

TANZANIA COTTON BOARD



2012 Annual Report & Accounts



2012 PROGRESSIVE ANNUAL REPORT & ACCOUNTS

Tanzania Cotton Board



Annual Report and Accounts for the year ending on 30th June 2012

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Profile, Vision, Mission & Core Values

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



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Letter of Transmittal

Hon. Eng. Christopher Chiza (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 Tanzania Cotton Board (TCB), I have the pleasure to submit to you the Annual Report and Accounts of the TCB for the year ended 30 June 2012.



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

Message from the Chairman

It is my pleasure, once again on behalf of the Board of Directors of the Tanzania Cotton Board to present the Annual Report for the financial year ended 30th June 2012.

Our cotton production results reflected the sound execution of our corporate and business plan on increasing productivity through Contract Farming system. In the season 2011/2012 we have successfully wound-up the pilot on Contract Farming and consequently rolled-up the system to the whole Western Cotton Growing Areas.

With Contract Farming, the Cotton Industry remains well-positioned to produce more cotton yield per area, as a result of an improved and timely inputs supply and usage by our farmers. Much has been (the hard-way) learned, from the challenges in inputs supply failures during 2010/2011 season whereby, production plummeted to only 164,000 tons of seed cotton. Culminating from that season's disappointments, much of the challenges in the sector have been worked-out to produce 38% more cotton, amounting to 226,000 tons of seed cotton in 2011/2012, the period under review. And capitalizing on the experience acquired through a three seasons pilot, the sector stand a better chance to improve much more on the coming 2012/2013 season. On quality also, there were improvements from the 47.5% recorded in 2010/2011 to about 61% during 2011/2012 for the Tanzanian commercial standard grades, GANY and above.

The sector's good performance affirmed the wisdom of keeping our eyes on the horizon and the feet on the Contract Farming system as our ground.

Notwithstanding though, some challenges persisted in the sector. Limited financial support from the government continued to prevail in 2011/2012. This made it difficult for the Board to mitigate many of the challenges inherent in the Cotton Industry. Monitoring of Contract Farming roll-out, marketing operations, and supervising cotton quality with a paltry workforce of hardly 70 employees continued to be an insurmountable task. As of 30th June 2012, a total of TZS 2,973,431,827 was received from the Government and from internal sources. During the period under review, the Board's expenditure was TZS 3,036,491,350 out of which TZS 222,903,656 was related to provisions for depreciation and bad/doubtful debts.

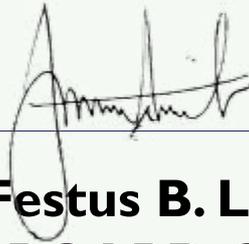
In addition to financial challenges, low productivity, low internal cotton consumption, limited research and extension services and over dependency on rains still faces the Cotton Industry.

During the period under review, the Board took some measures to mitigate these challenges by:

1. Roll-out of Contract Farming to the whole of Western Cotton Growing Areas after a pilot of three seasons
2. Introduction of high quality cotton seeds for planting to agriculture system through the cooperation of Ukiriguru Agriculture Research Institutes' breeding and the Quton Company multiplication
3. Employment of new Cotton Inspectors to assist in management of Contract Farming roll-out process, with the assistance from the Tanzania Gatsby Trust
4. Attracting Financiers, Donors and Development partners to the sector, such as Gatsby Charitable Foundation (GCF), Department for International Development (DFID), European Union (EU), International Trade Centre (ITC), Brazil and Argentina Agriculture Institutes, among others.

Finally, I would like to extend my sincere gratitude to my fellow Members of the Board of Directors for their untiring efforts to guide and support the Board, realizing its main objectives. I compliment Tanzania Cotton Board Management and Staff on their diligence, ingenuity and loyalty during this period. I am optimistic that years to come will see a more vibrant TCB that sustains the aspirations and expectations of the farmers, Government, other stakeholders and the public at large. Special appreciation goes to the Ministry of Agriculture Food Security and Cooperatives for steady guidance and support to the operations and activities of the TCB. The Cooperation offered by Ginners and other stakeholders is highly valued.

It is our hope and we pray that 2013 will be a good year to the Cotton Industry



Hon. Dr. Festus B. Limbu (MP)
CHAIRMAN-BOARD OF DIRECTOR

Message from the Director General

The financial year of 2011/2012 which began on 1st July 2011 and ended up on 30th June 2012, have seen an increase of 38% in seed cotton production as compared to the preceding season of 2010/2011. Production in the two seasons was 164,000 and 226,000 tons, respectively. The year also witnessed the Contract Farming system roll-out, in the whole Western Cotton Growing Area, after a recorded success in three year pilot undertaking in Mara region.

In order to improve provision of basic facilities on inputs and to ease communication among the stakeholders in the Contract Farming areas the region was sub-divided in 12 zones. 9,000 Farmers Business Groups (FBGs) were formed and registered to enable them enter legal contracts with the Ginners. Training of 3,000 Lead Farmers and 600 Ward Extension Officers was undertaken by the Cotton and Textile Development Programme. Pambanet Management Information System was introduced, for online interaction among stakeholders in the sector.

In the magnitude of the activities that goes with the roll-out of the Contract Farming to the whole region, it was clear that the number of Cotton Inspectors was too low. The issue was communicated to the Government which pointed out budgetary constraints as a bottleneck for heading to our request to increase the workforce. The Cotton and Textile Development Programme again, decided to assist the Board to employ and pay for 40 new Cotton Inspectors, for one budgetary season with expectation that the Government will be able to absorb them in its payroll come 2012/2013 Budget. The Programme also paid for induction course to the new Cotton Inspectors, in addition to provision of the laptops, modems, motorcycles, airtime as well as, the planned provision of 11 cars for the already on-the-job Cotton Inspectors.

There were however some challenges as pertains to:

1. Farm Gate cotton prices volatility whereby, from an indicative price of 1,100/= per kilo, it plummeted to 800/= before upward resurfacing at the maximum 1,200/= in some areas, at the end of a marketing season;
2. Low efficacy of Bamethrin pesticide which caused a big uproar from the farmers in the Eastern Cotton Growing Areas and some areas in the West;

Complaints on Steel Yard weighing scales from the farmers which forced Government intervention. The Government instead, ordered use of Digital scales, but due to logistical problems, the former was also allowed to continue being used in the season.

The Board is facing staff shortages and therefore, is still managing the Eastern Zonal Office in Morogoro and undertakes input distribution and cotton buying operations in the Eastern Cotton Growing Areas, from its headquarters in Dar es salaam.



Marco C. Mtunga
DIRECTOR GENERAL

TANZANIA COTTON BOARD

Board of Directors



Hon. Dr. Festus Limbu (MP)
Chairman



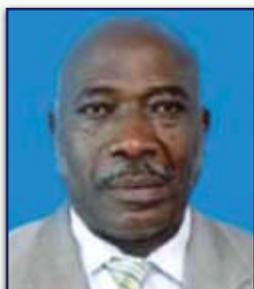
Mr. Christopher M. Gachuma
Member



Mr. Raphael N. Mlolwa
Member



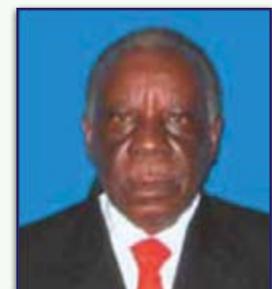
Dkt. Mbette Mshindo Msolla
Member



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 2011/2012

Cotton Production

During the 2011/2012 marketing season, cotton output rose to 225,938 tons of seed cotton from 163,517 tons of seed cotton produced during the 2010/2011 season, which is 38 percent increase. The rise in output is largely being attributed to prevalence of good weather during the growing period; good producer prices paid to farmers during the preceding season whereas an indicative farm gate price was shillings 600/= per kilogram of seed cotton, and the availability of adequate supplies of insecticides.

Table 1: Seed Cotton Production for five seasons from 2007/08 to 2011/2012 season

Zone	Region	2007/08	2008/09	2009/10	2010/11	2011/012
	Shinyanga	128,285	220,808	174,162	105,143	138,383
	Mwanza	41,814	75,744	59,637	33,669	50,206
	Mara	13081	53,283	10,986	10,705	15,940
Western	Kagera	4,257	2,559	4700	1,827	3,734
	Tabora	11,698	13,451	15,650	10,737	14,842
	Kigoma	238		1,336	47	386
	Singida	581	1,300	294	753	883
Total Western		199,954	367,145	266,765	162,881	224,374
	Manyara	540	898	172	490	768
	Morogoro	98	307	33	73	564
Eastern	Kilimanjaro	23	84	6	33	25
	Pwani	47	84	19	28	120
	Tanga	1	157	5	11	77
	Iringa	1	23	4	1	10
Total Eastern		710	1,552	230	636	1,564
Grand Total		200,664	368,697	267,004	163,517	225,938

Cotton Buying and Marketing

The 2011/2012 buying season was officially inaugurated at Kanyonza village in Kibondo district. A total of 41 companies were licensed to procure seed cotton as compared to 38 companies during the 2010/2011 marketing season. A total of 8,185 buying posts were certified. The marketing season started at a time when the cotton world market prices were at their highest record point in recent years at around 2 US\$ per pound of lint. Farmers enjoyed the benefit of a good market as the producer price offered by buyers, as an indicative price was shillings 1,100/= per kilo of seed cotton. Concurrently, stakeholders also resolved to contribute shillings 200/= per kilo of seed cotton as a contribution to fund for the implementation of the Contract Farming system. Tragically!, the prices started to crumble in the international markets. On 8th July 2011 after many consultations the stakeholders decided to maintain the farm-gate prices of 1,100/=, but the contribution towards Contract Farming was reduced to 30/= from the initial 200/=. As the decline of prices continue from 1.35 on 8th July to 1.19 USD by 18 July 2011, again, after a long discussion the consensus for a new indicative price was set at 800/=. The Government stance was the farm-gate prices should not go below 800/=. In the event of worst case scenario, it was decided that the difference in price will be paid by the Government as a price subsidy. Fortunately, as the season were ending, the prices stated to rise steadily from 800/= to 900/= and farther upwards. The changes occurred within a short time and at the end of the marketing season the highest price of 1200/= was reached, in some areas. The major reason for these positive changes in prices was that the international lint business was opened and returned to normal after the United States of America (US) debt problems were resolved. Before this, the apparel and textile industries world-wide found it difficult to obtain the Bank loans, causing a stalemate in cotton marketing.

Cotton Ginning

A total of 48 ginneries were inspected and permitted to operate during the season compared to 37 ginneries licensed in a preceding season. Table No. 2 provides a summary of the performance of the ginneries during the season under review.

Table 2: Performance of ginners during 2011/2012 marketing season

Company Name	Quantity procured (Kg)	Bales produced
Alliance Ginneries	21,905,045	33,561
Aham Investment	1,148,983	1,887
Afrisian Ginning Ltd	17,872,102	30,124
Al-adawi	1,244,926	1,860
Badugu Ginning Co.	2,356,181	3,647
Biharamulo Cooperative Union	665,056	872
BioRe Tanzania Ltd	5,390,140	9,118
Birchand Oil Mill	21,084,460	24,235
BioSustain Tanzania Ltd	2,581,282	4,147
Bibiti Ginneries Ltd	356,770	596
Chesano	86,842	157
Copcot Cotton Trading	1,174,500	2,184
Chintan	56,120	83
Fresho Investment Co. Ltd	15,134,903	25,265
Gaki Investment Company Ltd	9,223,843	13,104
Hassanali Walji	1,283,328	2,107
ICK Cotton Oil	2,812,220	4,479
Ilungu ex-Matongo	180,090	265
Jambo Oil Mill and Ginneries	6,028,169	9,043
Kahama Cotton Company	24,751,433	42,790
Kahama Oil Mill	14,533,888	23,882
KBL Enterprises	1,414,755	2,192
Kisumwa Machinery Co. Ltd	1,708,117	2,247
Lisha Investment	2,224,242	2,615
Lukago Co. Ltd	1,509,197	2,240
Mwatex	384,268	405
Manawa Ginneries	3,518,780	5,843
Metl Ginning Company Ltd	3,157,240	5,335
NGS Investment Co. Ltd	5,202,950	8,068
Nsagali Co. Ltd	2,309,100	2,812
NCU (1984) Ltd	1,513,150	2,403
Olam (T) Ltd	19,297,450	29,568
Roko Investment	1,439,011	2,409
S&C Ginning Co. Ltd	12,191,070	20,706
S.M. Holdings Ltd	2,270,959	3,830
Shirecu (1984) Ltd	7,457,709	9,480
Tabotex	26,206	53
Vitreco Oil Mill	2,127,664	3,438
Vearrian (T) Ltd	6,751,851	10,608
Eastern Cotton Growing Area	1,564,000	2,896
Total	225,938,000	350,554

Cotton Inputs Supply

(i) Seeds

A total of 23,205 tons of fuzzy seeds were distributed to farmers for planting during the 2011/2012 farming season. The acreage put under cotton rose from 389,227 hectares cultivated during 2010/2011 farming season to 599,751 hectares.

(ii) Insecticides

The Cotton Development Trust Fund imported 4,000,000 acre packs of water based insecticides, 3,569,062 of which were distributed to farmers by the ginners.

Table 3: Type and Quantity of insecticides imported during 2011/2012 farming

S.No	Insecticide	Quantity (acrepacks)
1.	Bamethrin 2.5 EC	500,000
2.	Karate	299,967
3.	Zetabestocks	400,000
4.	Insectido 5 EC	499,940
5.	Agromethrin 10 EC	500,000
6.	Bamethrin 2.5 EC	300,000
7.	Delta Plus	496,950
8.	Insectido 5 EC	500,000
9.	Agrothrin 5 EC	500,000
	Total	3,996,857

Cotton Research

Cotton related research at Ilonga and Ukiriguru Research stations was continued with the overall objectives of increasing the productivity and profitability of cotton farming through the development of new varieties and the release of appropriate production technologies.

During the 2011/2012 farming season, the cotton research programme carried out some 31 activities covering different aspects of research namely variety development; evaluation of different soil fertility management practices; weed, insect and disease control measures as well as multiplication of breeder seed.

A total of TZS 415,057,927.50 was made available for cotton research activities from the sources, shown in Table 4.

Table 4: Research Funding

No	Source of funds	Amount (shs)
1.	Cotton Development Trust Fund	182,963,000.00
2.	Agro-chemical and Fertilizer Companies	13,167,227.50
3.	Seed Sales	-
4.	Government of Tanzania	167,957,700.00
5.	Tanzania Gatsby Trust	50,970,000.00
	Total	415,057,927.50

Some Research Outputs

Two new cotton varieties recommended by Ukiriguru namely; UK08 and UKM08 have been passed by the National Variety Release Committee and are currently under multiplication by a Zimbabwean private company called Quton.

Cotton Classification

Cotton classification is aimed at determining the quality parameters of the fibre prior to its sale. Classification results for the year 2011/2012 indicates that about 61% of the cotton classed was of good grade (i.e GANY and above).

Table 5: Analysis of Classing Results

Western Cotton Growing Areas								
TANG	GANY+1/2	GANY	GANY-1/4	GANY-1/2	GANY-3/4	YIKA	UG	Total
2	1,752	12,920	6,071	1,993	440	283	450	23,911
0.0083	7.32	54.03	25.38	8.33	1.84	1.18	1.88	100%
Eastern Cotton Growing Areas								
BOLD	DAR+1/2	DARS	DARS-1/4	DAR-1/2	-	-	-	Total
-	69	1220	166	27				482
0	14.32	45.64	34.44	5.6				100%

Lint exports

During 2011/2012 season, Tanzania exported a total of 36,186 tons of lint valued at USD 73,956,958 compared to 34,913 tons worth USD 56,847,500 which were exported in 2010/211. The major destinations of Tanzanian cotton lint continued to be China, India, Indonesia, Vietnam, Thailand and Malaysia.

Table 6: 2011/2012 Cotton Lint Exports by Destination

Country	Bales	Metric Tons	Value in US\$
China	51,762	10,093.59	19,471,538.97
Germany	200	39.00	10,175.00
India	10,236	1,996.02	4,093,356.59
Indonesia	36,382	7,094.49	14,302,585.33
Kenya	500	97.50	253,481.69
Malaysia	26,058	5,081.31	11,917,082.20
Mauritius	6,701	1,306.70	1,822,790.45
Morocco	210	40.95	76,709.00
Netherland	243	47.39	126,572.22
Pakistan	4,101	799.70	1,100,000.00
Portugal	700	136.50	398,223.00
Switzerland	1,000	195.00	390,305.30
Taiwan	5,051	984.95	2,340,330.30
Thailand	18,374	3,582.93	7,367,580.49
Turkey	447	87.17	225,000.00
Uganda	250	48.75	97,194.00
Vietnam	23,353	4,553.84	9,964,033.35
Total	185,568	36,185.76	= 73,956,957.89

Cotton Extension Services

During 2011/2012 farming season the Board implemented a number of activities which were aimed at disseminating the best cotton farming practices to farmers as outlined here below:

- Weekly 'Pamba Yetu' radio programs were aired on Tanzania Broadcasting Corporation (TBC).
- Agro-chemical companies which supplied insecticides conducted training to farmers on proper usage of their products;
- The Board participated in Nane Nane Agricultural Shows in Morogoro, Dodoma and Mwanza and emerged a winner in the category of Crop Boards; and

- Cotton promotion seminars in the marginal areas in the Western and Eastern Cotton Growing Areas were undertaken.

Cotton and Textile Development Programme

This is a programme that is being funded by the Gatsby Charitable Foundation of United Kingdom through the Tanzania Gatsby Trust. The thrust of the programme is to increase cotton productivity, production and value addition.

During the year under review, the Contract Farming system was rolled- out by the programme, after a three season pilots in Mara region up to 2010/2011. Amongst others, the following were implemented:-

1. Formation of Zones

The Western Cotton Growing Areas were divided in 12 zones in which up to three ginners can operate, to enhance competition.

2. Farmers Business Group (FBGs) Formation and Registration

The groups with at least seventy members each were formed, to have a legal mandate to inter into business contracts with the ginners, in order to simplify inputs distribution exercise and facilitate the inputs loan recovery from the farmers.

3. Farmers Business Groups Trainings

Training of Trainers (TOT) was undertaken by Cotton and Textile Programme to Lead Farmers (LFs) and the Ward Extension Officers (WAEOs), on Good Agriculture Practices (GAP) and FBGs management.

4. Recruitment of New Cotton Inspectors

Forty (40) Cotton Inspectors were recruited under the Programme financing to manage the Contract Farming roll-out process, with the understanding for the Board shift them to the Government payroll during the 2012/2013 budget. In addition, the Programme assisted the Board to pay transport costs and bonuses to the Ward Extension Officers (WAEOs) involved in Contract Farming activities.

5. Online Communication among stakeholders

The Programme continues to support, maintain and upgrade Pambanet. This is an online information system for Contract Farming system management. The stakeholders communicate via Short Message Services (SMS), using mobile phone and web interface. The Programme also, provided Laptops, modems and airtime for Cotton Inspectors.

6. Transport facility for Inspectors

The Programme provided motorcycles for all fresh Cotton Inspectors, and is underway to provide 11 cars for other Inspectors.

7. High Quality Seed Production, Certification and Multiplication

The system involves production of new variety breeders' seeds by the researchers at Ukiriguru Agriculture Research Institute, certification by Tanzania Official Seed Certification Institute (TOSCI) and multiplication, packaging and distribution by a Zimbabwean private company, Quton. 1,333 tons were produced in the period under review.

8. Simple Technologies Dissemination

These technologies reduced drudgery and make it possible for timely planting and weeding, such tools as subsoilers/rippers, ox-planters and ox-weeders

9. Training of Farmers on Good Agriculture Practices

Such practices as Conservation Agriculture (CA) and Insect Pest Management (IPM) among others were taught.

10. Preparation for Introduction of Industrial Fertilizers Usage in our Agricultural System

Tanzanian cotton yields per area are one of the lowest in the world due to non-usage of industrial fertilizers. Soil samples have been collected from all cotton growing district for a laboratory analysis on a specific plant

nutrient requirements. Based on this, the component for fertilizer loan to farmers will be part in the future Minimum Input Package (MIP) for ginnerers.

11. Crop Insurance

The pilot on crop insurance have been undertaken in Bunda district, aiming at mitigating the ever increasing risks in Agriculture due to climate changes

12. Endeavors to Find Financiers, Development Partners and Donors

- (i) Gatsby Charitable Foundation – major financiers in Contract Farming
- (ii) European Union – finances cotton quality production, Standards and cotton Grades
- (iii) DFID – initial stages on financing Contract Farming
- (iv) Brazil and Argentina (MoU) – financing research and simple technologies adoption by farmers

13. Textile Unit Formation at the Ministry of Industries and Trade

The consultant was engaged to work on the introduction of Textile Unit in the Ministry of Industry and Trade, for a vibrant Textile Industry revival in Tanzania.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30th June 2012

1.0 INTRODUCTION

The Board of Directors of the Tanzania Cotton Board (TCB) has the pleasure to present its Annual Report and Financial Statements for the period of one year from 1 July, 2011 to 30 June, 2012 which disclose state of affairs of the organization.

1.1 STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES REGARDING FINANCIAL STATEMENTS

In accordance with section 49 of the Tanzania Cotton Industry Act No. 2 of 2001 the Directors are responsible for the preparation of financial statements of the Board, which show a true and fair view of the state of affairs of the Board in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They are also responsible for keeping proper accounting records, maintaining an adequate system of internal controls, safeguarding the assets of the Board as well as taking reasonable steps for prevention and detection of fraud and other irregularities.

The Directors confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2012.

1.1.1 STRATEGIES OF THE COTTON BOARD

In order to make proper plan for achieving its objectives, the Cotton Board has prepared a five year strategic plan that cover the period from 2010/11 to 2014/15. The strategic plan was developed within the contexts of the Cotton industry as a whole and it will be used as 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 cotton output from 700,000 bales to 1,500,000 bales by 2015,
- c) To improve the cotton quality through contract farming and providing education on cotton quality,
- d) To improve the cotton marketing system,
- e) To enforce the Cotton Industry Act No.2 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 Contact Farming groups/associations in the cotton growing areas.

1.1.2 COMPOSITION OF THE BOARD OF DIRECTORS

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

The Chairman appointed by the President upon advice of the Minister for Agriculture Food Security and Co-operatives for the time being;

- A member from Tanzania Cotton Association;
- A member from Cotton Growers Association;
- A member from the Ministry of Regional Administration and Local Government; and
- A member from the Ministry of Agriculture, Food and Co-operatives

The names of the members of the Board of Directors who served during the period reported upon were: -

	Name	Position	Nationality	Date of appointment
1.	Hon Dr. Festus B. Limbu (MP)	Chairman	Tanzanian	24th April, 2010
2.	Dr Mbette M. Msolla	Director	Tanzanian	24th April, 2010
3.	Mr George B. M. Wasira	Director	Tanzanian	24th April, 2010
4.	Mr Raphael N. Mlolwa	Director	Tanzanian	24th April, 2010
5.	Mr Christopher M. Gachuma	Director	Tanzanian	24th April, 2010
6.	Mr Robert Jongela	Director	Tanzanian	24th April, 2010
7.	Mr Clement G. Mabina	Director	Tanzanian	24th April, 2010

1.1.3 CORPORATE GOVERNANCE

The Board of Directors take overall responsibility of insuring that there is adequate control of the assets of the 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 ensure 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 delegates daily operations to the management and performance of management is reviewed through different Board of Directors meetings.

1.1.4 FUNCTIONS OF THE BOARD

The main functions of the Board, among others, include the following:-

- (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;
- (h) To represent the government in local and international forum in matters relating to the cotton industry.

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

- (a) Permit or license buyers and exporters of seed cotton, cotton lint, operators of ginneries;
- (b) Issue export permits for cotton seed, cotton lint and other cotton by-products;
- (c) Establish quality standards for cotton seed, seed cotton and cotton lint and to ensure the compliance of such standards by persons licensed hereunder;
- (d) Provide for a forum for discussions and negotiations among various stakeholders in the sector;
- (e) Determine the manner and quality of cotton seed which any ginner or owner of seed cotton shall retain for the purpose of the planting having regard to geographical locations;
- (f) Do anything or enter into any transaction which in the opinion of the Board is calculated to facilitate the proper and efficient carrying out of its activities and the proper exercise of its functions under the provisions of the Act establishing the Board.

1.1.5 CHALLENGES FACING THE COTTON INDUSTRY

For a quite number of years, the Board had been facing the following challenges which continue to affect the performance of cotton Industry as a whole and thus hinder economic development in the country:

a) Cotton price instability

Fluctuation of global cotton prices render it difficult to predict what cotton producers could earn from their produce. Prices being a big motivating factor for farmers to grow cotton, this scenario, plays a vital role in determining the total output of cotton as farmers tend to move to other rather more paying alternative crops.

b) Over dependence on rain for cotton production

Unpredictable weather pattern and over reliance on rainfall do not guarantee a sustainable upward cotton production trend.

c) Poor cotton quality

Adulteration of cotton using various contaminants undermines the quality of the crop which as a result Tanzania cotton is now sold at discount of between 4 and 6 US\$ cents per pound while before liberalization it fetched a premium price of 4 cents per pound.

d) Low productivity

Low utilization of inputs due to lack of credit at the disposal of farmers, yield level stands at an average of 750 kg per hectare. This is below the existing potential of over 2,500 kg per hectare.

e) Inadequate funding from the Government to support the Cotton Board regulatory activities.

Since its inception in July 2004, the Board had continued to receive funds from the Government below its projections. This has resulted into difficulty for the Board to implement some of its objectives like strong cotton quality controls through regular inspection of 45 Cotton Ginneries and over 8,000 Cotton buying centres, providing education to farmers on good husbandry and construction of modern laboratory for cotton classification.

1.1.6 ACHIEVEMENTS FOR 2011/12

Despite of the challenges mentioned above, the Board and the Cotton Industry at large managed to achieve the following:-

- (a) Contract farming was piloted in Mara Region, 4 Wards of Bariadi district and Kibondo district. The results from the pilot indicate a 40% increase in cotton yield per hectare. The positive results convinced stakeholders to endorse contract farming to be rolled out in all cotton growing areas;
- (b) Output of cotton went up by 37% from 164,000 tons of seed cotton to 226,000 tons;
- (iii) Producer price reached a record of more than 30 years where farmers received an average price of shillings 1,000 per kilogram of seed cotton. This was a big incentive for farmers to produce more;
- (c) Internal revenue went up by 72 % after revision of rental charges;
- (d) Implementation of policies to transform the cotton industry attracted attention of a number of donors such as Department for International Development of UK (DFID) which through Tanzania Gatsby Trust (TGT) has injected 7.3 million sterling pounds in cotton sector, and the European Union has approved 2.5 million Euro support to activities undertaken under contract farming to improve cotton smallholder farmer incomes.

1.1.7 TRENDS AND FUTURE PROSPECTS

Board of Directors Meetings

The Board of directors held four (4) ordinary and four (4) extraordinary meetings during the year under review which deliberated on various issues pertaining to regulatory, promotion and administrative matters, among them being the 2011/12 annual budget and audit report for the period ended 30 June, 2011. All members of the Board devoted much of their efforts and time in the Board meetings. The schedule below indicates the number of meetings attended by each member of the Board of Directors from 1st July 2011 to 30th June 2012.

S/n	Name	Number of meetings	
		Ordinary	Extra Ordinary
1	Hon Dr. Festus B. Limbu (MP)	4	4
2	Dr Mbetete M. Msolla	4	2
3	Mr George B. M. Wasira	4	4
4	Mr Raphael N. Mlolwa	4	4
5	Mr Christopher M. Gachuma	4	3
6	Mr Robert Jongela	4	4
7	Mr Clement G. Mabina	4	4

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 Kg for 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 19,483,658,736 as at 30th June 2012. This is equivalent to 97% of the total funds received in 2009/10. However at the end of June 2012, TZS. 404,144,500 were still in the hands of cotton Ginners and the remaining balance of TZS 516,341,264 is held by the Board in Cotton Price subsidization Account as disclosed in notes (10) and (21) of these Financial Statements.

Rehabilitations of Warehouses at Kurasini

For the purpose of improving internal revenue, the Board is planning to undergo big rehabilitations of the warehouses at Kurasini. Finance for the project will be obtained through borrowing from Tanzania Investment Bank (TIB). The Board has sought advice and recommendations on this project from the Treasury Registrar via the Ministry of Agriculture Food and Cooperatives. As at 30th June 2012, the Board had already done some preliminary arrangements for the loan including opening the bank account with TIB (refer Note 10) but the project has not started because the Treasury Registrar is still working on the project proposal.

Defunct TCLSB Assets Under Treasury Registrar

Some assets held in trust amounting to TZS 1,987,234,500 were still under custody of the Board as at 30th June 2012. The assets represents net book value of the defunct Tanzania Cotton Lint and Seed Board which were not vested to Tanzania Cotton Board as at 1st July, 2004.

Moreover, the Ministry of Agriculture, Food and Cooperatives gave the Board the right to own the properties for economic development of the cotton sub sector. The Ministry also instructed the Board to pay unpaid Defunct TCLSB debt of TZS 895,040,403 by using collections from renting of the entrusted assets. The Board wrote to all TCLSB claimants for them to verify their claims and up to 30th June 2012, the Board had already paid TZS 750,669,002 to TCLSB claimants and the remaining debt of TZS 144,341,401 was deferred in the financial Statement awaiting for claimants verifications from the fact that the debts are just very old.

I.1.8 FINANCE AND ADMINISTRATION MATTERS

Financial Performance

The Board came into operation on 1 July, 2004, in line with the Cotton Industry Act No. 2 of 2001. Thus, this is the Eighth year of operation.

During the year under review, the Board's total revenue was TZS.2,973,431,827 compared to TZS. 2,248,186,535 that was earned during the previous year. This is equivalent to 32 % increase in total revenue caused by recognition of rental income collected from assets under the Treasury Register (see Note 8) and the Board's decision to revise the rental rates from 1 to 2.5 Us Dollars per square meter for warehouses and from 10 to 12 Us Dollars per square meter for offices. However, during the same period, operating expenses were TZS 2,813,587,694 compared to TZS. 2,529,392,979 in 2010/11, excluding depreciation, provision for bad and doubtful debts and provision for impairment of intangible assets. This is 11% increase in the total expenditures incurred in the period as more money was spent in cotton price negotiation meetings with cotton stakeholders. The net operating deficit after taking into consideration of depreciation (TZS 200,147,040), provision for bad and doubtful debts (TZS.16,114,421) and provision for impairment of intangible assets (TZS 6,642,195) was TZS 63,059,523.

The Board's operating results for the period ended 30th June, 2012 were as shown below:-

	2012 TZS'000	2011 TZS'000
Total Revenue	2,973,432	2,248,186
Less: Total Expenditure	3,036,491	2,634,980
Operating Surplus/(Deficit)	(63,059)	(386,794)

Administrative Matters

Following the establishment of the Tanzania Cotton Board under the Cotton Industry Act No. 2 of 2001 and pursuant to section 39 (3) sub-section 3 of the Act, 1 (one) employee retired from the Board's services; at the same time three staff were hired by the Board. The staff position as at 30th June, 2012 was as shown below:-

Department	Position as at 30.06.2012	Position as at 30.06.2011
Director General's Office	3	4
Finance & Administration	24	21
Regulatory	35	34
Total	62	59

1.1.9 SOLVENCY POSITION

The Board of Directors confirms that applicable standards and statutory laws and regulations have been followed in the preparation of the Cotton Board financial statements. The Board's state of affairs as at 30 June, 2012 is reflected in these financial statements. The Board of Directors has reasonable assurance that the Cotton Board has adequate resources to continue in operational existence for the foreseeable future.

1.1.10 EMPLOYEES WELFARE

- **Health Policy (Medical Expenses)**

The Board is obliged to comply with the National Health Insurance policy (NHI policy) for medical treatment to employees. The Board accepts responsibility to provide medical and dental treatment on cost sharing basis to its employees and their families under the NHI scheme. The Board's obligation in respect of contribution to NHI scheme is 3% of the employee's basic emoluments. The Board spend TZS 67,733,577 for medical expenses for the year 2011/2012, as disclosed in Note 17 as compared to TZS 36,319,984 incurred in previous period. This is 86% increase mainly caused by two employees of the Board who were referred to India for special medical treatments.

- **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:-

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

- **Management and Employees Relationship**

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 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.

- **Financial Assistance to Staff**

This is available to all confirmed employees in accordance with the provisions of the TCB Human Resource Manual and Financial Regulations.

- **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. Currently, there are four employees pursuing Master degree under sponsorship of the Board. Opportunities to attend seminars were also provided within financial limits.

- **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.

1.1.11 GENDER

The Board gives equal access to employment opportunities 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 2012, the Board had the following distribution of employees by gender:

Gender	Position as at 30.06.2012	Position as at 30.06.2011
Female	17	18
Male	45	41
Total	62	59

1.1.12 RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in note 25 of these financial statements.

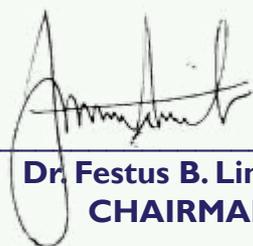
1.1.13 AUDITORS

R & S Associates appointed as independent auditors of the Board were renewed by the Controller and Auditor General as per letter Ref. No. CE/249/280/02 dated 25th April 2012.

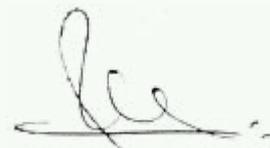
1.1.14 CONCLUSION

The present Board has a challenge of fostering cotton yield in order to achieve the set goal of producing 1,000 kgs per acre by year 2015.

Approved by the Board of Directors on 18/01/2013 and signed on its behalf



Dr. Festus B. Limbu
CHAIRMAN



Mr. Raphael N. Mlolwa
DIRECTOR

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The Board Chairman,
Tanzania Cotton Board,
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 2012

Introduction

I have audited the accompanying financial statements of Tanzania Cotton Board (TCB) which comprise the Statement of Financial Position as at 30th June 2012, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Summary of Significant Accounting Policies and other explanatory notes set out from pages 13 to 47 of this report.

Directors' Responsibility for the Financial Statements

The Tanzania Cotton Board is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

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 2012 and its financial performance and its cash flow for the year then ended; are in accordance with International Financial Reporting Standards and comply with the Cotton Industry Act No. 2 of 2001 that established the Board.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act

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.



Ludovick S.L Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dares Salaam, Tanzania
29th January, 2013.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	NOTE	30.06.2012 TZS	30.06.2011 TZS
ASSETS			
Non Current Assets			
Property, Plant and Equipment	5	2,761,611,090	2,878,721,304
Investment Property	6	8,838,846,609	8,838,846,609
Intangible Assets	7	37,639,105	41,131,300
Assets Held in Trust –Treasury Registrar	8	1,842,893,098	1,842,893,098
		13,480,989,902	13,601,592,311
Current Assets			
Inventories		4,982,424	17,787,865
Trade and other receivables	9	838,294,961	405,799,283
Cash and Cash Equivalents	10	734,978,436	1,169,367,409
		1,578,255,821	1,592,954,557
TOTAL ASSETS		15,059,245,723	15,194,546,868
EQUITY AND LIABILITES			
Equity:			
Capital Fund	11	3,126,455,103	3,126,455,103
Revaluation Reserve	13	2,098,940,407	2,095,790,407
General Reserve		7,068,042,812	7,131,102,335
		12,293,438,322	12,353,347,845
Liabilities:			
Noncurrent Liabilities			
Capital Grant	12	24,500,000	-
Treasury Registrar	8	1,842,893,098	1,842,893,098
		1,867,393,098	1,842,893,098
Current Liabilities:			
Trade and Other Payables	14	348,661,422	464,033,823
Cotton subsidy due to farmers	22	516,361,264	516,461,264
Provisions	15	33,391,617	17,810,838
		898,414,303	998,305,925
Total Liabilities		2,741,307,401	2,841,199,023
TOTAL EQUITY AND LIABILITES		15,059,245,723	15,194,546,868

The Financial statements on page 13 to 44 were authorized for issue by Board of Directors on/...../2013 and signed on its behalf by:



Dr. Festus B Limbu
Chairman of the Board of Directors



Raphael N. Mlilwa
Member of the Board of Directors

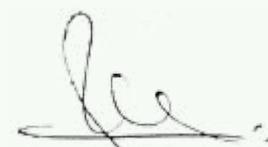
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	2011/2012 TZS	2010/2011 TZS
INCOME			
Government Subvention	25-(1)	1,111,063,852	1,188,655,654
Classification Fees		89,348,558	61,592,272
Rental Income	16	1,567,197,808	630,973,778
Other Income	17	205,821,609	366,964,831
TOTAL INCOME		<u>2,973,431,827</u>	<u>2,248,186,535</u>
LESS: OPERATING EXPENSES			
Employees Costs	18	1,334,353,645	1,198,593,359
Administrative Expenses	19	734,674,624	712,193,512
Cotton Promotion Expenses	20	540,738,813	434,674,716
Repairs and Maintenance	21	192,449,859	160,707,191
Financial Expenses		9,746,385	9,569,576
Taxes and Levies		1,624,368	13,654,625
Provision for Bad and Doubtful Debts	3.1	16,114,421	9,582,904
Provision for amortization of Intangible assets	7 5	6,642,195 200,147,040	10,907,330 85,097,319
Depreciation		<u>3,036,491,350</u>	<u>2,634,980,532</u>
TOTAL EXPENDITURE			
NET OPERATING SURPLUS/ (DEFICIT) FOR THE YEAR		(63,059,523)	(386,793,997)
Fair value gain of investment property	6	-	2,681,799,162
NET SURPLUS/DEFICIT FOR THE YEAR		<u>(63,059,523)</u>	<u>2,295,005,165</u>
OTHER COMPREHENSIVE INCOME			
Valuation reserve		3,150,000	918,474,375
TOTAL COMPREHENSIVE INCOME		<u>(59,909,523)</u>	<u>3,213,479,540</u>
ATTRIBUTABLE TO:			
EQUITY SHARE HOLDERS		<u>(59,909,523)</u>	<u>3,213,479,540</u>

The Financial statements on page 13 to 44 were authorized for issue by Board of Directors on 18.01/2013 and signed on its behalf by:



Dr. Festus B Limbu
Chairman of the Board of Directors

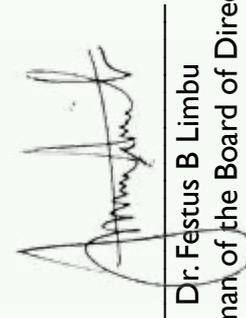


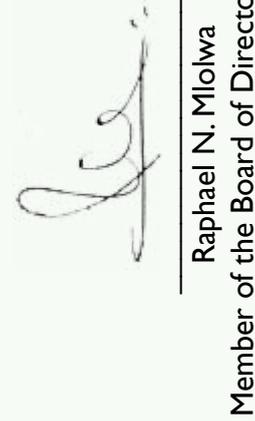
Raphael N. Mlolwa
Member of the Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

Particulars	Capital	Revaluation	General	Total
	Fund TZS	Reserve TZS	Reserve TZS	TZS
Balance as at 1 July, 2010	3,126,455,103	1,177,316,032	4,836,097,170	9,139,868,305
Surplus/(Deficit) for the Year 2010/2011	-	-	2,295,005,165	2,295,005,165
Other Comprehensive income	-	918,474,375	-	918,474,375
Balance as at 30 June, 2011	3,126,455,103	2,095,790,407	7,131,102,335	12,353,347,845
Balance as at 1 July, 2011	3,126,455,103	2,095,790,407	7,131,102,335	12,353,347,845
Surplus/(Deficit) for the Year 2011/2012	-	-	(63,059,523)	-63,059,523
Other Comprehensive income	-	3,150,000	-	3,150,000
Balance as at 30 June, 2012	3,126,455,103	2,098,940,407	7,068,042,812	12,293,438,322

The Financial statements on page 13 to 44 were authorized for issue by Board of Directors on 18.06.2013 and signed on its behalf by:


 Dr. Festus B Limbu
 Chairman of the Board of Directors


 Raphael N. Mlolwa
 Member of the Board of Directors

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net Surplus/Deficit for the Year	
Add: Items Not Involving Movement of Cash:	
Depreciation	
Amortization on Intangible Assets	
Fair value gain of Investment Property	
Assets Valuation loss	
Gain on foreign exchange	
Operating Surplus/(Deficit) Before Working Capital Changes	
(Increase)/Decrease in Inventories	
(Increase)/Decrease in Trade and other receivables	
Increase/(Decrease) in Trade and other payables	
Increase/(Decrease) in Government grants/Subsidies	
Increase/(Decrease) in provisions	
Net Changes in Working Capital Items	
Cash Flows Generated From/(Used in) Operating Activities [A]	

2011/2012 TZS	2010/2011 TZS
(63,059,523)	2,295,005,165
200,147,040	85,097,319
6,642,195	10,907,330
-	(2,681,799,162)
-	31,566,702
-	-
<u>206,789,235</u>	<u>(2,554,227,811)</u>
<u>143,729,712</u>	<u>(259,222,646)</u>
12,805,441	(14,948,265)
(432,495,678)	(109,550,109)
(132,536,837)	(776,096,234)
(100,000)	(937,987,186)
15,580,780	1,221,335
<u>(536,746,295)</u>	<u>(1,837,360,459)</u>
<u>(393,016,582)</u>	<u>(2,096,583,106)</u>

CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

Acquisition of Property, Plant and Equipment	
Acquisition of Intangible Assets	
Fixed assets acquisition adjustments	
Net Cash Flows Used in Investing Activities [B]	

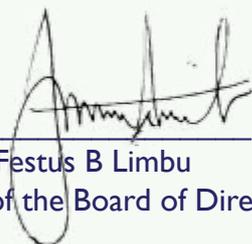
(83,036,827)	(147,000,920)
(3,150,000)	-
-	140,000
<u>(86,186,827)</u>	<u>(146,860,920)</u>

CASH FLOW FROM/USED IN FINANCING ACTIVITIES [C]

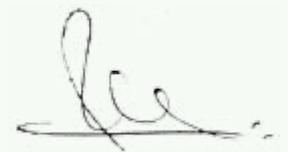
Capital Fund	
Net Increase/(Decrease) in Cash and Cash Equivalents [A+B+C]	
Net foreign exchange differences	
Cash and Cash Equivalents as at 01.07.2011	
Cash and Cash Equivalents as at 30.06.2012	

<u>27,650,000</u>	-
<u>(451,553,409)</u>	<u>(2,243,444,026)</u>
<u>17,164,436</u>	<u>115,452,180</u>
<u>1,169,367,409</u>	<u>3,297,359,255</u>
<u>734,978,436</u>	<u>1,169,367,409</u>

The Financial statements on page 13 to 44 were authorized for issue by Board of Directors on 18.01.2013 and signed on its behalf by:



Dr. Festus B Limbu
Chairman of the Board of Directors



Raphael N. Mlolwa
Member of the Board of Directors

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. GENERAL INFORMATION

Tanzania Cotton Board is a parastatal organization whose operations are governed by the Cotton Industry Act No.2 of 2001 (“the Act”) as Amended by the Crops Laws (Miscellaneous amendments) Act of 2009. 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 among other functions, advise the Government on the policies and strategies for the development of the cotton industry and regulates and control the quality of cotton and cotton by-products. The Cotton Board is a body corporate, managed by a Board of Directors with powers regarding the ownership of assets, the ability to borrow, etc.

The address of its registered office is:-

Pamba House,
3rd Floor, Garden Avenue,
PO Box 9161
Dar es Salaam.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The Tanzania Cotton Board (TCB) financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Measurement basis applied in the preparation of these Financial Statements is the historical cost convention, as modified by the revaluation of certain assets including the Fixed Assets and Inventories. The financial statements are presented in Tanzania Shillings (TZS).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Board’s accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Statement of Compliance with International Financial Reporting Standards

The Financial Statements of the Tanzania Cotton Board (TCB) are complying with all requirements of the International Financial Reporting Standards (IFRS) and interpretations to those Standards.

For the purpose of preparing financial statements for the year ended on 30th June, 2012, the Board has adopted IFRSs and IASs which are relevant to its operations. In addition to the Standards, the Board has reported directors’ report according to the requirement of the Tanzania Financial Reporting Standard (TFRS) No.1-(Directors’ Report).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Changes in Accounting Policies

(a) Standards, Amendments and Interpretations issued but not yet effective;

TCB did not apply the following revised or new IFRSs/IAS that have been issued but are not yet effective:

IAS 27, Separate Financial Statements (2011)

The amended version of IAS 27 requires that when an entity prepares separate financial statements; investments in subsidiaries, associates and jointly controlled entities shall be accounted for either at cost or in accordance with the requirement of IFRS 9 -Financial Instruments. The Standard is effective on 1 January 2013 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

IAS 28 Investments in Associates and Joint Ventures (2011),

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It also prescribes how investments in associates and joint ventures should be tested for impairment. The Standard is effective for annual period beginning on or after 1 January 2013 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

IFRS 9 Financial Instruments (2010),

The revised standard supersedes IFRS 9 (2009). The Standard incorporating revised requirements for the classification and measurement of financial liabilities. Most of the Liabilities are maintained at amortized cost measurement. However, the new requirements will apply when an entity chooses to measure a liability at fair value through profit or loss – in this case, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The Standard is effective for annual period beginning on or after 1

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies (Continued)

January 2015 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

IFRS 10 Consolidated Financial Statements;

The Standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements). The Standard is effective for annual period beginning on or after 1 January 2015 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

IFRS 11 Joint Arrangements;

The Standard replaces IAS 31 Interests in Joint Ventures. The Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The Standard is effective for annual period beginning on or after 1 January 2013 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies (Continued)

IFRS 12 Disclosures of interests in other Entities;

The standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Standard is effective for annual period beginning on after 1 January 2013 and the amendment is expected to have no impact on the financial Statements of the Cotton Board.

IFRS 13 Fair Value Measurements

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair

value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The Standard is effective for annual period beginning on or after 1 January 2013.

(b) Improvements to International Financial Reporting Standards (IFRS) issued in 2012

Improvements to IFRS were issued by the International Accounting Standard Board (IASB) in March 2012. The IFRS amendments that are relevant to TCB operations are:

IAS 24; Related party Disclosures

In the revised/ amendments, the definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

A partial exemption from the disclosures has been included for government-related entities, whereby the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- The name of the government and the nature of its relationship with the reporting entity,
- The nature and amount of individually significant transactions
- A qualitative or quantitative indication of the extent of other

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies (Continued)

a) Improvements to IFRS (Continued)

Transactions those are collectively significant

The amendments are effective for annual periods beginning on or after 1 January 2011. TCB has adopted the amendments and has no impact on the statement of financial position, statement of comprehensive income and in the cash flow statements.

IFRS 7; Financial Instruments: Disclosures

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments are effective for annual periods beginning on or after 1 July 2011. The amendments has no impact on the statement of financial position.

IAS 1; Presentation of Financial Statements;

- The amendments to IAS 1 change the grouping of items presented in OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. These amendments are applied retrospectively accordance with the requirements of IAS 8 for changes in accounting policy. The amendment is effective for annual period beginning on or after 1 July 2012 but earlier application is permitted. TCB has adopted the amendments and has no impact on the statement of comprehensive income.
- The amendments provide explanations on classification of the current/non-current liabilities that If an entity expects, and has

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.3 Changes in Accounting Policies (Continued)

a) Improvements to IFRS (Continued)

- The discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms, it shall classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as Current. The amendment is effective for annual period beginning on or after 1 January 2014 but earlier application is permitted TCB has adopted the amendments and has no impact on the statement of financial position.

2.4 Significant Accounting Policies

(a) Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity and that amount of the revenue can be measured reliably.

The major sources of revenue of the Board are Government Subventions, Rental income on leased properties and cotton lint classification fee.

Rental Income

Income is recognized on accrual basis of accounting. Rent income is recognized at the invoiced / billed amount net of Value added tax and withholding tax.

Government Subventions

The Board receive recurrent Government subventions for salaries and wages to employees and for its regulatory activities. The Government subventions are recognized when there is reasonable assurance that the Board has complied with all the conditions of the funds and that the funds will be received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.4 Significant Accounting Policies (Continued)

a) Revenue recognition (Continued)

Classification fee

The Cotton Industry Act No. 2 of 2001 mandates the Cotton Board to regulate and control the quality of cotton lint. According to this Act, all cotton ginners/cotton lint exports are required to submit cotton samples to the Board for classification.

Cotton lint is exported only after the Board has determined its quality by using the High Volume Instrument (HVI) machine. The Board is charging a fee of two US Dollar for each cotton sample. The fees are accrued and translated into Tanzanian shillings by using exchange rates at the date of transactions.

b) 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.

c) Government 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant Accounting Policies (Continued)

d) Property, Plant and Equipments (Continued)

The method used for accounting for grants in respect of capital expenditure is 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.

d) Property, plant and Equipment

The Property, plant and equipment of the Board are initially recorded at historical cost. Subsequently, the assets are measured at fair value. The assets are stated at historical costs/fair value excluding day to day servicing, 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 are charged to the profit and loss account in the period in which they relate.

Unless there is a significant change in fair value of the assets which need immediate valuation, it is the policy of the Board to revalue its assets after three to five years. The Board employs an independent valuer to determine the carrying amounts and residue value of the 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 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. In determining the proper carrying amount of the assets to be presented in the Statement of financial position in each financial year, the assets of the Board are tested for impairment to review their estimated residual amount and their economic useful life.

Land does not form part of the PPE of the Board as it is owned by the Government of the United Republic of Tanzania and therefore is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant Accounting Policies (Continued)

d) Property, Plant and Equipments (Continued)

Depreciation on other assets is calculated using the straight-line method to write off the cost of each asset over its estimated useful life at a given rate per annum.

The annual rates for the estimated useful lives for the current and comparative period are as follows:-

Particulars	Rate per Annum
Buildings	5%
Plant and Machinery	20%
Furniture and Fittings	20%
Computer Equipment and Accessories	33 ¹ / ₃ %
Other Office Equipment	20%
Motor Vehicles	25%

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. 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. Gain and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

e) Investment Properties

Investment properties are initially recorded at cost. After initial recognition, investment properties are carried at fair value. Changes in fair value are recognized in profit and loss account.

Initial recognition for the Tanzania Cotton Board's Investment Properties was done in 2004. Subsequently, the properties have been carried at fair value as per the adjustment explained in Note 6. Investment Properties comprised of buildings other than owner-occupied held by Tanzania Cotton Board for earning rentals.

f) Intangible assets

Intangible assets comprise of computer application software and computer packages. Initially they are recorded at cost and thereafter carried at their cost less any accumulated amortization and Impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.4 Significant Accounting Policies (Continued)

The Board's intangible assets have finite useful life of three years and are amortized on straight line basis. Amortization commences when the asset is available for use. Intangible assets are derecognized when no future economic benefits are expected from their use.

g) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on First in First out (FIFO) basis. 100% provision for obsolete/damaged inventories is made in the accounts on inventories whose actual loss/damage has been established.

h) Employee Entitlements

Employee entitlements to salaries, wages, retirement benefits, annual leave, and other benefits they are recognized in accrual basis.

Annual Leave

Every employee of the Board is entitled for annual leave pay and the calculation are based on actual entitlements at the current rates. Unpaid leave to employees are recognized in the Income Statement in the period as they become due for payment.

Retirement Benefit Obligations

The Board provides retirement benefits for employees under a defined contribution plan. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee's service in the current and prior periods.

The Board makes statutory Contributions to the Parastatal Pension Fund (PPF), Local Authority Pension Fund (LAPF), Public Services Pension Fund (PSPF) and the National Social Security Fund (NSSF).

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.4 Significant Accounting Policies (Continued)

(h) Employees Entitlements (Continued)

The Board's employees have right and options to register as members of either the Parastatal Pension Fund (PPF), the Local Authority Pension Fund (LAPF), Public Services Pension Fund (PSPF) or the National Social Security Fund (NSSF). 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	2011/2012 TZS	2010/2011 TZS
PPF	73,596,360	74,799,114
PSPF	2,199,600	
LAPF	1,461,600	182,700
NSSF	17,784,000	9,315,929
Total	95,041,560	84,297,743

Termination benefits

Termination benefits are recognized as an expense in the year/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 Entitlements

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.4 Significant Accounting Policies (Continued)

i) 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. The Board discloses provisions for contingent assets or liability and therefore do not appear on face of the Financial Statements.

j) Accounting for Leases

The investment property of the Board are Leased under Operating Lease where by the risks and rewards are retained by the Board (in this case the lessor) . Obligation 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.

k) 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 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 within administrative expenses. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.4 Significant Accounting Policies (Continued)

l) Trade Payables

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

m) Impairment

TCB reviews the carrying amount of its property, plants, equipments and intangible assets to see if there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. If the estimated recoverable amount of an asset is less than the its carrying amount, then the carrying amount of an asset is reduced to its recoverable amount. Impairment losses are recognized as expense in the Income Statement in the period in which the impairment has occurred.

n) Foreign currency translation

Functional and Presentation Currency

Items included in the financial statements of the Board 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 which is the Board's functional and presentation currency.

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.

3 FINANCIAL RISK MANAGEMENT

3.1 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. Risks 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 2011 is made up as follow:

3.1 Financial Risk Factors

	2011/2012 TZS	2010/2011 TZS
Cash at bank	734,978,436	1,169,367,409
Trade receivables	599,527,650	471,599,380
Staff debtors	151,863,573	110,501,037
Receivable from a related party (Note 25)	205,392,952	104,312,142
Other receivables	22,033,943	21,004,322
	<u>1,713,796,554</u>	<u>1,876,784,290</u>

Receivables from related parties include receivables from **CDTF** intercompany transactions (**TZS.200,641,565**) and receivables from Board of Directors (**TZS.4,751,387**) whereas other receivables comprise prepaid insurance premium (**TZS. 21,211,943**) and overpaid PPF contribution (**TZS.822,000**).

No collateral is held for any of the above assets. The company 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 (which are due within 360 days of the end of the month in which they are invoiced):-

	2011/2012 TZS	2010/2011 TZS
by up to 3 months	179,858,295	109,310,909
by 3 to 6 months	239,811,060	233,353,796
by 6 to 12 months	149,881,912	145,999,421
Total past due but not impaired	<u>379,290,468</u>	<u>235,817,401</u>
Impaired	<u>16,114,421</u>	<u>9,582,904</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 below are the contractual undiscounted cash flows. Balances due within 12 months are assumed to equal their carrying balances,

	Less than 1 year TZS '000'	Between 1 and 2 years TZS '000'	Between 2 and 5 years TZS '000'
At 30 June 2012			
Trade and other payables	139,464,568	122,031,495	87,165,659
Deferred Govt. subsidies	-	516,341,264	-
Payable to related party	-	-	-
	<u>139,464,568</u>	<u>638,372,759</u>	<u>87,165,659</u>
At 30 June 2011			
Trade and other payables	193,347,480	163,078,563	107,607,780
Deferred Govt. subsidies	516,461,264	-	-
Payable to related party	-	-	-
	<u>709,808,744</u>	<u>163,078,563</u>	<u>107,607,780</u>

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Preparation of the Cotton Board 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.

The 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Significant accounting estimates and assumptions (Continued)

(a) Significant accounting estimates and assumptions

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.

Revaluation of Property, Plant and Equipment and investment properties

The Board engaged an independent valuation specialist (The proper Consults) to estimate fair value of the assets as at 30th June 2011.

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 Valuer used 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.

(ii) Significant judgments in applying the entity's accounting policies

In the process of applying the Board's accounting policies, Management has made the following judgments which have the significant effect in the amounts presented in financial statements:

Operating lease commitments.

The management of the Cotton Board has entered into contractual agreement with tenants (lessees) on its investment properties under

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Significant judgments in applying the entity's accounting policies (Continued)

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.

The assets future economic benefits to an entity

The 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 refers 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.

5. PROPERTY, PLANT AND EQUIPMENT

Cost / Valuation	Property	Plant & Machinery	Motor Vehicles	Office Fixtures and Equipment	Computer Equipment and Accessories	Total
At 1 July 2011	2,110,868,239	196,404,572	347,689,492	140,942,501	82,816,500	2,878,721,304
Additions	45,868,055	24,500,000	-	4,588,800	8,079,972	83,036,827
Transfers /adjustments	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-
Bal. as at 30th June 2012	2,156,736,294	220,904,572	347,689,492	145,531,301	90,896,472	2,961,758,131
Depreciation						
At 1 July 2011	-	-	-	-	-	-
Charge for the period	68,338,200	30,926,640	59,551,911	20,330,640	20,999,650	200,147,041
Transfers /Adjustment	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-
Bal. as at 30th June 2012	68,338,200	30,926,640	59,551,911	20,330,640	20,999,650	200,147,041
Net book value as at 30th June 2012	2,088,398,094	189,977,932	288,137,581	125,200,661	69,896,822	2,761,611,090

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost / Valuation	Property	Plant & Machinery	Motor Vehicles	Office Fixtures and Equipment	Computer Equipment and Accessories	Total
At 1 July 2010	1,497,431,094	246,600,095	578,330,000	180,522,163	149,304,495	2,652,187,847
Additions	-	24,799,855	10,169,942	44,184,417	67,847,157	147,000,920
Transfers/Adj	-	-	-	-140,000	-	-140,000
Revaluation Adj	613,437,145	-74,995,378	-240,810,000	-83,624,079	-134,335,151	79,672,537
At 30 June 2011	2,110,868,239	196,404,572	347,689,492	140,942,501	82,816,501	2,878,721,304
Depreciation	15,303,578	64,968,873	451,216,000	79,045,672	76,429,959	686,964,082
At 1 July 2010						
Charge for the period	3,884,828	22,407,856	5,301,000	-27,113,305	26,390,330	85,097,319
Revaluation Adjustment	(19,188,406)	(87,376,729)	(456,517,000)	(106,158,977)	(102,820,289)	(772,061,401)
At 30 June 2011	-	-	-	-	-	-
Net book value At 30 June 2011	2,110,868,239	181,631,222	347,689,492	140,942,501	82,816,501	2,878,721,304

6 INVESTMENT PROPERTY

At the beginning of the year, Investment properties were valued at Tsh. 8,838,846,609 and remained the same as at 30th June 2012. The fair values of the Investment Properties as at 30th June 2012 are shown below:-

	2011/12 TZS.	2010/11 TZS.
Balance as at 1 July 2011	8,838,846,609	6,157,047,447
Additions	-	-
Fair value gain (Recognized in P&L)	-	2,681,799,162
Balance as at 30th June 2012	8,838,846,609	8,838,846,609

7 INTANGIBLE ASSETS

The Intangible Assets were revalued on 30th June 2011 to Tsh 41,131,300. The decrease in value of the intangible assets was recorded in profit and loss account. The movement for change in fair value of intangibles assets is shown below;

INTANGIBLE ASSETS	2011/2012	2010/2011
Cost/Valuation:		
Balance as at 1 July 2011	41,131,300	50,727,093`
Additions	3,150,000	-
Revaluation Adjustments	-	(9,595,793)
Balance as at 30th June 2012	44,281,300	41,131,300
Provisions for Amortization:		
Balance as at 1 July 2011	-	33,862,198
Addition amortization for the year	6,642,195	10,907,330
Revaluation Adjustments	-	(44,769,528)
Balance as at 30th June 2012	6,642,195	-
Net Carrying amount as at 30th June 2012	37,639,105	41,131,300

8 ASSETS HELD IN TRUST FOR TREASURY REGISTRAR

At the beginning of the year, the Cotton Board retained some Assets on behalf of the Treasury Registrar at net book value of TZS.1, 987,234,500. These assets represent 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 are still under custody of the Board. A letter from the Ministry of Agriculture, Food and Cooperatives dated 10th August 2011 gave the Board an authority to own and retain the assets held in trust for economic development of the Cotton Industry. In addition of that, the Ministry instructed the Board to pay outstanding liabilities of the defunct Tanzania Cotton Lint and Seed Board through collections from rental income of the same properties and the remaining balance to be used by the Board as part of its recurrent expenditures for regulatory activities. At the end of the year the Board has collected total sum of TZS.842, 017,282 as rent on leased assets. The Board used TZS.201, 933,336 to repair the assets and TZS. 495,742,544 was recognized as part of the TCB recurrent revenue in the income statement. The remaining balance of TZS.144,341,402 was retained in TCB account waiting for the TCLSB claimants to verify their claims.

The analysis of the net assets held in trust as at 30th June 2012 is as follows:-

	30.06.2012	30.06.2011
Assets Not Taken Over		
Land and Buildings (Ex TCLSB NBV)	2,721,184,500	2,721,184,500
Transferred to Tanzania Building Agency	(733,950,000)	(733,950,000)
	1,987,234,500	1,987,234,500
Less: Liabilities Not Taken Over		
Sundry Creditors - Local	52,617,826	52,617,826
Sundry Creditors - Foreign	13,762,266	13,762,266
Insurance Payable (Premiums Unpaid)	77,961,310	77,961,310
	144,341,402	144,341,402
TOTAL NET ASSETS HELD IN TRUST	1,842,893,098	1,842,893,098

9 TRADE AND OTHER RECEIVABLES

	2011/2012 TZS.	2010/2011 TZS.
Trade receivables	599,527,650	471,599,380
Receivables from CDTF(Note 25)	200,641,565	97,660,655
Staff receivables(TCB Funds)	151,863,573	76,885,519
Staff Receivables(TGT funds)	0	33,615,518
Insurance Prepaid	21,211,943	21,004,322
Receivables from other related parties(Note 25-(3) b)	4,751,387	6,651,387
	822,000	
Receivables from PPF	978,818,118	707,416,781
Sub -Total		
Less: Provision for Bad and Doubtful Debts	140,523,157	(301,617,498)
TOTAL	838,294,961	405,799,283

As at 30th June 2012, trade receivables of TZs. 140,523,157 was impaired and fully provided for. The Movements in provision for impairment on receivables is shown below:

	2011/2012 TZS.	2010/2011 TZS.
Balance at the beginning of the year	301,617,498	259,247,515
Charge for the year	16,114,421	9,582,904
Write off	(180,839,688)	-
Provision Due to Exchange rate movements	3,630,926	32,787,079
TOTAL	140,523,157	301,617,498

The provisions due to exchange rates movements are adjusted in the foreign exchange gain or loss account because do not affect debtors balances maintained in foreign currency. This is due to the fact that there was no movement (addition invoices or payments) in debtor's balances rather the movement was due to exchange rates

10 CASH AND CASH EQUIVALENTS

The management of TCB is projecting to get a loan facility of 4 billion from Tanzania Investment Bank (TIB) for warehouse rehabilitations. At the end of the year; the Board has already opened a current account with the Bank. The cash and cash equivalent balances as at 30 June 2012 were as shown below:

	2011/2012 TZS.	2010/2011 TZS.
NBC Limited General Accounts	52,540,602	87,467,910
NBC Limited – Samora Branch Account	23,243,280	168,119,251
NBC Limited- Forex Account	0	29,883,593
CRDB Bank Limited - Azikiwe Account	31,181,473	43,218,735
CRDB Bank Limited - Forex Account	46,667,789	286,978,453
CRDB Bank Limited - Mbeya Account	2,591,544	2,972,970
CRDB Bank Limited –Mwanza Account	61,543,680	31,280,378
CRDB Cotton Price Subsidization	516,341,264	516,461,264
TIB Bank Current Account	500,000	-
Cash in Hand	368,802	2,984,855
TOTAL	734,978,436	1,169,367,409

11 CAPITAL FUND

The figure for the TCB Capital funds 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 30.06.2012 is analyzed hereunder:-

Assets Taken Over	2011/2012 TZS.	2010/2011 TZS.
Land and Buildings (Net)	2,883,702,500	2,883,702,500
Motor Vehicles	54,634,944	54,634,944
Office Furniture and Fittings and Equipment	13,122,126	13,122,126
Computer Equipment and Accessories	2,886,166	2,886,166
Domestic Furniture	1	1
Staff Receivables	48,515,252	48,515,252
HVI Machinery	138,960,000	138,960,000
Cash and Bank Balances	143,008,059	143,008,059
Sub- Total	3,284,829,048	3,284,829,048
Less: Liabilities Taken Over	133,751,596	133,751,596
Deferred Income (Received in 2003/2004)	545,786	545,786
PAYE Payable	8,800,000	8,800,000
Audit Fees` Payable (For 2003/2004 Accounts)	7,637,267	7,637,267
Accrued Expenses	521,170	521,170
TPAWU Payable	7,108,126	7,108,126
VAT Payable	10,000	10,000
Staff Benevolent Fund	158,373,945	158,373,945
TOTAL (Net)	3,126,455,103	3,126,455,103

12 CAPITAL GRANT

During the year, the Board received one unit of power generator from one of the Tenants at a nominal value. 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 market replacement cost of TZS 35,000,000. On the other hand, the asset was treated as capital grant and recognized in the income statement 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:

	2011/12	2010/11
Balance as at 1 July 2011	–	–
Received during the year	35,000,000	–
Released to income statement	(10,500,000)	–
Balance as at 30 June 2012	24,500,000	–

13 REVALUATION RESERVE

The revaluation reserve amounting to Tzs. 2,098,940,407 as at 30 June, 2012 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 by Property Consultants Company Limited. The basis of valuation adopted was Replacement Cost Method. The reserve is not available for distribution.

14 TRADE AND OTHER PAYABLES

	2011/2012 TZS.	2010/2011 TZS.
Business Payables	95,388,382	52,940,157
Treasury Registrar Current Account	144,341,401	322,823,341
Tanzania Gatsby Trust Fund (TGT)	66,154,842	0
Rular Development Corporation	4,375,904	4,375,904
VAT payables	12,555,865	5,537,351
Other Creditors	7,681,228	68,557,070
Accrued Expenses	18,163,800	9,800,000
TOTAL	348,661,422	464,033,823

15 PROVISSIONS

	2011/2012 TZS.	2010/2011 TZS.
Provision for Audit Fees	22,420,000	16,000,000
Water bill	442,430	306,778
Telephone bill	1,093,497	763,360
Electricity	954,018	0
Unpaid annual leave	8,358,372	0
Lubricants	0	251,500
Medical charges	123,300	489,200
TOTAL	33,391,617	17,810,838

16 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 has 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 495,742,544 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(refer Note 8 above). The following is an analysis of the total rental income recognized in the financial period:

	2011/12 TZS	2010/11 TZS
Rental Income from TCB property	1,111,490,008	657,598,459
Rental Income as Part of Govt Asst.	495,742,544	
Less: Withheld Tax	(40,034,744)	(26,624,681)
TOTAL	1,567,197,808	630,973,778

17 OTHER INCOME

	2011/2012 TZS.	2010/2011 TZS.
Gain on foreign exchange fluctuations	20,721,512	149,853,615
Recovery of insurance claim	-	10,615,976
Fund from CDTF for Monitoring services	100,000,000	70,000,000
Miscellaneous Income	85,100,097	136,495,240
TOTAL	205,821,609	366,964,831

18 EMPLOYEES COSTS

Salaries and Wages	620,477,721	599,688,863
Allowance for Senior Officers	35,978,013	27,074,633
Acting Allowances	633,039	10,785,750
Terminal Benefit/Subsistence Allow	41,738,004	49,180,197
Gratuity	5,605,688	2,410,500
Staff House Allowances	66,643,810	52,033,052
Pension Contributions	95,041,560	84,297,743
Transfer and Disturbance Allowances	17,709,110	34,160,095
Training Expenses	122,235,567	105,144,649
Staff Uniforms	1,870,000	138,000
Staff Benevolent Expenses	2,458,500	1,517,000
Workers Meeting	3,923,423	12,432,790
Staff Amenities	71,840,063	60,385,420
Medical Expenses	67,733,577	36,319,984
Traveling Expenses - Local Leave	123,120,348	56,514,165
Traveling Expenses – Workers Council	13,798,000	23,572,210
Workers Day Expenses	18,321,493	15,467,300
Staff Recruitment Expenses	25,225,729	27,471,008
TOTAL	1,334,353,645	1,198,593,359

19 ADMINISTRATIVE EXPENSES

	2011/2012 TZS.	2010/2011 TZS.
Legal and Professional Charges	11,373,413	12,599,285
Printing and Stationery	57,254,567	54,638,359
Newspapers and Periodicals	4,445,700	4,082,500
Subscriptions	1,405,000	603,415
Postage, Telephones and Telegrams	44,224,143	37,336,109
Internet Services	23,834,626	7,084,910
Donations	11,087,900	718,000
Entertainment	15,235,239	5,874,601
Water and Sewerage	12,196,484	10,342,581
Directors' Remuneration	5,800,000	5,800,000
Directors' Expenses	92,158,329	170,812,194
Audit Fees Expenses	22,420,000	16,850,000
Other Audit Expenses	15,508,894	14,406,399
Electricity Charges	55,653,343	77,742,985
Tender Meeting Expenses	14,234,250	4,965,990
Management Meeting Expenses	681,461	1,859,745
Fuel	59,833,313	40,037,950
Motor Vehicle Repair and Maintenance	60,034,184	29,066,107
Extra duty	24,957,306	18,839,000
Assets valuation loss	0	31,566,702
Budget Preparation Expenses	4,302,392	1,525,000
Assets valuation and Stock Taking Exp	13,488,500	12,837,150
Insurance	45,126,188	36,218,051
Sanitation Expenses	29,302,847	22,130,103
Security Services	51,554,374	41,939,876
Traveling Expenses – On Duty	57,955,691	51,344,500
Agency and Debt Collection Fees	606,478	972,000
TOTAL	734,674,624	712,193,512

20 COTTON PROMOTION EXPENSES

	2011/2012 TZS.	2010/2011 TZS.
Conference Expenses	78,554,256	71,196,953
Farmers Education Expenses	3,057,176	5,907,993
Advertising Expenses	16,829,675	10,010,071
Subscriptions	40,504,277	35,365,155
Buying Post Inspection cost	72,554,584	68,050,369
Ginnery Inspection cost	56,993,997	55,317,497
Cotton Classing Costs	48,161,693	54,450,566
Inspectors Meeting Costs	5,751,500	5,740,600
Law Enforcement Costs	80,652,266	69,273,644
Cotton Quality Seminar Costs	15,740,913	2,463,000
Fuel	7,535,551	7,228,099

Motor Vehicle Repairs & Maintenance	35,253,242	22,023,171
Stakeholders Meeting Expenses	31,514,120	12,656,098
Strategic plan cost	7,750,000	3,980,000
Export Promotion	2,453,958	-
Season Launching Expenses	2,550,000	4,440,000
Government Cotton Price Subsidies	-	1,999,500
Parliamentary Meeting on Cotton	34,881,605	4,572,000
TOTAL	540,738,813	434,674,716

21 REPAIRS AND MAINTENANCE

Repairs of Office Buildings	32,375,565	10,827,680
Repair of Godown	17,982,650	14,391,399
Repairs of Staff Houses	32,446,523	35,659,238
Repairs of Furniture and Equipment	36,013,036	31,767,178
Repairs & Maintenance of HVI Machine	11,565,150	32,612,034
Repair and Maintenance of Generator	6,048,226	400,085
Repair and Maintenance of Computers	52,924,632	25,646,430
Repairs of Motor Vehicles	3,094,077	9,403,147
TOTAL	192,449,859	160,707,191

22 SUBSIDY PAYMENT DUE TO COTTON FARMERS

	2011/2012 TZS.	2010/2011 TZS.
TZS 80 per kg for 250m estimated kg	20,000,000,000	20,000,000,000
Payment made to date	(19,483,658,736)	(19,483,538,736)
Amount due to farmers	516,341,264	516,461,264

23 CAPITAL COMMITMENTS

There were no capital commitments as at 30th June, 2012.

24 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 1.1.10 (The Directors Report) of these financial statements.

25 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') [IAS 24.9].

- a) 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(here referred as the reprinting entity) and the Ministry, Directors, Management as well the Cotton Development Trust Fund (CDTF) . The nature of their relationships with the Board is explained as follows;

(1) RELATED PARTY TRANSACTIONS WITH THE MINISTRY OF AGRICULTURE FOOD 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 2011/2012 the Board received total sum of TZS 1,111,063,852 for personal emoluments (PE) and other charges (OC) as detailed below.

Government Subventions:	2011/12	2010/11
Expenditure for Personal emoluments	728,922,252	695,654,104
Expenditure for Other Charges	382,141,600	493,001,550
Total	<u>1,111,063,852</u>	<u>1,188,655,654</u>

(2) RELATED PARTY TRANSACTIONS WITH THE COTTON DEVELOPMENT TRUST FUNDS (CDTF).

a) 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 at Ilonga and Ukiriguru .

b) 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 .

c) 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.

d) 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 Ginner

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

	2011/2012 TZS.	2010/2011 TZS.
(i) Payments Incurred on Behalf of CDTF	1,568,836,617	1,085,983,154
(ii) Receipts from CDTF	<u>(1,368,195,05)</u>	<u>(988,322,499)</u>
(iii) Outstanding Balances Arising from Receipts and Payments Receivable from CDTF: (Note 9)	<u>200,641,565</u>	<u>97,660,655</u>

(3) RELATED PARTY TRANSACTIONS WITH KEY MANAGEMENT AND DIRECTORS.

a) Key Management Personnel

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:

	2011/2012 TZS.	2010/2011 TZS.
Short term benefits:		
Basic Salaries	142,875,000	133,236,000
Allowances	27,164,000	26,592,000
	<u>170,039,000</u>	<u>159,828,000</u>
Long term benefits:		
Pension	21,931,250	21,785,400
Gratuity	-	4,500,000
	<u>21,931,250</u>	<u>26,285,400</u>
TOTAL	<u>191,970,250</u>	<u>186,113,400</u>

b) Directors

In 2010/11, a non-interest bearing loan of TZS. 8,351,387 was given to two Members of the Board. The loan is recovered through Directors' sitting allowances. At the end of the financial period, the total sum of TZS 3,600,000 has already been recovered and the remaining balance of TZS 4,751,387 recognized as other receivables (Note 9 above).

Other benefits given to Members of the Board are as follows:

Short term benefits:	2011/2012 TZS.	2010/2011 TZS.
Directors fees	5,800,000	5,800,000
Directors allowances	51,533,839	106,794,499
Directors Travelling	40,624,490	63,608,695
TOTAL	97,958,329	176,203,194

26 EVENTS AFTER THE REPORTING PERIOD

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.

27 PRIOR YEAR ADJUSTMENTS

The Treasury Register Account for the Net Assets Held in Trust under Note 8 has been restated to reflect prior year position. The adjustments did not change the net surplus/deficit of the Board.

The table below show prior year adjustments for Net Assets Held in Trust.

	TZS
Net Assets Previous reported	1,513,800,847
Sundry Creditors - Local	909,202
Sundry Creditors - Foreign	126,330,350
Insurance Payable (Premiums Unpaid)	87,479,324
Unfulfilled contract Claims	114,373,375
Restated Net Assets Held in Trust	1,842,893,098

28 COMPARATIVE YEAR'S FIGURES

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



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