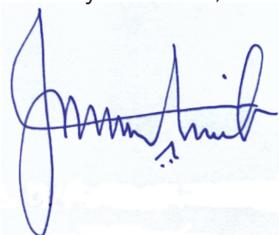
**P.O. Box 9192**

**DAR ES SALAAM**

Honourable Minister,

In accordance with Section 49(4) of the Cotton Industry Act, Act No. 2 of 2001 that established the Tanzania Cotton Board (TCB), I have the pleasure to submit to you the Annual Report and Accounts of the TCB for the year ended 30th June 2013.

I kindly transmit,



Hon. Dr Festus B. Limbu (MP)

Chairman

## Message from the Chairman



On behalf of the Board of Directors of the Tanzania Cotton Board, it is my pleasure to present the Annual Performance Report for the financial year ended 30th June, 2013. In brief, the report provides an assessment of the operational performance for the year, challenges facing the Board and the efforts employed to make our operations more effective in achieving the intended mission.

Year 2012/2013 recorded 352,161 tons in cotton production continuing an upward trend away from the poorer volume attained in 2011/2012 marketing season. 2010/2011 and 2011/2012 marketing seasons producer price incentive in which the indicative price was shillings 600 and 1100 per kg respectively, was a major factor in the

cotton production improvement in this season though the cotton prices in the world markets have plunged down. The indicative price of TZS 660 per kg which persisted throughout the season has caused uproar from the farmers and leaders. In some places farmers were encouraged by politicians not to sell cotton at the prevailing farm gate prices.

This experience shows an overly dependency on the international prices of our production system, it is imperative therefore for the cotton stakeholders to shift our attention from price to non-price factors in order to improve cotton productivity of the sector which include Contract Farming. With contract farming system we are well positioned to increase productivity through reliable and timely provision of inputs in required amounts to our producers. In pursuit of increasing productivity, production and profitability throughout the cotton value chain, the industry is implementing the Cotton and Textile Development Programme where contract farming and conservation agriculture are being promoted as a vehicle to enable producers realize the dream of obtaining increased income from cotton cultivation. With contract farming, we stand a chance of increasing cotton production and quality as well, through which the national objective to eradicate rural poverty can be attained. The programme also seeks to increase internal cotton value addition by scaling up consumption of cotton from about 30% to 90% of the country's production. To this effect a number of initiatives have been employed including development of human resources by introducing a textile engineering degree at the University of Dar es salaam and investment promotion on textile manufacturing.

During the period under review, the Board's total revenue was 3.31 billion compared to 3.40 billion in the previous year. During the same period operating expenses were 3.69 billion compared to 3.47 billion in 2011/2012. As usual development and promotion activities continued to be financed by voluntary contributions from cotton stakeholders as per Public Private Partnership Agreement of 2006 through the Cotton Development Trust Fund (CDTF). The fund's (CDTF) total revenue for the period stood at TZS 18,193,584,839 compared to TZS 20,834,980,825 earned during the previous year. The decrease in the funds revenue was mainly caused by the non-receipt of the Government promised subsidy on seeds and pesticides supplied to farmers leave alone the decline of recoveries from sales of insecticides and sprayers due to less usage of insecticides and sprayers by farmers as compared to the previous year.

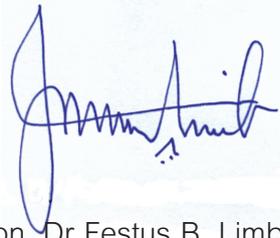
Generally we still have some challenges to work on as some stakeholders were resisting and ill talking on Contract Farming system. An urgently and timely solution is required to solve the financial problems facing the Cotton Development Trust Fund (CDTF). All ginners (who are important stakeholders) with long outstanding balances with CDTF should pay their dues especially on

contributions and the inputs credit collected from the farmers. Partial recovery of receivables suffocates the fund of the necessary finances for its day to day operations.

In order for challenges in the cotton sub sector to be effectively tackled a strong political will and informed support from all players at all levels is necessary. We as the cotton stakeholders need also to work together in undertaking our goals and strategies so as to make the cotton industry in Tanzania vibrant and competitive locally and internationally.

I wish to extend my sincere gratitude to all stakeholders for their continued loyalty and patronage and to management and staff for their dedication and hard work; my fellow Board members whose tenure expired towards the end of 2012/13 for their support and valuable guidance. I would also specifically want to thank the Government for continued commitment to support TCB I am convinced that given the synergy that is developing between TCB and its parent Ministry of Agriculture Food Security and Cooperatives in the coming year TCB will make good service delivery for the steady progress of the sector making it more efficient and stronger.

Once again I'm looking forward to your continued partnership for the incoming Board of Directors to make 2013/14 another progressive year towards stronger cotton sector.



Hon. Dr Festus B. Limbu (MP)

**CHAIRMAN - BOARD OF DIRECTORS**

## Message from the Director General

The period under review, from 1st July 2012 ending up on 30th June 2013, marked a turning point in the history of the cotton sub sector as digital weighing scales were introduced in the cotton marketing system. The farmers who are one of the primary stakeholders in the industry received with mixed feelings the scales without losing their belief that, this might be the start to the end of the exploitation through scales in the cotton buying posts. The Weights and Measures Agent, concurs with this observation as they reported few instances of digital scales tempering compared to steelyard scales. In the marketing season under review, a total of 37 cotton companies were licenced to buy the crop, and ginning were approved and undertaken by 43 ginneries. As at the end of the marketing season 352,161 tons of seed cotton were purchased, 350,277 and 1,884 tons for the Western and Eastern Cotton Growing Areas, respectively.

The politically charged resistance on cotton price of TZS 660 caused a chain of problems as it delayed cotton procurements, especially in Simiyu region. When it was apparent that prices will not improve, the farmers released their crop. The quick buying and ginning which ensued prompted accumulation of bales at the Dar es Salaam port, which was exacerbated by its inefficiency in load clearance. The accumulation of bales at the port caused reluctance on part of Banks to disburse funds to cotton buyers, leading to build-up of un-sold seed cotton stock from farmers. A stakeholders' meeting hurriedly called in Maswa deliberated the Board to deal with the problem within two weeks. The Board continued with its effort to educate these unrealistic politicians and other stakeholders on price mechanism that cotton being an export crop with Tanzania being a price taker, due to its insignificant cotton share in international markets we don't have that muscle to influence the price. This price scenario was nevertheless; a springboard to kick starts the idea on the inception of Cotton Price Stabilisation Fund by the Board which was taken by the Ministry of Agriculture for all other cash crops. The Ministry is currently liaising with its stakeholders on its modus operandi, how to run it and how each will contribute to the Fund.

Another problem was side-selling, caused by some companies to buy cotton in the areas where they had not invested, as per Contract Farming requirements. This triggered poor inputs loan recoveries from the farmers. This as well, might be part of wide syndicate to sabotage the already rolled out Contract Farming after winding up its pilot stage. Albeit, its good intension to farmers, it was absurd that TACOGA the association of cotton growers which is there to advance the interests of farmers were in fore front to tarnish and oppose the Contract Farming efforts. It was of late learned that free rider Ginners who don't want to invest in the Contract Farming model were behind the move. The Board in cooperation with Tanzania Gatsby Trust (TGT) and some progressive Ginners continued to implement the Contract Farming model by trying to solve most of the impending challenges. Preparations for a next farming season were underway and in order to increase the farming efficiency in the coming season the following were undertaken;

- Review of the contracts between ginners and farmers' FBGs
- Demarcating the Western Cotton Growing areas in 12 zones for ginners' selections
- Contribution of 30 shillings per kilo towards the Cotton Development Trust Fund (CDTF). This caters only for just a few functions of the Fund. The Board and other stakeholders vowed to work on recovery of the promised subsidy of 5.9 billion from the Government as well as the 2.2 billion inputs subsidy of last season's for the Fund's strong footing.
- FBG's lead farmers from various Districts in the WCGAs have undertaken training on dry season cultivation, and 3,000 rippers had been distributed.
- Sensitization on cotton farming in ECGAs was also introduced.

Although the waters are rough we will continue towing the ship until we reach the shores where we are sure the toiling farmers of this land will be safe and assure the fair contribution of the cotton sector in the prosperity of the country's economy is attained.

Finally I wish to express TCB's sincere gratitude to all our partners in the cotton industry for their tireless efforts in improving the welfare of cotton growers.



Marco C. Mtunga

**Director General**

## TANZANIA COTTON BOARD

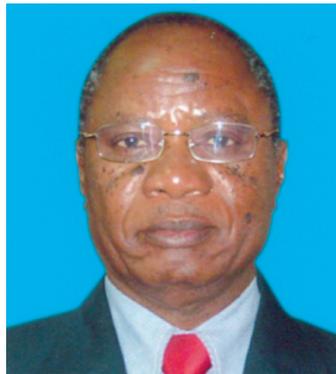
### Board of Directors



*Hon. Dr. Festus Limbu (MP)*  
**Chairman**



*Mr. Christopher M. Gachuma*  
**Member**



*Mr. Raphael N. Mlolwa*  
**Member**



*Dkt. Mbette Mshindo*  
**Member**



*Mr. Clement G. Mabina*  
**Member**



*Mr. Robert Jongela*  
**Member**



*Mr. George B.M. Wasira*  
**Member**

## TANZANIA COTTON BOARD

### Present Management Staff



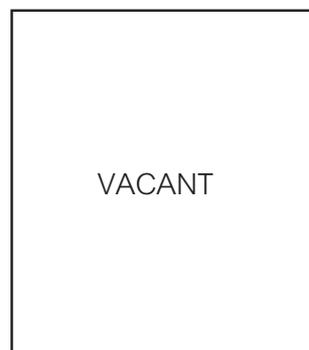
*Mr. Marco C. Mtunga*  
**Director General**



*Mr. Gabriel P.T. Mwalo*  
**Director of Finance and Administration**



*Mr. James N. Shimbe*  
**Director of Regulatory Services**



**Director of development and Promotion**



*Mr. Jones K. Bwahama*  
**Zona Manager**



*Mr. Ndema S. Mapunda*  
**Senior ICT Officer**



*Ms. Elizabeth Msuya*  
**Principal Legal Officer**



*Mr. Emmanuel Bulolelo*  
**Principal Internal Auditor**

## PERFORMANCE OVERVIEW FOR THE YEAR 2012/2013

An estimated 391,015 hectares were sown to cotton during the 2012/2013 marketing season, compared to 469,445 in the preceding season of 2011/2012. Notwithstanding, seed cotton outputs were 352,161 and 225,938 tons, respectively. This represented a 36 per cent rise in cotton production. The apparent increase in output was by and largely due to a record breaking highest prices in the preceding marketing season averaging 1000/= per kilo of cotton. Generally, farm gate prices were very favourable for two consecutive past seasons, from that of 2010/2011. Farmers instinctively base their cotton farming plans on the historic farm-gate prices attained in the previous season. This mirror-hindsight view strategy is the reason why local cotton production follows the fluctuations on the ever-volatile cotton lint international prices.

Other attributing factors for the rise were a relatively good and timely supply of sufficient quantities of pesticides to farmers and though localized the good prevalence of weather. Also, the efforts of the Board and Tanzania Gatsby Trust on the Contract Farming work were recommendable.

**Table 1: Seed Cotton Production from 2008/09, 2009/10, 2010/11 2011/12 and 2012/2013 in Western and Eastern Cotton Growing Areas**

Zone	Region	2008/09	2009/10	2010/11	2011/012	2012/2013
	Simiyu					147,564
	Geita					35,730
	Shinyanga	220,808	174,162	105,143	138,383	64,800
	Mwanza	75,744	59,637	33,669	50,206	45,100
	Mara	53,283	10,986	10,705	15,940	20,925
<b>Western</b>	Kagera	2,559	4700	1,827	3,734	1,029
	Tabora	13,451	15,650	10,737	14,842	32,700
	Kigoma		1,336	47	386	429
	Singida	1,300	294	753	883	2,000
<b>Total Western</b>		<b>367,145</b>	<b>266,765</b>	<b>162,881</b>	<b>224,374</b>	<b>350,277</b>
	Manyara	898	172	490	768	1,496
	Morogoro	307	33	73	564	204
<b>Eastern</b>	Kilimanjaro	84	6	33	25	28
	Pwani	84	19	28	120	41
	Tanga	157	5	11	77	35
	Iringa	23	4	1	10	80
<b>Total Eastern</b>		<b>1,552</b>	<b>230</b>	<b>636</b>	<b>1,564</b>	<b>1,884</b>
<b>Grand Total</b>		<b>368,697</b>	<b>267,004</b>	<b>163,517</b>	<b>225,938</b>	<b>352,161</b>

## COTTON BUYING AND MARKETING

The 2012/2013 buying season was officially inaugurated on the 2nd of July 2012 in Bukombe District at Iyogelo village by Hon. Saidi Magalula, the Region Commissioner for Geita. The number of cotton companies in the Western Cotton Growing Areas licensed to buy seed cotton was 37 compared to 41 during the 2011/2012 marketing season.

## COTTON GINNING

A total of 43 ginneries were inspected and permitted to operate in the buying season of 2012/2013. Three out of the total were Msowero, Moshi and Babati's Hannang ginnery which are in the Eastern Cotton Growing Areas. All licensed ginneries were as hereunder, summarized in Table 2.

**Table 2: Ginning Performance for 2012/2013 Season**

SNO		GINNERY NAME	SEED COTTON DELIVERED (KG)	BALES PRODUCED
1	.	ALLIANCE GINNERIES	28,512,751	44,171
2	.	AHAM INVESTMENT	10,588,769	17,371
3	.	AFRISIAN GINNING - SHINYANGA	25,097,017	7,014
4	.	AFRISIAN GINNING – SANGU	4,558,443	42,906
5	.	BADUGU GINNING CO	144,101	291
6	.	BCU (1984) LTD	873,575	1,900
7	.	BIORE (T) LTD	8,747,534	14,576
8	.	BIRCHAND OIL MILL LTD	11,500,960	20,979
9	.	BIOSUSTAIN (T) LTD	3,587,886	8,288
10	.	CHESANO-LAMADI	557,247	713
11	.	FRESHO – SHINYANGA	19,239,329	30,265
12	.	FRESHO – NIDA	12,542,210	22,732
13	.	GAKI INVESTMENT CO.LTD	26,371,914	40,317
14	.	HASSANAL WALJI-CARGIL	784,342	1,192
15	.	HASSANAL WALJI	5,291,827	8,570
16	.	ICK COTTON OIL	7,686,500	13,818
17	.	JAMBO OIL MILL & GINNERIES	29,295,578	45,152
18	.	KAHAMA COTTON – BUKOLI	11,724,240	20,145
19	.	KAHAMA COTTON – KAHAMA	14,419,270	25,166
20	.	KAHAMA CORPERATIVE UNION	1,242,970	2,287
21	.	KAHAMA OIL MILL	27,489,620	46,271
22	.	KBL ENTERPRISES	997,760	1,500
23	.	KISUMWA MACHINERY CO LTD	2,734,018	5,327
24	.	LISHA INVESTMENT	1,253,151	1,588
25	.	LUKAGO CO.LTD	1,150,082	1,621
26	.	MWATEX (2001)LTD	2,236,292	4,142
27	.	MANAWA GINNERIES	3,497,480	5,129
28	.	VITRECS - MUGANGO GINNERY	2,306,033	4,326
29	.	MeTL GINNING CO.LTD	4,759,725	7,737

30	.	MSK SOLUTION LTD	814,711	1,209
31	.	NGS INVESTMENT CO.LTD	12,456,988	19,146
32	.	NSAGALI CO.LTD	4,042,245	6,594
33	.	NCU (1984) LTD	654,110	1,211
34	.	OLAM (T) LTD	17,530,880	27,188
35	.	ROKO INVESTMENT	2,590,950	4,989
36	.	S & C GINNING CO. LTD	17,642,220	30,300
37	.	S.M.HOLDINGS LTD	5,095,745	8,622
38	.	SHIRECU (1984) LTD	8,420,120	12,864
39	.	NEW TABOTEX (T) LTD	526,011	997
40	.	VITRECS OIL MILL	1,709,568	2,797
41	.	OLAM - VEARRIAN (T) LTD	9,809,735	15,370
42	.	MOSHI GINNERY	933,360	1,729
43	.	HANNANG COTTON MILL	485,800	812
43	.	MSOWERO GINNERY	257,932	359
		<b>GRANDTOTAL</b>	<b>352,161,000</b>	<b>578,915</b>

## COTTON INPUT SUPPLY

The Cotton Development Trust Fund (CDTF) continued on its endeavour to make sure farmers have timely access to all inputs in sufficient quantities. A study was undertaken to assess the farmers' preferences of farm inputs and applicators. Farmers were required to rank on their preferences for insecticides and applicators supplied in 2011/2012 marketing season. The study was demanded due to complain from some farmers on the efficacy of some pesticides. The sample size was 625, with 565 males and 60 females, randomly selected from 20 Districts of 8 regions, in the Western Cotton Growing Areas. Descriptive statistical outcome showed more preference for Karate and Insectido, whereas on applicators, Solo and Matabi knapsack sprayers was the tool of their choice as hereunder shown, in Table 3 and Table 4.

**Table 4: Farmers' Choice of Insecticides**

S/No.	Insecticides	Number of farmer	Percent
1.	Karate	96	29
2.	Insectido	79	23
3.	Bamethrin	29	9
4.	Agromethrin	28	9
5.	Zetabestox	22	7
6.	Lambdex	12	4
7.	Agrothrin	12	4
8.	Fenom C	12	4
9.	Deltra plus	11	3
10.	Decis	10	3
11.	Attackan C	8	2
12.	Perfecto	5	1
13.	Lamdex super	2	1
14.	Helerat	2	1
	<b>Total</b>	<b>328</b>	<b>100</b>

**Table 5: Farmers' Choice of applicators**

S/No.	Type/Name	Number of Farmers	Percent
1.	Solo	377	63
2.	Matabi	125	21
3.	ULVA+	52	9
4.	Matabi (ULV)	42	7
<b>Total</b>		<b>596</b>	<b>100</b>

## COTTON RESEARCH

Cotton related research activities are funded by the cotton industry and are conducted at Ilonga and Ukiriguru Agriculture Research Stations in the Eastern and Western Cotton Growing Areas, respectively. The overall objective of cotton research is to increase productivity and profitability through development of varieties and other production technologies.

During the 2012/2013 farming season, the cotton research program carried researches on variety development, quality monitoring, use of organic and inorganic fertilizer, adoption of good agronomic practices, potentiality of integrated soil fertility management, study of cotton natural enemies and cotton inter-cropping. Others are multiplication of promising cotton lines for on-farm testing, maintenance of cotton germplasm, investigation on changes of soil fertility status with time under continuously cotton cultivated land, effect of rotating cotton with other crops, IPM and evaluation of insecticides.

## COTTON CLASSIFICATION

Cotton classification is undertaken by the Tanzania Cotton Board at the two laboratories at Ukiriguru in Mwanza and Kurasini in Dar es Salaam. The aim of Cotton classing, is to determine the quality parameters of the fibre prior to its sale. Classification results for the season 2012/2013 indicates that 57 per cent of the classed cotton was of good grade (Gany and above). Overall, as compared to 2011/2012 the results were as shown in Table 6.

**Table 6: Cotton Grades in the Current Compared to Last Season of 2011/2012**

Samples	Season	
	2011/2012	2012/2013
Received	324,326	147,200
Classed	23,911	18,779
Gany and above	61%	57%
Below Gany	35%	42%
Yika and Undergrade	4%	1%

## COTTON EXPORTS

In 2012/2013 the quantity, average unit price, value and destinations of the Tanzanian cotton lint exports were as shown in Table 7. The exporters and the quantities of lint each has exported are as shown in Table 8.

**Table7: Cotton Lint Export for 2012/2013 by Destination**

COUNTRY	BALES	METRIC TONNES	US CENT/POUND	VALUE IN US\$
BANGLADESH	3,921	765	0.74	1,267,331.94
CHINA	137,281	26,770	0.69	43,845,583.60
CZECK REPUBLIC	200	39	0.85	75,218.35
FRANCE	300	59	0.92	119,507.68
GERMANY	300	59	0.99	134,441.94
INDIA	45,053	8,785	0.73	13,709,166.95
INDONESIA	35,922	7,005	0.72	11,180,511.97
JAPAN	100	20	0.99	43,964.94
KENYA	10,260	2,001	0.72	3,271,122.56
MALAYSIA	13,400	2,613	0.79	4,194,807.79
MAURITIUS	7,017	1,368	0.72	2,315,384.00
NETHERLAND	100	20	0.86	38,254.60
PAKISTAN	5,660	1,104	0.76	2,019,304.00
PORTUGAL	100	20	0.99	43,848.77
SINGAPORE	1,100	215	0.68	149,600.00
TAIWAN	500	98	0.71	141,658.00
THAILAND	8,094	1,578	0.73	2,855,005.75
TURKEY	1,813	354	0.79	618,099.50
VIETNAM	23,038	4,492	0.73	7,722,782.66
<b>TOTAL</b>	<b>294,159</b>	<b>57,361</b>	<b>0.72</b>	<b>93,745,595.00</b>

**Table 8: Performance of Exporters during 2012/2013 Season**

Exporter	Bales	Av. Price USD/lb	Value in USD
Afrisian	12,963	0.75	4,000,584.14
Aham	5,320	0.67	1,569,577.58
Al adawi	1,500	0.93	614,407.20
Alliance	14,060	0.68	4,058,588.40
Biore	8,289	0.84	2,728,929.01
Biosustain	800	0.70	229,920
Birchand	15,270	0.81	4,856,296.69
China Pesticides	128,590	0.69	41,062,528.50
Dahong	1,619	0.73	522,597.90
Fresho	13,290	0.67	3,933,272.00
Gaki	6,800	0.61	2,470,884.00
ICK	4,800	0.71	1,387,056.00
Kahama Oil Mill	1,000	0.70	282,865.00
Kahama Cotton company	10,000	0.73	3,027,882.84
Lisha Investment	500	0.78	172,401.27
Manawa Gineries	1200	0.84	477,855.00
NGS	500	0.85	183,015.00

Mathayoson	1000	0.72	223,850.00
MeTL	500	0.78	174,021.82
New Tabora	260	0.74	117,653.51
Olam	38,178	0.75	13,961,329.30
S&C Ginning	17,482	0.71	4,441,835.56
SHIRECU	587	0.75	231,365.00
S.M. Holdings	7,300	0.67	1,832,715.50
Urafiki	200	0.75	66,099.90
Vitreco	500	0.69	81,400.00
Walji	1700	0.66	456,654.00
<b>Total</b>	<b>294,159</b>	<b>0.72</b>	<b>187,034,536.00</b>

### EXTENSION SERVICES TO COTTON FARMERS

Agricultural extension and information services play an important role in agriculture development. In recognition to that, during a season under review, the Tanzania Cotton Board in conjunction with Tanzania Gatsby Trust strived to educate cotton farmers on Good Agricultural Practice using different programmes amongst, Dry season land preparation and basin planting, Principles of Conservation Agriculture, Cotton Integrated Pests Management and Cotton Harvesting, Grading and Handling.

Also, aimed at disseminating best cotton farming practices is Pamba Yetu weekly radio program aired by Tanzania Broadcasting Corporation. Radio is still the major way in which rural people gets information.

Training on safe handling and use of different insecticide as well as applicators was conducted by all Agro-chemical companies that had been awarded tenders to supply the pesticides. This was done independently by each company on the Board's guidance.

Leaflets showing Good Agricultural Practices were printed and distributed to both Western Cotton Growing Area (WCGA) and Eastern Cotton Growing Area (ECGA).

The Board participated in Nane Nane shows at Mwanza grounds and the Mwalimu Nyerere grounds in Morogoro. These exhibitions have shown to be of great value to farmers' education on the cotton crop. In both zones Tanzania Cotton Board performed exemplary well and out-competed other Institutions and Crop Boards in its category.

## **1.0 DIRECTORS' REPORT**

### **1.1 Introduction**

In compliance with the Cotton Industry Act No 2 of 2001 under which TCB is incorporated and in conformity to Tanzania Financial Reporting Standards (TFRS 1) on Directors Report, the Board of Directors of Tanzania Cotton Board is pleased to present its Annual Report and Financial Statements for the year ended 30th June 2013 which discloses state of affairs of the organization.

### **VISION**

To promote cotton production, Improve quality and enhance competitiveness of Tanzania Cotton.

### **MISSION**

To improve the production, productivity and profitability of cotton by maximizing the compliance to rules and regulations that safeguard the quality of cotton sold both locally and abroad, by providing effective and efficient services to cotton stakeholders; by enhancing strong stakeholder relationships in order to boost self-regulation and promoting the production, processing and consumption of cotton.

### **ADDRESS**

The address of Tanzania Cotton Board is:  
Pamba House, 3rd Floor  
Pamba Rd/ Garden Ave  
P.O. Box 9161  
Dar es Salaam  
Tel: +255 22 212 3565, 212 8347

### **1.2 Establishment**

The Tanzania Cotton Board (TCB) was established under the Cotton Industry Act No.2 of 2001 (cap201, RE 2002), as amended by the Crop Laws (Miscellaneous Amendments) Act No 20 of 2009 and came into existence on 1st July 2004. TCB operates through two zones; the Western Zone based at Mwanza, the Eastern Zone and the Head Office at Dar es Salaam.

### **1.3 The Directors in 2012/13**

The Cotton Industry Act No. 2 of 2001 provides for the composition of the Board of Directors as under:-

- a) The Chairman appointed by the President;
- b) A member from Tanzania Cotton Association;
- c) A member from Cotton Growers Association;
- d) A member from the Ministry of Regional Administration and Local Government; and
- e) A member from the Ministry of Agriculture, Food and Co-operatives

Upon appointment, Members of the Board of Directors hold office for the period of three years and are eligible for re-appointment. The tenure of the existing Board of Directors ended in April 2013 but the Minister for Agriculture extended their tenure for an indefinite period.

The names of the members of the Board of Directors who served during the financial year were:

	<b>Name</b>	<b>Age</b>	<b>Position</b>
1	Festus B. Limbu	57	Chairman
2	Mbette M. Msolla	60	Member
3	George B.M. Wasira	71	Member
4	Raphael M. Mlolwa	67	Member
5	Christopher M. Gachuma	67	Member
6	Robert Jongela	44	Member
7	Clement Mabina	56	Member
8	Gabriel P. T. Mwalo	53	Ag. DG & Secretary

## 1.4 Functions of the Board

The main functions of the Board are to carry out regulatory functions and such other activities necessary, advantageous or proper for the benefit of the cotton industry.

Without prejudice to the generality of the above functions, the Board has power: -

- (a) To advise the Government on the policies and strategies for the development of the Cotton industry;
- (b) To regulate and control the quality of cotton and cotton by-products;
- (c) To collect, refine, maintain, use or disseminate information or data relating to the cotton industry, monitor the production and exportation of cotton;
- (d) To make regulations for processing, exportation and storage of cotton and cotton by products;
- (e) To promote and protect the interests of farmers against syndicates of buyers which may be formed through associations.
- (f) To monitor consumption of cotton Lint in local textile industries;
- (g) To Promote the development of the cotton industry ; and
- (h) To represent the Government in Local and International fora in matters relating to the cotton industry;

## 1.5 Strategies of the Cotton Board

In order to achieve its objectives, the Tanzania Cotton Board has prepared a 5-year strategic plan that cover the period from 2010/11 to 2014/15. The strategic plan was developed within the context of the Cotton Sub-Sector as a whole and will be used as a guiding document for Cotton Stakeholders in implementing their activities. The strategy aims to achieve the following objectives:

- a) To raise cotton yields from 750Kg per acre to 1,000 Kg per acre by 2015;
- b) To increase national cotton output from 700,000 bales to 1,500,000 bales by 2015;
- c) To improve cotton quality through contract farming and providing education on cotton quality;

- d) To improve the cotton marketing system;
- e) To enforce the cotton law and its regulations;
- f) To introduce cotton irrigation systems along the Lake Victoria basin;
- g) To encourage local and foreign investors to invest in Textile Industry in Tanzania;
- h) To establish strong contract farming groups/associations in the cotton growing areas.

## 1.6 Corporate Governance

The Board of Directors take overall responsibility of insuring that there is adequate control of the assets of the Tanzania Cotton Board, including identifying the key risk areas that have significant impact in both the internal and external environments in which the Board operates, and ensuring that the internal control policies and procedures are followed adequately. Procurement of goods and consultancy services as reflected in the financial statements have been done in accordance with the Public Procurement Act No.21 of 2004. The board of directors delegates daily operations to the management and, management performance is reviewed through different Board of Directors meetings.

During the year, the Board of directors held four (4) ordinary and seven (7) extraordinary meetings which deliberated on various issues pertaining to regulatory, promotion and administrative matters including deliberation and approval of the following matters:

- a) The 2013/14 Budget fo
- b) The 2011/12 Financial Statements and Management Letter
- c) Four quarterly Performance Reports
- d) Staff Matters

## 1.7 Challenges of the Cotton Industry

During the year, the Board encountered the following challenges which affected the performance of the cotton Industry as a whole and thus hindered economic development in the country:

### a) Cotton Price Instability

Fluctuation of global cotton prices led to difficulties predicting cotton producers' earnings from their produce. Statistics shows that price plays a vital role in determining the total output of cotton as farmers tend to move to other, more paying alternative crops when cotton prices fall.

During the year, the cotton market indicative price was TZS 660 per kg which is much lower when compared to TZS 1,100 per kg of the previous cotton buying season.

### b) Over-dependence on Rain for Cotton Production

Unpredictable weather pattern and over reliance on rainfall has affected cotton production in most of the cotton growing areas.

### c) Deliberate Adulteration of Cotton

Adulteration of cotton using various contaminants including sand and water had undermined the quality of the cotton crop as a result of which Tanzania cotton was sold in the world market at a discount price of between 4 and 6 US\$ cents per pound.

### **d) Low Productivity**

During the year under review, cotton yield stood at an average of 750 kg per hectare because of low utilization of inputs due to low capital bases of smallholder cotton farmers and absence of credit arrangements. This is below the existing potential of over 2,500 kg per hectare.

### **e) Inadequate Government Funding for Regulatory Activities.**

Since its inception in July 2004, the Board continued to receive funds from the Government below its projections and at a decreasing rate. In the year under review, the Board received operational, non-salary revenue of Tsh.120 million against the approved Government budget of TZS.150 million. This has resulted into difficulty for implementing some of its mandatory objectives like strong cotton quality controls through regular inspection of Cotton Ginneries and Cotton buying centres, providing education to farmers on good husbandry and construction of modern laboratory for cotton quality testing.

## **1.8 Trends and Future Prospects**

### **Cotton Price Subsidization**

The Board received Government Cotton Price Subsidy to the tune of TZS 20 billion in 2009/10 to assist farmers for the low cotton prices as a result of the impact caused by the global financial crisis. The fund was issued by the Government as compensations to farmers at an additional price of TZS 80 per Kilogram for the estimated cotton production of 250,000 metric tons. However, the actual cotton production at the end of the season was 267,004 metric tons which was more than estimated cotton production by 17,004 metric tons. This is equivalent to a short fall of TZS 1.36 billion which the Government was supposed to release as additional funds to farmers.

Through cotton ginners, the Board had disbursed total sum of TZS 19.48 billion as at 30th June 2013 which include bank charges of TZS 250,000. This is equivalent to 97% of the total funds received in 2009/10. However during the year, the Board decided to invest part of the subsidy fund at Tanzania Investment Bank (TIB) in short term call deposit account. The amount invested at TIB was TZS 500 million at an accrued interest rate of 10% .The principal amount together with accrued interest can be withdrawn by the Board at any time after issuing a 24 hours notification of withdraw to the bank. At the end of June 2013, TZS 404 million of subsidy money were still in the hands of cotton ginners, TZS 530 million retained in the TIB investment account and the remaining balance of TZS 16 million was held by the Board in the CRDB Cotton Price subsidization account awaiting Government decisions.

### **Rehabilitations of Warehouses at Kurasini**

The board is planning to undertake a major rehabilitation of all the 5 warehouses located at Kurasini primarily so as to stop them from further deterioration. The Kurasini warehouses were built 50 years ago and are now in a very poor state of repair. These warehouses are currently the main source of TCB's rent revenue but their poor condition has forced their rent down to a mere US\$ 2.50 per sqm per month. The Board of directors is confident that after their rehabilitation, TCB's rent revenue will rise significantly.

Finance for this project will be obtained through borrowing from Tanzania Investment Bank (TIB). The Board has sought advice and recommendations on the project from the Treasury Registrar via the Ministry of Agriculture Food and Cooperatives. The Treasury Registrar has approved the proposed project and the Board is expecting to start this project in the 2013/14 financial year.

## **1.9 Supports from Donors**

### **a) The European Union**

The European Union and the Government of Tanzania entered into an agreement under which the former is funding the Cotton Smallholder Farmer Quality and Market Access Improvement Project for a total sum of Euro 1,525,485.35. TCB was appointed to be the project implementer and has already received an advance of TZS 1,120,000,000. The project is implemented in Meatu, Bariadi and Maswa Districts in the Western Zone cotton growing Areas. The funds for the project were received in December 2012 and implementation of project activities started in February 2013.

During the year, TCB performed the following project activities:-

- i) Survey of proposed project areas
- ii) Sensitization of cotton stakeholder for adoption of the project
- iii) Identification and enrolment of cotton growers
- iv) Training of Trainers(TOT)
- v) Capacity building for cotton classers
- vi) Recruitment of 3 staff for proper coordination of the project
- vii) Procurement of project promotion materials and cotton picking bags

### **b) The Gatsby Charitable Foundation of United Kingdom**

The Gatsby Charitable Foundation of London through the Tanzania Gatsby Trust is running the Textile Development programme in the cotton subsector. The programme aims to increase cotton productivity, production and value addition. The programme started in October 2007 and, it is anticipated that at its completion, the demand for cotton fiber from the domestic textile industry will rise from 10% of national output to at least 20%.

Cotton Contract Farming is also one of the Textile development projects whereby Cotton Buyers (Ginners) are required to distribute cotton inputs to farmers in the planting season on credit under the condition that in the period of harvest farmers will sell their raw seed cotton to respective cotton buyers.

During the year, the programme implemented the following activities:

- i) Support for 35 junior cotton inspectors who were recruited under the programme to manage contract farming activities;
- ii) Provision of 4 motor vehicles for contract farming and cotton inspection activities.

The directors are very grateful for the generosity of the foreign donors who have come forward to help the cotton sector in Tanzania. The funds received from the two donors and utilised by TCB during the year were as follows:-

	Donor	
	EU	TGT
	000 TZS	
Balance at the beginning of the year (1 July 2012)	–	66,155
Add: Funds received	1,120,000	314,028
Less: Expenditures	72,128	372,461
Balance at the end of the year (30 June 2013)	1,047,872	7,722

### c) Cotton Development Trust Fund (CDTF)

Under the shared functions agreement of 2006 between the Tanzania Cotton Board and Cotton Stakeholders, the Cotton Development Trust fund (CDTF) is supporting the cotton industry in cotton research related activities, cotton input distributions, provision of extension services and data collection. CDTF is therefore one of the donors to TCB who donated TZS 50 million during the year.

## 1.10 Financial Performance

During the year under review, the Board's total revenue was TZS 3.31 billion compared to TZS 3.40 billion that was received during the previous year and this was a fall in revenue. However, during the same period, operating expenses were TZS 3.60 billion compared to TZS 3.43 billion in 2011/12, excluding depreciation, provision for bad and doubtful debts and provision for impairment of intangible assets.

The Board's operating results for the period ended 30th June, 2013 were as shown below:-

	2013	2012
	TZS'000	TZS'000
Total Revenue	3,314,660	3,408,379
Less: Total Expenditure	3,692,295	3,471,438
Operating Surplus/(Deficit)	(377,635)	(63,059)

## 1.11 Human Resource Issues

### i) Establishment

During the year, five employees retired from the Board's services and two more terminated their contract with the Board at their own will. The staff position as at 30th June, 2013 was as shown below:-

Department	Position as at 30.06.2013	Position as at 30.06.2012
Director General's Office	3	3
Finance & Administration	19	24
Regulatory	33	35
<b>Total</b>	<b>55</b>	<b>62</b>

## **ii) Medical Services**

The Board is obliged to comply under the National Health Insurance Fund (NHIF) Act No 8 of 1999 (Cap 395 RE 2002) to register its employees with the Fund and contribute 6% of their gross pay monthly, 3% being deducted from employees themselves. The Board spent TZS 63.2 million for medical expenses for the year 2012/2013, as compared to TZS 67.7million incurred in previous period. The reduction was due to a lower number of staff for the year.

## **iii) HIV/AIDS Policy**

The management of HIV/AIDS is an important challenge to the Tanzania Cotton Board (TCB). TCB has determined that HIV/AIDS will have an impact on the following risk areas; operation, legal risk and health risk. Whilst all these risks are under investigation, TCB has adopted the following core principals as a basis for its HIV/AIDS policy:-

- a) Limit the number of new infections among employees by increasing awareness on HIV AIDs;
- b) Ensure employees living with HIV/AIDS are aware of their rights and that their rights are respected and protected;
- c) Provide care and support to employees living with HIV/AIDS.

## **iv) Management and Employees Relationship**

TCB employees are represented by the Tanzania Plant and Agricultural Workers Union (TPAWU). The relationship between employees and management is good. There were no unresolved complaints received by management from the employees during the year under review. The management recognizes the importance of working cordially particularly with the trade union for the purpose of collective bargaining. During the year under review, the Board held 2 meetings with employees to discuss issues pertaining to operations of the Board and staff welfare.

## **v) Financial Assistance to Staff**

TCB is not very strong financially but strives to assist confirmed employees facing untypical financial difficulties as special cases in accordance with the provisions of the TCB Human Resource Manual and Financial Regulations.

## **vi) Training**

The Board continued to provide training for its employees in accordance to the TCB training policy and on the basis of the training programme. During the year the Board sponsored four employees for Master degree programme in different disciplines. Opportunities to attend seminars were also provided to employees within TCB's financial ability.

## **vii) People with Disabilities**

The Board gives equal opportunities to people with disabilities for vacancies they are able to fill. Similarly under the Workmen Compensation Act, the Board compensates employees who become disabled while in the service of the Board through the insurer.

## viii) Gender

The Board gives equal access to employment opportunities to both genders and ensures that the best available person is appointed to any given position free from any kind of discrimination and without regard to any factors like gender, tribes, disability, religion and marital status which does not impair ability to discharge duties and responsibilities. As at 30th June 2013, the Board had the following distribution of employees by gender:

Gender	Position as at 30.06.2013	Position as at 30.06.2012
Female	14	17
Male	41	45
<b>Total</b>	<b>55</b>	<b>62</b>

## 1.12 Compliance Issues

### 1) Directors' Remuneration

The board of directors had seven directors and a secretary who is the Director General and Chief Executive Officer of TCB. During the year the directors collectively received the following benefits from TCB:-

	Benefit	Amount (TZS 000)
1	Directors Fees	5,800
2	Sitting Allowances	71,015
3	Travelling and Accommodation	37,172
	<b>TOTAL</b>	<b>113,987</b>

### 2) Related Party Transactions

The amounts transacted with other related parties were as follows:-

	Related Party	Relationship	Amount (TZS 000)
1	Ministry of Agriculture	Parent Ministry	1,839,652
2	Cotton Development Fund	Shared functions	1,664,476
3	Top Management	Decision Maker of TCB	289,199

## 1.13 Bankers

During the year, TCB had a total of 12 bank accounts in Dar es Salaam, Mwanza, Mbeya and Morogoro at the following banks:-

- CRDB Bank Plc, DSM, Mwanza and Mbeya
- National Bank of Commerce Ltd, DSM, Mwanza and Morogoro
- Tanzania Investment Bank Ltd, DSM

## 1.14 Auditors

The Controller and Auditor General is the independent statutory auditor of the financial statement of the Board. The Controller and Auditor General appointed M/s Citizen Certified

Partners Consortium to carry out audit of the financial statements of the Board for the year ended 30 June 2013 on his behalf, in accordance with section 33 of Public Audit Act No.11 of 2008.

## 1.15 Directors' Responsibilities for Financial Statements

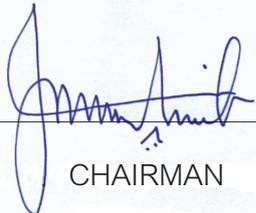
The Directors are required under section 49 of the Cotton Industry Act No 2 of 2001 to keep truthful and complete financial records. They are also required to prepare, from financial records so kept by them, financial statements which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its activities for the year under review.

The Directors are also required to ensure that the Board keeps proper accounting records, which disclose, at any time, the financial position of the Board with reasonable accuracy and completeness. The Directors are also responsible for maintenance of sound and adequate systems of internal controls for safeguarding the assets of the Board and preventing and detecting errors, frauds and other irregularities. This responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's annual financial statements and confirm that they have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and are in conformity with the International Financial Reporting Standards (IFRSs) in force at the reporting date and in the manner required by local law and GAAP. The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs of Tanzania Cotton Board and of its operating results, cash flows and changes in equity for the year then ended.

Nothing came to the attention of the directors to suggest that TCB had any solvency problem or that it could fail to continue in existence for the foreseeable future or fail to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on going concern basis.

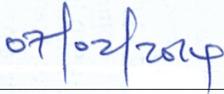
Signed on behalf of the Board of Directors by:



CHAIRMAN



DIRECTOR



DATE

## 2.0 INDEPENDENT AUDITOR'S REPORT

Dr. Festus B. Limbu  
Chairman Board of Directors  
Tanzania Cotton Board  
Pamba House, 3rd Floor  
Pamba Rd / Garden Ave  
P.O. Box 9161  
DAR ES SALAAM

### **RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA COTTON BOARD FOR THE YEAR ENDED 30TH JUNE 2013**

I have audited the accompanying financial statements of Tanzania Cotton Board which comprise the Statement of Financial Position as at 30th June 2013, the Statement of Comprehensive Income, the Statement of Cash flows, the Statement of Changes in Equity and a Summary of Significant Accounting Policies and other explanatory notes as set out on pages 32 to 56 of this report.

#### **Directors' Responsibility for the Financial Statements**

The Board of Directors of Tanzania Cotton Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibilities of the Controller and Auditor General**

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA), International Standards of Supreme Audit Institution (ISSAI) and such other audit procedures I considered necessary in the circumstance. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Section 10 (2) of the Public Audit Act (PAA) No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that law, directions and instructions applicable thereto have been dully observed and expenditure of public monies have been properly authorized.

Further Section 44(2) of the Public Procurement Act No. 21 of 2004 and Regulation No. 31 of the Public Procurement (Goods, Works, Non-consultant services and Disposal of Public assets by Tender) Regulation of 2005 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the law and its regulations.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Unqualified Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tanzania Cotton Board as at 30th June 2013 and its financial performance and its cash flow for the year then ended; are in accordance with International Financial Reporting Standards (IFRS).

### **Emphasis of Matter**

Without qualifying my opinion, I draw the attention of the users of this report to the fact that the capacity of TCB to sustain its regulatory and facilitative services to the cotton sector in Tanzania as provided by the Cotton Industry Act No 2 of 2001 is threatened by mounting annual deficits. The deficit for 2012/13 (Tshs.377.6 mil) is six times bigger than the deficit for 2011/12 (Tshs. 63.0 mil) indicating an alarming situation regarding the ability of the Board to effectively continue to execute its daily operations without additional funding from the government or other sources of financing.

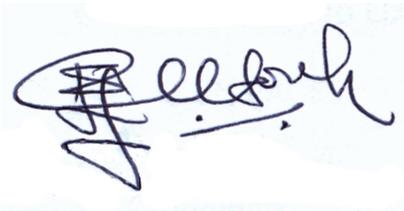
In addition, the Board as at the year end had a contingent liability of Shs. 1.36 being subsidy on excess cotton output for the financial year 2009/10. In the event this amount is paid, the Board's liquidity position is likely to be affected.

## **Report on Other Legal and Regulatory Requirements:**

### **Compliance with Procurement Legislation**

In view of my responsibility on the Procurement legislation, and taking into consideration the procurement transactions and process I reviewed as part of this audit, I state that Tanzania Cotton Board has not complied in full with the requirements of the Public Procurement Act No. 21 of 2004 together with its related Regulations of 2005.

1. The Board has not established a Procurement Management Unit
2. Several procurements were made using imprests and advances instead of using competitive methods contrary to the requirements of PPA No. 21 of 2004.
3. TCB contracted a firm to decorate Nane Nane Pavilions at a cost of Shs. 36.426.500 without tender.



**Ludovick S.L. Uttoh**

**CONTROLLER AND AUDITOR GENERAL**

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National Audit Office,

**Dar es Salaam, Tanzania.**

25th February, 2014



### 3.0 FINANCIAL STATEMENTS FOR YEAR 2012/13

#### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

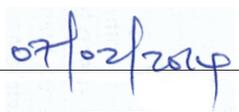
ASSETS	NOTE	30.06.2013 TZS'000	30.06.2012 TZS'000
Non-Current Assets			
Property, Plant and Equipment	3	2,574,379	2,761,611
Intangible Assets	4	30,997	37,639
Investment Property	5	8,838,847	8,838,847
Assets Held in Trust –Treasury Registrar	6	1,842,893	1,842,893
		13,287,116	13,480,990
Current Assets			
Inventories		9,208	4,982
Trade and other receivables	7	455,299	838,295
Cash and Cash Equivalents	8	2,080,551	734,978
		2,545,058	1,578,255
<b>TOTAL ASSETS</b>		<b><u>15,832,174</u></b>	<b><u>15,059,245</u></b>
EQUITY AND LIABILITES			
Equity:			
Capital Fund	9	3,126,455	3,126,455
Revaluation Reserve	11	2,098,940	2,098,940
General Reserve		6,690,408	7,068,043
		11,915,803	12,293,438
Liabilities:			
Noncurrent Liabilities			
Capital Grant	10	21,070	24,500
Treasury Registrar	6	1,842,893	1,842,893
		1,863,963	1,867,393
Current Liabilities:			
Trade and Other Payables	12	445,559	282,506

## Annual Report and Accounts

for the year ending on 30th June 2013

Provisions	13	35,045	33,392
Deferred Income	14	1,055,593	66,155
Cotton subsidy due to farmers		516,211	516,361
Total Liabilities		2,052,408	898,414
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,832,174</b>	<b>15,059,245</b>

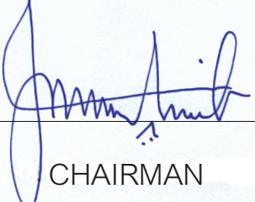
NOTES 1 TO 30 ON PAGES 32 TO 56 FORM PART OF THESE FINANCIAL STATEMENTS

  
CHAIRMAN  
DIRECTOR  
DATE

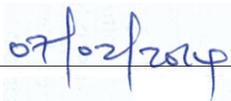
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2012/2013	2011/2012
		TZS'000	TZS'000
<b>INCOME</b>			
Government Subvention		861,939	1,111,064
Classification Fees		131,888	89,348
Rental Income	15	1,688,948	1,607,233
Regulatory income		20,150	18,376
Income from Donors	16	494,589	491,282
Other Income	17	117,146	91,076
<b>TOTAL INCOME</b>		<b><u>3,314,660</u></b>	<b><u>3,408,379</u></b>
<b>LESS: OPERATING EXPENSES</b>			
Employees costs	18	1,876,377	1,646,052
Administrative Expenses	19	740,953	737,090
Cotton Promotion Expenses	20	594,136	617,745
Repairs and Maintenance	21	145,429	192,450
Financial Expenses		15,789	9,908
Taxes and Levies	23	103,395	41,659
Provision for Bad and Doubtful Debts		7,655	19,745
Provision for amortization of Intangible assets		6,642	6,642
Depreciation		201,919	200,147
<b>TOTAL EXPENDITURE</b>		<b><u>3,692,295</u></b>	<b><u>3,471,438</u></b>
<b>NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>			
		(377,635)	(63,059)
Fair value gain of investment property	8	-	-
<b>NET SURPLUS/DEFICIT FOR THE YEAR</b>		<b><u>(377,635)</u></b>	<b><u>(63,059)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Valuation reserve		-	3,150
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>(377,635)</u></b>	<b><u>(59,909)</u></b>

NOTES 1 TO 30 ON PAGES 32 TO 56 FORM PART OF THESE FINANCIAL STATEMENTS

  
CHAIRMAN

  
DIRECTOR

  
DATE

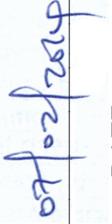
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Particulars	Capital Fund TZS'000	Revaluation Reserve TZS'000	General Reserve TZS'000	Total TZS'000
<b>Balance as at 1 July, 2011</b>	3,126,455	2,095,790	7,131,102	12,353,347
Surplus/(Deficit) for the Year 2011/2012	-	-	(63,059)	(63,059)
Other Comprehensive income	-	3,150	-	3,150
<b>Balance as at 30 June, 2012</b>	<b>3,126,455</b>	<b>2,098,940</b>	<b>7,068,043</b>	<b>12,293,438</b>
Surplus/(Deficit) for the Year 2012/2013	-	-	(377,635)	(377,635)
Other Comprehensive income	-	-	0	0
<b>Balance as at 30 June, 2013</b>	<b>3,126,455</b>	<b>2,098,940</b>	<b>6,690,408</b>	<b>11,915,803</b>

NOTES 1 TO 30 ON PAGES 32 TO 56 FORM PART OF THESE FINANCIAL STATEMENTS

  
CHAIRMAN

  
DIRECTOR

  
DATE

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2013

	2012/2013	2011/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>TZS'000</b>	<b>TZS'000</b>
Net Surplus/Deficit for the Year	(377,635)	(63,059)
Add: Adjustments for:		
Depreciation	201,919	200,147
Amortization on Intangible Assets	6,642	6,642
Fair value gain of Investment Property	-	-
Assets Valuation loss	-	-
Gain on foreign exchange	-	-
	<b>208,561</b>	<b>206,789</b>
Operating Surplus/(Deficit) Before Working Capital Changes	<b>(169,074)</b>	<b>143,730</b>
(Increase)/Decrease in Inventories	-4,226	12,805
(Increase)/Decrease in Trade and other receivables	382,996	(432,496)
Increase/(Decrease) in Trade and other payables	142,874	(132,537)
Increase/(Decrease) in Deferred Income	989,439	
Increase/(Decrease) in Government grants/Subsidies	-150	(100,000)
Increase/(Decrease) in provisions	1,653	15,581
Net Changes in Working Capital Items	<b>1,512,586</b>	<b>(536,746)</b>
Cash Flows Generated From/(Used in) Operating Activities [A]	<b>1,343,512</b>	<b>(393,017)</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant and Equipment	(14,687)	(83,037)
Acquisition of Intangible Assets	-	(3,150)
Fixed assets acquisition adjustments	-	-
<b>Net Cash Flows Used in Investing Activities [B]</b>	<b>(14,687)</b>	<b>(86,187)</b>
<b>CASH FLOW FROM/USED IN FINANCING ACTIVITIES [C] Capital Grant</b>	<b>(3,430)</b>	<b>27,650</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents [A+B+C]</b>	<b>1,325,395</b>	<b>(451,553)</b>
Cash and Cash Equivalents as at the beginning of the year	734,978	1,169,367
Effects of exchange rate changes on the balance of cash held in foreign currencies	20,178	17,164
<b>Cash and Cash Equivalents as at the end of the year</b>	<b>2,080,551</b>	<b>734,978</b>

NOTES 1 TO 30 ON PAGES 32 TO 56 FORM PART OF THESE FINANCIAL STATEMENTS



CHAIRMAN



DIRECTOR

07/02/2014

DATE

## **4.0 SIGNIFICANT ACCOUNTING POLICIES AND NOTES**

### **NOTE 1: ESTABLISHMENT AND MANDATE OF TCB**

Tanzania Cotton Board is a public corporate body established under the Cotton Industry Act No 2 of 2001 primarily to regulate the cotton industry. The Board started operations in July 2004 and works under the Ministry of Agriculture, Cooperatives and Food Security. TCB operates through two zones, being the western zone based at Mwanza and the eastern zone based at Morogoro but currently the eastern zone has no staff and its affairs are managed from the head office in Dar es Salaam.

According to Act No 2 of 2001, TCB has two main roles:-

- 1) Regulating cotton actors including:
  - Registration and Licensing
  - Enforcing Cotton Husbandry
  - Monitoring and Quality Control
  - Inspection and Certification
- 2) Facilitating and promoting the cotton industry including:
  - Extension Services
  - Contract Farming
  - Stakeholder Consultation

The registered office of TCB is as follows:-

Pamba House

Pamba Rd/ Garden Ave

P.O. Box 9161

Dar es Salaam

Tel: 022 212 2565, 212 8347

Fax: 022 211 2894

### **NOTE 2: ACCOUNTING POLICIES**

#### **4.1 Basis of Preparation**

##### **1) Compliance with IFRS**

The accompanying Financial Statements have been prepared in accordance, and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the National Board of Accountants and Auditors (NBAA) as well as the Cotton Industry Act No 2 of 2001. The Tanzania Financial Reporting Standards TFRS 1, Directors Report and TFAS 23, Accounting for Value Added Tax, having no equivalent IFRS continue to be effective in Tanzania and are observed.

##### **2) Historical Cost Convention**

The Financial Statements has been prepared on historical cost convention except for certain assets, including Inventories, which are measured at fair value at the end of each reporting period.

### **3) Consistency**

Accounting policies listed here are consistently applied year after year until there is good reason to change them. Any change in policy is disclosed in this section in the first year it is applied. The principal accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year.

### **4) Functional Currency**

The functional and presentation currency is Tanzanian shillings (TZS). The financial statements are expressed in TZS and are rounded off to the nearest thousand.

## **4.2 Revenue**

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Board and that the amount of revenue due can be measured reliably. Revenue is determined as the fair value of the consideration received or receivable. Revenue is entered into books of accounts when TCB obtains control over the assets comprising the income or when the amount due constitutes an enforceable debt according to law or written agreements.

### ***Rental Income***

Rental income is a major source of revenue for TCB and is recognized on accrual basis on the basis of signed lease agreements and actual occupancy whether or not an invoice has been dispatched to the tenant. Rent is booked and reported net of value added tax.

### ***Government Subventions***

The Board receive recurrent Government subventions for salaries and wages to employees and for its regulatory activities. TCB submits an annual budget for its needs which are incorporated into the government budget under the Ministry of Agriculture, Cooperatives and Food Security but, government subventions are only recognized when actually received.

The government regularly pays to TCB amounts of money which do not belong to TCB but are to be paid out to cotton farmers or other cotton stakeholders. Such amounts are not recognised as income but as liabilities and are disclosed in notes to financial statements.

### ***Donations***

Over the past few years, donations by institutions other than the government of Tanzania have been significant. Donated revenue is recognised when it is both received and the conditions of its release have been fulfilled by TCB. Donor revenue is not recognised based merely on signed contracts until actual money is received. Upon receipt it is treated as a liability and released to income as TCB fulfills the agreed scope of activities of the respective donation. Donations received but not recognised in income for the year are disclosed in notes to financial statements.

### ***Classification Fee***

TCB is operating a cotton lint testing laboratory that provides a cotton lint classification service to cotton exporters. It is charging cotton quality testing fee of two US Dollar per cotton sample. The fees are recognized in the period in which actual classification work is undertaken, whether or not the fees are paid. It is standard practice that classification fees are paid just before samples are delivered and tested.

### ***Regulatory Fines***

TCB is authorised to impose fines to cotton industry stakeholders who purposely or negligently violate the cotton industry regulations. These fines are recognised only when actually paid to TCB by the offending entities.

### ***Capital Grants***

Grants received for capital expenditure are classified as capital grants in the statement of financial position, while grants received for operating expenses are treated as recurrent income and credited in the Income Statement in the period in which it was received.

The method used for accounting for grants in respect of capital expenditure is the capital method. Grants related to depreciable assets are treated as deferred income which is recognised in the income statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged.

## **4.3 Cash and Cash Equivalents**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are carried in the Statement of Financial Position at fair value.

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits held on call and time deposits which mature within three months or less from the date of acquisition. Cash flows arising from transactions of foreign currency are recorded in the functional currency (Tanzanian shillings) translated at the exchange rate prevailed at transaction date. The unrealized gains and losses arising from changes in foreign exchange rates do not form part of the cash flows of the Board. However, the effect of exchange rate changes on cash and cash equivalents held in foreign currency are presented in the cash flow statement in order to reconcile the cash and cash equivalents at the beginning and the end of the year.

## **4.4 Property, Plant and Equipment**

### ***Materiality***

Assets with a useful life in excess of one year are capitalised and included in property, plant and equipment only when their initial cost or fair value meet materiality thresholds specified by the TCB Accounting Manual.

### ***Initial Recognition***

All property, plant and equipment of the Board are initially recorded at historical cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects and engineering design fees where applicable, and all other recognisable costs. For assets acquired at no cost, or for nominal consideration, cost is determined as fair value at the date of acquisition. The initial cost of non-current assets constructed by TCB itself, without contractors, includes the cost of all materials used, direct labour deployed and an appropriate percentage of variable and fixed overhead.

### ***Subsequent Recognition***

Subsequently, assets are stated in the Statement of Financial position at historical costs less accumulated depreciation and accumulated Impairment loss. Historical costs include expenditure that is directly attributable to the acquisition of the items. Additional costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance cost of an asset, including day to day servicing, are charged to the profit and loss account in the period in which they relate.

### ***Asset Impairment***

Assets that have an indefinite useful life, like land, are not depreciated and are only subject to regular, tri-annual impairment review. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. If the estimated recoverable amount of an asset is less than its carrying amount, then the carrying amount of an asset is reduced to its recoverable amount. Impairment losses are recognized as an expense in the Income Statement in the period in which the impairment has occurred or been established.

For assets whose future economic benefits are not dependent on their ability to generate future cash flows and where the future economic benefits would be replaced if TCB was deprived thereof, the value in use is taken to be the depreciated replacement cost.

### ***Revaluation of Assets***

Once every 3 years, TCB hires an independent valuation expert to determine the market value, estimated economic useful live and residue value of assets. Any increases in fair value as a result of valuation is recognized in the statement of Other Comprehensive Income and credited to revaluation surplus in equity. Decrease in valuation that offset previous increases of the same asset are charged against the revaluation surplus, all other decreases are charged to the profit and loss account.

### ***Depreciation***

Depreciation on assets is calculated using the straight-line method to write off the cost or valuation of each asset, down to its estimated residue value if any, over its estimated remaining useful life at a given rate per annum. Land is not depreciated but its fair value is periodically estimated and restated. The depreciation rates are based on the estimated economic useful lives of assets. The depreciation rates and economic useful lives are set out follows:-

<b>Asset Type</b>	<b>Rate per Annum</b>	<b>Economic useful life years</b>
Buildings	5%	20
Plant and Machinery	20%	5
Furniture and Fittings	20%	5
Computer Equipment and Accessories	33 1/3%	3
Other Office Equipment	20%	5
Motor Vehicles	25%	4

Depreciation is charged on assets from the date when they are ready for their intended use and stop on the date when the asset is derecognized by the Board. An asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are recognized in the statement of profit or loss.

### ***Residual Values***

Residual Values are estimated separately for each category of assets. According to IAS 16, the residual value of an asset is the estimated amount of money that TCB would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Residual values used by TCB are 30% of cost or valuation in all asset categories.

## **4.5 Investment Property**

Investment Properties are properties held for earning rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gain or losses arising from Changes in fair value of investment properties are recognized in profit or loss account in the period in which they arise.

An item of investment property is derecognized upon disposal or when there is permanently withdrawal from use and no future economic benefits are expected from the use of the property. Any gain or loss arising as a result of de-recognition of the property is included in profit or loss account in the period in which the property is derecognized.

## **4.6 Intangible Assets**

Intangible assets comprise of computer application software and computer packages. Intangibles assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over the estimated useful lives of the intangible assets. The amortization method and the estimated useful lives are reviewed at the end of each reporting period. Changes in intangible assets estimates are recognized in the Income Statement through profit or loss account prospectively.

The Board's intangible assets have finite useful life of three years and amortization commences when the asset is available for its intended use. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets are derecognized when no future economic benefits are expected from their use.

## **4.7 Inventories**

Inventories are valued at the lower of cost and net realizable value. Costs of inventories are determined on First in First out (FIFO) basis. Net realizable value refer to the estimated selling price for inventories less estimated cost of completion and cost necessary to make the sale. Full provision for obsolete/damaged inventories is made in the accounts on inventories whose actual loss/damage has been established. Due to its nature of activities, TCB carries low levels of inventory at any one time mostly in the form of office stationery.

## 4.8 Employee Benefits

### *Salaries, Allowances and Compensated Absences*

Liabilities for employees and management salaries, allowances, statutory benefits and compensated absences falling within the reporting period are recognised on accrual basis and expensed in profit and loss statement at nominal rates whether they have been paid or not.

### *Annual Leave Benefit*

In accordance with the Collective Bargaining Agreement between TCB and the workers union of August 2010, each employee is entitled to a month's gross salary as Leave Allowance when the employee goes on annual leave. Unpaid leave allowances are recognised on accrual basis as they fall due and are charged to income as employment costs.

### *Retirement Benefit*

TCB employees belong to a number of statutory pension funds and the Board makes monthly contributions stipulated by each fund. Statutory pension funds are defined contribution type pension funds whereby the Board's obligation to the employee ends with a remittance of the stipulated percentage of the employee's salary to the pension fund. Each employee is required by law to belong to one of the following statutory pension funds:-

- a) Parastatal Pension Fund
- b) National Social Security Fund
- c) Government Employees Pension Fund
- d) Public Service Pension Fund
- e) Local Government Pension Fund

The Board's obligations in respect of contributions to such funds are 15% of the employee's basic emoluments. The Board's contributions are recognized as employee's benefits expense in the year to which they relate.

The Board's contributions to these pension funds during the year were as shown below:-

Scheme	2012/2013 TZS'000	2011/2012 TZS'000
PPF	85,642	73,596
PSPF	5,073	2,200
LAPF	1,709	1,462
NSSF	18,181	17,784
<b>Total</b>	<b>110,605</b>	<b>95,042</b>

### *Termination Benefits*

Termination benefits are provided by the Collective Bargaining Agreement and are recognized as an expense in the period when they become payable. Termination benefits are determined in accordance with the Tanzania labour laws and the Collective Bargaining Agreement between the Board and the Tanzania Plantations and Agricultural Workers Union (TPAWU).

### ***Other Benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Board has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Board recognizes a provision for ex-gratis when there is a contractual obligation or a past practice that has created a constructive obligation.

## **4.9 Provisions**

Provisions are recognized when the Board has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Typically provisions are made for impairment of current assets including doubtful or overdue debtors and prepayments as well as for possible crystallisation of liabilities.

## **4.10 Leases**

The investment properties of the Board are leased out to tenants under Operating Lease whereby the risks and rewards of ownership are retained by the Board. Obligations incurred under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived. Such deviation, when it occurs, is expressly disclosed.

## **4.11 Trade Transactions**

### ***Trade Receivables***

Trade receivables are recognized initially at fair value and subsequently measured at amortized costs using the effective interest method, less provision for impairment. A provision for impairment of the trade receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the agreement governing those receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement as other Revenue.

### ***Trade Payables***

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 4.12 Foreign Currency

### ***Functional and Presentation Currency***

Items included in the financial statements are measured using the currency of primary economic environment in which the Board operates (the functional currency). The financial statements are presented in Tanzania Shillings, rounded to the nearest thousand.

### ***Transactions and Balances***

Transactions denominated in currencies other than Tanzania Shillings are translated into Tanzanian shillings at the exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies at the year-end are translated into Tanzanian shillings at the rates of exchange ruling at the end of the financial year. The resultant gains/losses on exchange rate translations are recognized in the Income Statement.

## 4.13 Financial Risk Management

### ***Financial Risk Factors***

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

### ***Foreign Currency Risk***

The Board's exposure to foreign exchange risks arises from rental income, purchases, assets and liabilities denominated in currency other than the functional currency mainly with respect to the US dollar. At the year end, the Board has financial assets and liabilities denominated in United States Dollars (USD). As a result, the Board is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Exposure to foreign currency risk is mitigated by the fact that the Board maintains certain part of its income in US Dollars bank accounts. The effect of foreign currency risk is not significant and therefore management does not hedge against foreign currency risk.

### ***Credit Risk***

Credit risk arises from trade receivables, cash and cash equivalents as well as deposits with banks. Significant concentration of credit risk is with rental receivables. A significant part of the trade and other receivable is made up of customers occupying the Board's investment properties. Based on Board's policy, management has made adequate provision where the recoverability is doubtful. Only reputable banks are used by the Board for banking services. The amount that best represents the Board's maximum exposure to credit risk at 30 June 2013 is made up as follow:-

### Financial Risk Factors

	<b>2012/2013</b>	<b>2011/2012</b>
	<b>TZS'000'</b>	<b>TZS'000'</b>
Cash at bank	2,080,551	734,978
Trade receivables	452,563	599,528
Staff debtors	<b>137,080</b>	151,863
Receivable from a related party(Note 27)	0	205,393
Other receivables	<b>13,834</b>	22,034
	<b><u>2,684,028</u></b>	<b><u>1,713,796</u></b>

No collateral is held for any of the above assets. TCB does not grade the credit quality of receivables. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amount in trade receivables:-

	<b>2012/2013</b>	<b>2011/2012</b>
	<b>TZS.</b>	<b>TZS.</b>
by up to 3 months	<b>185,233</b>	179,858
by 3 to 6 months	<b>205,110</b>	239,811
by 6 to 12 months	<b>189,207</b>	149,882
Total past due but not impaired	<b><u>339,426</u></b>	<u>379,290</u>
Impaired	<b><u>4,620</u></b>	<u>16,114</u>

All receivables past due by more than 360 days are considered to be impaired, and are carried at their estimated recoverable value.

### **Liquidity Risk**

Prudent liquidity risk management for the Board implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate Government Subvention.

The table below analyses the Board's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months are assumed to equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year TZS'000'	Between 1 and 2 years TZS'000'	Between 2 and 5 years TZS'000'
<b>At 30 June 2013</b>			
Trade and other payables	168,204	134,615	152,480
Deferred Govt. subsidies	-	-	516,211
Payable to related party	-	-	-
	<u><b>168,204</b></u>	<u><b>134,615</b></u>	<u><b>668,691</b></u>
<b>At 30 June 2012</b>			
Trade and other payables	139,464	122,031	187,166
Deferred Govt. subsidies	-	516,341	-
Payable to related party	-	-	-
	<u><b>139,464</b></u>	<u><b>638,372</b></u>	<u><b>187,166</b></u>

#### 4.14 Significant Accounting Judgements and Estimates

The Preparation of TCB financial statement requires management to make significant judgments, estimates and assumptions that affect the reporting amount of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period.

TCB management continues to evaluate estimates, assumptions and judgments based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions concerning the future uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Board in the next financial year are described below.

##### ***Re-Valuation of Assets***

The Board engaged an independent valuation specialist to estimate fair value of the Investment Properties and Non –Current Assets as at 30th June 2011. The valuation was treated as fair value of the properties and assets involved.

The investment properties are stated at fair value with changes in fair value being recognized in the income statement. In addition, the property, plant and equipment are carried at revalued amounts with changes in fair value being recognized in the statement of other comprehensive income. In determining fair value of the assets, the valuation experts used the Depreciated Replacement Cost method. The method was chosen due to absence of suitable similar comparable properties within the respective localities that reflect reliable market data. Replacement cost refers to the cost of replacing or reinstating (as a new) the property under consideration at the date of valuation or that of a similar substitute performing or capable of performing the same functions or offering the same utility.

### ***Receivables***

Significant estimates are made by management in determining the recoverable amount of impaired receivables based on the debtors' history and repayment characteristics.

### ***Operating Lease Commitments***

Management has entered into contractual agreement with tenants (lessees) on its investment properties under operating lease. As a lessor, the Board has accepted responsibility of good maintenance of the properties, including Insurance and repairing of the properties, and that it retains all the significant risks and reward of ownership of the properties.

### ***Assets Future Economic Benefits***

Management has made significant judgments in determining whether the asset or groups of assets continue to have the future economic benefits to the Board and whether they are impaired or not. An asset is impaired when the carrying value of the asset exceeds its recoverable amount. Recoverable amount refer to the higher of its fair value less cost to sell and its value in use. The calculation for value in use is based on a discounted future cash flow of an asset or group of assets whereas the fair value less cost to sell calculation is based on available data for the value of an asset from the existing market in an arm's length transaction of similar asset or group of assets.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Cost / Valuation	Property TZS'000	Plant & Machinery TZS'000	Motor Vehicles TZS'000	Office Fixtures and Equipment TZS'000	Computer Equipment and Accessories TZS'000	Total TZS'000
At 1 July 2011	2,110,868	196,405	347,689	140,943	82,817	2,878,721
Additions	45,868	24,500		4,589	8,080	83,037
At 30th June 2012	<b>2,156,736</b>	<b>220,905</b>	<b>347,689</b>	<b>145,531</b>	<b>90,897</b>	<b>2,961,758</b>
Additions				<b>2,738</b>	<b>11,949</b>	<b>14,687</b>
At 30th June 2013	<b>2,156,736</b>	<b>220,905</b>	<b>347,689</b>	<b>148,269</b>	<b>102,846</b>	<b>2,976,445</b>
Residual Value	<b>789,972</b>	<b>66,271</b>	<b>109,482</b>	<b>45,039</b>	<b>35,414</b>	<b>1,046,178</b>
Depreciable amount	<b>1,366,764</b>	<b>154,634</b>	<b>238,207</b>	<b>103,230</b>	<b>67,432</b>	<b>1,930,267</b>
<b>Accumulated Depreciation</b>						
At 1 July 2011	-	-	-	-	-	-
Charge for the year	68,338	30,927	59,552	20,331	21,000	200,148
Revaluation Adjustment	-	-	-	-	-	-
At 30th June 2012	68,338	30,927	59,552	20,331	21,000	200,148
Charge for the year	68,338	30,927	59,552	20,646	22,455	201,919
Revaluation Adjustment	-	-	0	-	-	-
At 30th June 2013	<b>-136,676</b>	<b>-61,854</b>	<b>-119,104</b>	<b>-40,977</b>	<b>-43,455</b>	<b>-402,066</b>
<b>Net book value as at 30th June 2013</b>	<b>2,020,060</b>	<b>159,051</b>	<b>228,585</b>	<b>107,292</b>	<b>59,391</b>	<b>2,574,379</b>
<b>Net book value as at 30th June 2012</b>	<b>2,088,398</b>	<b>189,978</b>	<b>288,137</b>	<b>125,201</b>	<b>69,897</b>	<b>2,761,611</b>

### NOTE 4: INTANGIBLE ASSETS

The Intangible Assets were re-valued on 30th June 2011 to TZs 41.1 million by a valuation consultant, M/s Proper Consult Ltd. The decrease in value of the intangible assets was charged to profit and loss account. The movement of fair value of intangibles assets is shown below:-

	2012/13 TZS'000	2011/12 TZS'000
<b>Cost / Valuation</b>		
At 1 July 2012	44,281	41,131
Additions	-	3,150
At 30th June 2013	44,281	44,281
<b>Amortization</b>		
At 1 July 2012	6,642	-
Charge for the year	6,642	6,642
At 30th June 2013	13,284	6,642
<b>Net book value as at 30th June 2013</b>	<b><u>30,997</u></b>	<b><u>37,639</u></b>

### NOTE 5: INVESTMENT PROPERTY

The Investment Properties are held by the Board for earning rentals. At the beginning of the year the Investment properties were valued at TZs. 8.8 billion and remained the same as at 30th June 2013.

	30.06.2013 TZS'000	30.06.2012 TZS'000
Balance as at 1 July 2012	8,838,847	8,838,847
Additions	-	-
Fair value gain(Recognized in P&L)	-	-
<b>Balance as at 30th June 2013</b>	<b><u>8,838,847</u></b>	<b><u>8,838,847</u></b>

### NOTE 6: ASSETS OWNED BY THE TREASURY REGISTRAR

Assets held in trust with amount of TZS.1.8 billion represent net assets of the defunct Tanzania Cotton Lint and Seed Board (TCLSB) which were not vested to Tanzania Cotton Board as at 1 July, 2004 and they were still under custody of the Board as at 30 June 2013.

The Government through the Ministry of Agriculture, Food and Cooperatives has given the Board an authority to own and retain the assets held in trust for economic development of the Cotton Industry. The analysis of the assets held in trust is as follows:-

	30.06.2013 TZS'000	30.06.2012 TZS'000
<b>Assets Not Taken Over</b>		
Land and Buildings (Ex TCLSB NBV)	2,721,184	2,721,184
Transferred to Tanzania Building Agency	(733,950)	(733,950)
	<b>1,987,234</b>	<b>1,987,234</b>
<b>Less: Liabilities Not Taken Over</b>		
Sundry Creditors – Local	52,618	52,618
Sundry Creditors – Foreign	13,762	13,762
Insurance Payable ( Premiums Unpaid)	77,961	77,961
	<b>144,341</b>	<b>144,341</b>
<b>TOTAL NET ASSETS HELD IN TRUST</b>	<b>1,842,893</b>	<b>1,842,893</b>

## NOTE 7: TRADE AND OTHER RECEIVABLES

Trade and other receivables included debts due to TCB and were as follows:-

	30.06.2013 TZS'000	30.06.2012 TZS'000
Trade receivables	452,563	599,528
Receivables from CDTF(Note 26)	-	200,641
Staff receivables	137,080	151,863
Insurance Prepaid	13,834	21,212
Receivables from other related parties (Note 25-(3) b)	-	4,751
Receivables from PPF	-	822
<b>Sub –Total</b>	<b>603,477</b>	<b>978,817</b>
Less: Provision for Bad and Doubtful Debts	-148,178	-140,523
<b>TOTAL</b>	<b><u>455,299</u></b>	<b><u>838,295</u></b>

The staff receivables includes TZS.23.8 million under the EU Smallholder Cotton Development Project which was withdrawn by project staff for implementing on-going project activities in the field.

During the year, trade receivables of TZS 7.65 million was impaired and fully provided for in the statement of profit or loss. The Movement for debtor's provision allowances is shown below:-

	30.06.2013 TZS'000	30.06.2012 TZS'000
Balance at the beginning of the year	<b>140,523</b>	<b>301,618</b>
Charge for the year	<b>7,655</b>	<b>19,745</b>
Write off	<b>0</b>	<b>-180,840</b>
<b>TOTAL</b>	<b><u>148,178</u></b>	<b><u>140,523</u></b>

### NOTE 8: CASH AND CASH EQUIVALENTS

The Board received Government Cotton Price Subsidy to the tune of TZS 20 billion in 2009/10 to assist farmers for the low cotton prices as a result of the impact caused by the global financial crisis.

During the year, the Board invested part of the remaining cotton price subsidy funds with Tanzania investment Bank (TIB) in a short term call deposit account. The amount invested to TIB was TZS 500 million at an accrued interest rate of 10%. The principal amount together with accrued interest income can be withdrawn by the Board at any time after issuing a 24 hours notification of withdraw to Bank. As at 30 June 2013, TZS 530 million was already accumulated in the TIB investment account and the remaining balance of TZS 16,341,264 was held by the Board in the CRDB Cotton Price subsidization Account.

Furthermore, the Board received 1.12 billion from the European Union for improving cotton quality in Bariadi, Meatu and Maswa districts. The purpose of the project is to increase income of small holder cotton producers through better quality of cotton produce which will eventually improve access to both local and international markets. The funds for the project were received through TIB bank account in December 2012 and implementation of the project activities started in February 2013. Bank and cash balances at 30 June 2013 were as follows:-

	Bank Account	Balances 30/06/13 TZS 000	Balance 30/06/12 TZS 000
1	CRDB Forex, Hqt	170,870	46,668
2	CRDB Local, Hqt	16,211	516,341
3	CRDB Local, Hqt	144,124	31,181
4	TIB EU Project	1,047,798	0
5	TIB Time Deposit	530,940	0
6	TIB Operations	500	500
7	NBC Forex, Hqt	21,078	23,243
8	NBC Local, Hqt	563	52,541
9	CRDB Mwanza	184,368	61,544
10	NBC Mwanza	3,915	0
11	CRDB Mbeya	2,263	2,591
12	NBC Morogoro	3,366	0
13	Cash in hand	456	359
	LESS: Unrepresented cheques	(45,446)	0
	<b>TOTAL</b>	<b><u>2,080,551</u></b>	<b>734,978</b>

### NOTE 9: CAPITAL FUND

The figure for the TCB Capital Fund represents excess of assets over liabilities taken over from the defunct Tanzania Cotton Lint and Seed Board as at 1st July, 2004 as per Instrument of Transfer published on Government Notice No.5 of 20.01.2006, together with subsequently acquisition of other non-monetary assets of the Board. The Capital fund balance as at 30.06.2013 is analysed hereunder:-

	30.06.2013 TZS'000	30.06.2012 TZS'000
<b>Assets Taken Over</b>		
Land and Buildings (Net)	<b>2,883,703</b>	2,883,703
Motor Vehicles	<b>54,635</b>	54,635
Office Furniture and Fittings and Equipment	<b>13,122</b>	13,122
Computer Equipment and Accessories	<b>2,886</b>	2,886
Staff Receivables	<b>48,515</b>	48,515
HVI Machinery	<b>138,960</b>	138,960
Cash and Bank Balances	<b>143,008</b>	143,008
<b>Sub- Total</b>	<b>3,284,829</b>	3,284,829
<b>Less: Liabilities Taken Over</b>		
Deferred Income (Received in 2003/2004)	<b>133,752</b>	133,752
PAYE Payable	<b>546</b>	546
Audit Fees` Payable (For 2003/2004 Accounts)	<b>8,800</b>	8,800
Accrued Expenses	<b>7,637</b>	7,637
TPAWU Payable	<b>521</b>	521
VAT Payable	<b>7,108</b>	7,108
Staff Benevolent Fund	<b>10</b>	10
	<b>158,374</b>	158,374
<b>TOTAL (Net)</b>	<b>3,126,455</b>	<b>3,126,455</b>

## NOTE 10: CAPITAL GRANTS

In financial year 2011/12 the Board received one unit of power generator from one of the Tenants as a free donation. There were no unfulfilled conditions or contingencies attached to this asset.

The asset was recognized as part of the property, plant and equipment (PPE) at a fair value of TZS 24.5 million as per IAS 16. On the other hand, the asset was treated as capital grant and recognized in the statement of profit or loss on a systematic and rational basis over the useful life of the asset .Therefore; its depreciation charge is amortized to reduce the carrying amount of the grant. The carrying amount of the capital grant as at 30 June 2012 was as follows:

	30.06.2013 TZS'000	30.06.2012 TZS'000
Balance as at 1 July 2012	24,500	–
Received during the year	–	24,500
Released to income statement	(3,430)	–
Balance as at 30 June 2013	21,070	24,500

## NOTE 11: REVALUATION RESERVE

The revaluation reserve amounting to TZS 2.1 billion as at 30 June, 2013 is an aggregate surplus which arose from the revaluation of the Board's property, plant and equipment. The revaluation of the Board's assets was done on 30th June 2011 by the independent accredited value. The

valuation method adopted by the consultant was Replacement Cost Method. The reserve is not available for distribution.

### NOTE 12: TRADE AND OTHER PAYABLES

For proper coordination of cotton contract farming activities, the Board in collaboration with Tanzania Gatsby Trust Funds (TGT) had decided to engage 35 Junior Cotton Inspectors. The agreed arrangement was that TGT had to support monthly salary for journal cotton inspectors and at the end of contracts the Board will be required to pay 25% of basic salary as gratuity accrued for the whole period. During the year, the Board accrued Tsh.56.15 million as gratuity for journal cotton inspectors.

	30.06.2013 TZS'000	30.06.2012 TZS'000
Business Payables	182,290	95,388
Treasury Registrar Current Account	121,109	144,341
Rural Development Corporation	4,376	4,376
VAT payables	32,567	12,556
Gratuity Accrued A/C	56,154	-
Payables to CDTF (Note 27 (f))	4,091	-
Accrued Expenses	3,948	18,164
Other Creditors	<u>41,024</u>	<u>7,681</u>
<b>TOTAL</b>	<b><u>445,559</u></b>	<b><u>282,506</u></b>

### NOTE 13: PROVISIONS

	2012/2013 TZS'000	2011/2012 TZS'000
Provision for Audit Fees	27,000	22,420
Water bill	376	442
Telephone bill	571	1,094
Electricity	613	954
Unpaid annual leave	6,202	8,358
Medical charges	<u>283</u>	<u>124</u>
<b>Total</b>	<b><u>35,045</u></b>	<b><u>33,392</u></b>

### NOTE 14: DEFERRED INCOME

The deferred income arises as a result of recognition of the benefits received by the Board from donor funded activities. The income received from donors was offset against expenses incurred in the period and the remaining balances were recognized in the consolidated statement of financial position as deferred income for the next accounting period.

	2012/2013 TZS'000	2011/2012 TZS'000
Balance as at the beginning of the year	66,154	39,754
Income received from Donors	1,484,028	417,683
Released to income statement (Note 16)	-494,589	-391,282
Deferred Income as at 30 June 2013	<b><u>1,055,593</u></b>	<b><u>66,155</u></b>

## NOTE 15: RENTAL INCOME

In June 2011, the Board engaged an accredited rent assessor to review rental charges for Offices and Warehouses. The Board was charging US\$ 10 per square meter for offices and US\$ 1 per square meter for Warehouses. The rates had been revised to US\$ 12 for offices and US\$ 2.5 per square meter for the Warehouses. These rates became effective from 1 July 2011.

The Board realized rental income of TZS 493.1 million from assets held in trust as part of the Government contribution to the Cotton Board regulatory functions following mutual agreement with the Ministry of Agriculture Food and Cooperatives. The following is an analysis of the total rental income recognized in the financial period:

	2012/13 TZS'000	2011/12 TZS'000
Rental Income from TCB property	<b>1,195,791</b>	<b>1,111,490</b>
Rental Income as Part of Government Assistance	<b>493,157</b>	<b>495,743</b>
<b>TOTAL</b>	<b><u>1,688,948</u></b>	<b><u>1,607,233</u></b>

## NOTE 16: INCOME FROM DONORS

During the year, a total sum of TZS 494.6 million was received by the Board from donors as follows:-

Name of the Donor	2012/13 TZS'000	2011/12 TZS'000
Tanzania Gatsby Trust (TGT)	<b>372,461</b>	391,282
European Union	<b>72,128</b>	-
CDTF	<b>50,000</b>	100,000
<b>Total</b>	<b><u>494,589</u></b>	491,282

## NOTE 17: OTHER INCOME

	2012/2013 TZS'000	2011/2012 TZS'000
Interest Income	34,378	-
Gain on foreign exchange fluctuations	36,297	24,353
Proceeds from sale of obsolete stock	825	0
Capital grant realization	3,430	0
Miscellaneous Income	42,216	66,723
<b>TOTAL</b>	<b><u>117,146</u></b>	<b><u>91,076</u></b>

## NOTE 18: EMPLOYEES COSTS

	2012/2013 TZS'000	2011/2012 TZS'000
Salaries on government payroll	761,993	620,478
Salaries and Wages paid by TGT	272,695	63,039
Allowance for Senior Officers	33,480	35,978
Acting Allowances	11,050	633
Subsistence Allowance	-	22,400
Gratuity	72,867	5,606
Housing Allowance	78,267	66,644
Terminal Benefits	78,186	41,738
Pension Contributions	110,605	95,042
Transfer /Severance Allowances	910	17,709
Training Expenses	170,618	342,840
Staff Uniforms	2,072	1,870
Staff Benevolent Expenses	1,390	2,458
Workers Meeting	5,465	3,923
Staff Amenities	65,902	71,840
Medical Expenses	63,235	67,734
Traveling Expenses - Local Leave	74,622	123,120
Traveling Expenses - Workers Council	24,376	13,798
Integrity Committee Meeting	168	0
Staff Recruitment Expenses	22,848	30,881
Workers Day Expenses	25,628	18,321
<b>TOTAL</b>	<b>1,876,377</b>	<b>1,646,052</b>

Training expenses included TZS 24.5 million capacity building for TCB staff implementing the EU project.

## NOTE 19: ADMINISTRATIVE EXPENSES

	2012/2013 TZS'000	2011/2012 TZS'000
Legal and Professional Charges	11,187	11,373
Printing and Stationeries	36,031	57,685
Newspapers and Periodicals	6,035	4,446
Subscriptions	2,325	1,405
Postage, Telephone, and Telegrams	42,655	44,284
Internet Services	5,719	23,835
Donations	900	11,088
Office Hospitality	11,934	15,235
Water and Sewage	15,779	12,196
Directors Remuneration	5,800	5,800
Director expenses	108,187	92,158
Audit Fees	27,000	22,420

Audit other Expenses	3,684	3,712
Electricity Charges	73,033	55,653
Assets valuation and Stock taking expenses	3,845	13,674
Insurance	62,716	45,126
Sanitation Expenses	31,148	29,303
Tender Meeting Expenses	8,042	14,234
Management Meeting Expenses	14,571	13,028
Fuels	64,848	59,833
Motor Vehicle - repairs & maintenance	24,427	60,034
Extra Duty	22,943	24,957
Fumigation	16,309	0
Debt collection Fees	1,692	606
Budget Preparation Expenses	4,975	4,305
Traveling Expenses - On duty	67,963	59,146
Security Services	67,205	51,554
<b>TOTAL</b>	<b><u>740,953</u></b>	<b><u>737,090</u></b>

## NOTE 20: COTTON PROMOTION EXPENSES

	2012/2013 TZS'000	2011/2012 TZS'000
Subscriptions	39,129	40,504
Conference Expenses	60,848	78,554
Farmers Education Expenses	1,385	3,057
Advertising Expenses	12,927	19,118
Buying Posts Inspection Costs	63,684	72,555
Ginnery Inspection Costs	50,195	56,994
Cotton Classing Costs	53,277	48,162
Inspectors Meeting Costs	1,425	5,752
Monitoring Services	197,990	154,985
Law Enforcement Costs	733	-
Cotton Quality Seminar Costs	4,934	15,741
Fuels	12,875	9,646
Motor Vehicle - repairs & maintenance	42,903	33,527
Stakeholders Meeting Expenses	24,903	31,514
Sensitization Expenses for EU Project	3,835	-
Farmer Business Groups Registration	360	-
Season Launching Expenses	110	2,550
Strategic Plan cost	-	7,750
International Publications	13,261	2,454
Parliamentary Meeting on Cotton	9,362	34,882
<b>TOTAL</b>	<b><u>594,136</u></b>	<b><u>617,745</u></b>

Monitoring service expenses included TZS 93.0 million for monitoring field works for Contract Farming activities which are funded by TGT.

### NOTE 21: REPAIRS AND MAINTENANCE

	2012/2013 TZS'000	2011/2012 TZS'000
Repairs of Office Buildings	19,430	32,376
Repairs of Godown	13,355	17,983
Repairs of Staff Houses	15,315	32,446
Repairs & maintenance Generator	750	6,048
Repairs of Furniture and Equipment	18,636	36,013
Repairs & maintenance - Computers	46,532	52,925
Repairs of Other Vehicles	16,194	3,094
Repairs & maintenance -HVI Machine	15,217	11,565
<b>TOTAL</b>	<b><u>145,429</u></b>	<b><u>192,450</u></b>

### NOTE 22: SUBSIDY PAYMENT DUE TO COTTON FARMERS

	30.06.2013 TZS' 000	30.06.2012 TZS' 000
TZS 80 per kg for 250m estimated kg	<b>20,000,000</b>	20,000,000
Payment made to date	<b>(19,483,539)</b>	(19,483,539)
Bank charges	<b>(250)</b>	(120)
Amount due to farmers	<b><u>516,211</u></b>	<u>516,341</u>

### NOTE 23: TAXES AND LEVIES

	30.06.2013 TZS'000	30.06.2012 TZS'000
Withholding Tax on Rent	<b>91,000</b>	40,035
Land Rent		
Property Tax	<b>12,395</b>	1,624
Property Levies		
Total Taxes and Levies	<b><u>103,395</u></b>	<u>41,659</u>

### NOTE 24: CAPITAL COMMITMENTS

TCB was planning to undertake a major rehabilitation of its Kurasini warehouses principally so as to protect them from further deterioration and enable it to charge a higher rent per square metre. No contract has however been signed for these works which is estimated to cost more than TZS 5 billion.

### NOTE 25: CONTINGENT LIABILITIES

As at the year end, the Board had a contingent liability of TZS 1.36 billion being subsidy on excess cotton output for the financial year 2009/10. The payment will be subject to Government decision to give more money to cover this excess cotton output as explained in note 1.8 (The Directors Report) of these financial statements.

## NOTE 26: QUOTON TANZANIA LTD

Quton Tanzania Ltd is a private seed developing company. In 2009, cotton stakeholders including TCB and Tanzania Cotton Association entered into a seven year agreement with the company to produce and market cotton seeds in Tanzania on monopoly basis so as to encourage it to invest in facilities. The seeds the company was to produce are developed by the government owned Ukiriguru Agricultural Research Centre and the job of this company is to de-fibre, treat the seeds and then mass produce it to satisfy all farmers. The company then sells the mass produced seeds to peasants and the current price is US\$ 1 per kilogram.

The company works with farmers in Bariadi district to plant the developed seeds so as to get the rich raw material for its special seeds and, in recognition of their service, the company pays Bariadi farmers a small premium for the cotton they produce and sell to the special ginneries working with the company. The company is however unable to handle the logistics of paying to peasants in Bariadi and involves TCB in transferring money from Mwanza to Bariadi. During the year 2012/13, Quton Tanzania paid Tshs 84 million to TCB which was later refunded to them in cash at Bariadi.

## NOTE 27: RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements. A person is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
  - (ii) Has significant influence over the reporting entity; or
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Related party relationships exist between the Board and the Ministry of Agriculture, Cotton Development Trust Fund (CDTF), Directors and top management. The nature of their relationships with the Board is as follows;

### (1) Ministry of Agriculture and Cooperatives

Tanzania Cotton Board is a parastatal organization whose operations are governed by the Cotton Industry Act, 2001 ("the Act"). The Board's regulatory activities as well as salary for its employees are 100% funded by the Government of Tanzania, through the Ministry of Agriculture, Food and Cooperatives. In 2012/2013 the Board received total sum of TZS 861,939 for personal emoluments (PE) and other charges as detailed below.

Government Subventions	2012/13 TZS'000	2011/12 TZS'000
<b>TCB regulatory activities:</b>		
Expenditure for Personal emoluments	741,939	728,922
Expenditure for Other Charges	120,000	382,142
<b>Subtotal (Recognized to Income Statement)</b>	<b>861,939</b>	<b>1,111,064</b>
<b>CDTF Activities:</b>		
Cotton inputs to Farmers (Transferred to CDTF)	977,713	1,016,667
<b>Subtotal</b>	<b>977,713</b>	<b>1,016,667</b>
<b>Total Government subventions</b>	<b>1,839,652</b>	<b>2,127,731</b>

## (2) Cotton Development Trust Fund

### a) The Relationship

The Cotton Development Trust Fund (CDTF) is a body corporate created by cotton stakeholders including both TCB and MoA and registered as a trust. Its main purpose is the promotion of the cotton crop and industry and, for this role; it works very closely with TCB in all its functions.

### b) Cotton Research Activities

Cotton related research activities are funded by the Cotton Development Trust Funds. The overall objective of cotton research is to increase productivity and profitability through development of varieties and other production technologies. Nevertheless the funds for research activities are disbursed directly to the Cotton Research Stations at Ilonga and Ukiriguru.

### c) Provision of Extension Services to Cotton Farmers

The Board provides extension services to Farmers by using funds from CDTF. The extension services related activities includes Cotton promotion through Nane Nane Shows, Cinema shows and /or Radio programmes and conducting trainings to farmers on good cotton production.

### d) Cotton Input Distributions

It is the responsibility of the Board to ensure that Farmers get the right quality of cotton inputs at the right time. The cotton inputs distribution activities are funded by CDTF.

### e) Data Collection

The primary objective for data collection is to establish the quantity and quality of seed cotton delivered to Ginneries. This also assists CDTF to come up with the basis for charging cotton levy to be paid by Cotton Ginners.

### f) Transactions with CDTF

During the year, the following transactions were carried out with CDTF:-

		2012/2013 TZS'000	2011/2012 TZS'000
(i)	Balance at the beginning of the year (1July 2012)	(200,642)	
(ii)	Payments Incurred on Behalf of CDTF	(1,459,743)	(1,568,837)
(iii)	Receipts from CDTF	1,664,476	1,368,195
(iv)	Outstanding Balances Arising from Receipts and Payments Receivable from CDTF: (Note 12)	<u>4,091</u>	<u>(200,642)</u>

**(3) Top Management**

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Board directly or indirectly including any director of the Board.

Key management short term and long term benefits which were paid included salaries, allowances and social security contributions as detailed below:

	2012/2013 TZS'000	2011/2012 TZS'000
<b>Short term benefits:</b>		
Basic Salaries	204,654	194,778
Allowances	53,847	52,166
	<b>258,501</b>	<b>246,944</b>
<b>Long term benefits:</b>		
Pension	30,698	29,217
	<b>30,698</b>	<b>29,217</b>
<b>TOTAL</b>	<b>289,199</b>	<b>276,161</b>

**4) Directors**

Benefits given to Members of the Board in 2012/2013 were as follows:

	2012/2013 TZS'000	2011/2012 TZS'000
Short term benefits:		
Directors fees	5,800	5,800
Directors allowances	71,015	51,534
Directors Travelling	37,172	40,624
<b>TOTAL</b>	<b>113,987</b>	<b>97,958</b>

**NOTE 28: EVENTS AFTER THE REPORTING DATE**

Events after Reporting Period are those that occur between the end of the reporting period and when the financial statements are authorized for issue.

The date of authorization for issue is usually taken to be the date when the board of directors authorizes the issue of financial statements. Where management is required to issue its financial statements to a supervisory board or shareholders for approval, the authorization is considered to be complete upon the management's authorization for issue of financial statements rather than when the supervisory board or shareholders give their approval.

The events after the reporting period comprise adjusting and non-adjusting events. Adjusting events are those events or transactions that provide evidence of conditions existed at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period. Where material; the non-adjusting events are disclosed. At the end of the reporting period, there were no events which require the Board to disclose the situations existed at the reporting period.

**NOTE 29: PRIOR YEAR ADJUSTMENTS**

The table below show prior year adjustments following consolidation of TCB transactions with donors funded projects. Consolidations of transactions started on 1 July 2012 and it was applied retrospectively.

	Note	Previous Reported 30.06.2012 TZS'000'	Restated 30.06.2012 TZS'000
Income from Donors	16		391,282
Differed Income	14	66,155	66,155
Salaries and Wages – Staff on Govt Payroll	18	620,478	620,478
Salaries and Wages – Staff on Donor funding	18	-	63,039
Travelling on Duty	19	57,956	59,146
Training Expenses	18	122,236	342,840
Subsistence Allowances	18	-	22,400
Printing and Stationeries	19	57,255	57,685
Advertising Charges	20	16,830	19,118
Postal and Telephone Charges	19	44,224	44,284
Assets valuation and Stock taking expenses	19	13,489	13,674
Staff Recruitment Expenses	18	25,226	30,881
Management Meeting Expenses	18	681	1,231
Motor Vehicles-Repair and Maintenance	20	33,142	33,527
Monitoring Services Expenses	20	80,652	154,985
Financial Expenses		9,746	9,908

**NOTE 30: REARRANGING FIGURES**

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





**TANZANIA COTTON BOARD**