



# Tanzania Cotton Board



Annual Report and Accounts  
for the year ending on 30<sup>th</sup> June 2010





# Tanzania Cotton Board



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# **TANZANIA COTTON BOARD (TCB)**

## **OUR VISION**

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

## **OUR MISSION**

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



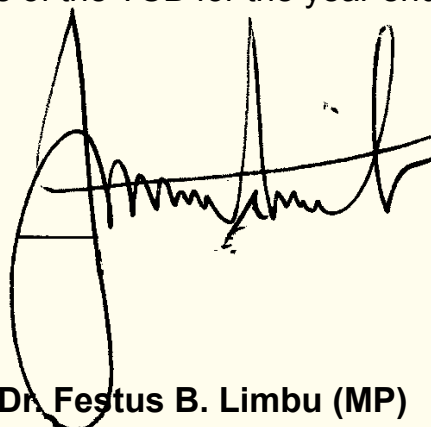


## Letter of Transmittal

**Hon. Prof. Jumanne Maghembe (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<sup>th</sup> June 2010.



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



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## DEFINITION OF TERMS AND ABBREVIATIONS

1. AIDS : Acquire Immune Deficiency Syndrome
2. CDTF : Cotton Development Trust Fund
3. EC : Emmulsifiable Concentrate
4. EU : European Union
5. FANRM : Food Agriculture and Natural Resources Management
6. IAS : International Accounting Standards
7. IASB : International Accounting Standards Board
8. ICT : Information Communication Technology
9. IFRIC : International Financial Reporting Interpretations Committee
10. IFRS : International Financial Reporting Standards
11. MAFC : Ministry of Agriculture Food and Cooperatives
12. NSSF : National Social Security
13. PPF : Parastatal Pension Fund
14. PSPF : Public Service Pension Fund
15. SDL : Skill Development Levy
16. TCB : Tanzania Cotton Board
17. TCLSB : Tanzania Cotton Lint and Seed Board
18. TZS : Tanzanian Shillings
19. ULV : Ultra-Low Volume
20. VAT : Value Added Tax
21. The Act : The Cotton Industry Act No. 2 of 2001.
22. IFRIC : A Committee charged by IASB to review on timely basis within the context of current IFRS and the IASB framework accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidelines with a view to reaching consensus on the appropriate accounting treatment.
23. Investment Property : Is a property held to earn rentals or for capital appreciation or both.
24. Intangible Assets : Is an identifiable non monetary asset without physical substance.



## Message from the Chairman



On behalf of the Board of Directors of the Tanzania Cotton Board (TCB) it is my pleasure to present the Annual Performance Report for the financial year ended 30<sup>th</sup> June, 2010. In brief, the report provides an assessment on the operational performance and challenges facing TCB and suggestions on how it can achieve its intended mission.

The year 2008/09 witnessed a downturn in the prices of cotton in the world market due to global financial and economic crisis that began in late 2008, which had major effect to America and EU countries economies. The developing cotton producing countries like Tanzania suffered most so during the year TCB received Government Cotton Price subsidy to the tune

of TZS 20 billion to assist farmers for the low cotton prices as a result of the impact caused by the global financial crisis. TZS 19,440,173,866 has been paid out in this financial year. The remaining balance of TZS 556,826,134 is held in Cotton Price Subsidization Account.

Also part of the Cotton Insecticide Subsidy which was provided by the Government in 2008/09 (to the tune of TZS 2.0 billion) was utilized in this season to reduce the price of insecticides from TZS 3000 per acre pack on 1,202,772 acre packs of EC formulation to TZS 2,100 and ULV from 5,500 to 4,600 per litre on 99,718 litres. The remaining balance of TZS 827,759,000 is retained by the Board awaiting Government decision on its utilization.

Limited financial support from the Government and inadequate revenue from internal sources continued to prevail in the period under review, thus making it difficult for TCB to meet many of the challenges facing the country's cotton industry. Monitoring of marketing operations and cotton quality using the workforce of only about 60 employees continued to be an insurmountable task taking into consideration the number of over 8,000 buying posts and 43 ginneries to be monitored.

During the period under review, the operations of TCB were financed by way of Government subsidy of TZS 1,450,088,884 and internal sources of TZS 826,420,997 (which included rental income of TZS 407,338,604 from investment property, regulatory income of TZS 84,817,585 and other income of TZS 334,264,808 from other operational activities) making a Total of TZS 2,276,509,881 whereas total operating expenditure was TZS 2,063,103,861, thus leaving a net surplus of TZS 213,406,020. As usual the developmental and promotional activities continued to be financed by voluntary contributions from cotton stakeholders as per Public Private Partnership Agreement of 2006 under the Cotton Development Trust Fund.

The 2009/10 farming season experienced unfavourable weather conditions coupled with introduction of new system of input distribution all adversely affected the crop yield in this period. As a result, cotton production plummeted from last year's production of 368,697 tons to only 267,004 tons. Apart from low production growth of the cotton industry continued to be affected by a number of challenges including the following:-

- Inadequate extension services which limit productivity to only 750 kilograms per hectare as compared to the world's average of 2000kg/ha.
- Poor cotton quality;
- Continued inadequate local processing of lint into textiles and apparel;





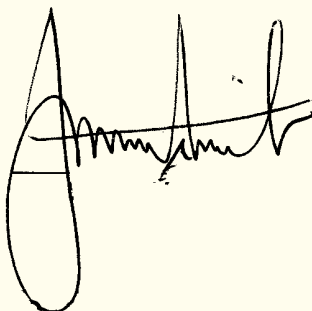
- Low level of expenditure in research development activities;
- Poor infrastructure in particular feeder roads and cotton storage facilities at village level;
- Inadequate resources for the TCB to spearhead issues of cotton promotion and development;

A number of steps have continued to be taken to alleviate the problems, among them include the following: -

- Finalise the introduction of contract farming for cotton, an arrangement which has been piloted in Musoma and Bunda districts since 2008/09 farming season so that this starts in all cotton growing areas come season 2011/12.
- Continuing with a program that helps in conservation agriculture and development of a strong textile sector financed by Gatsby Trust Foundation of UK with the eventual intent of increasing productivity and value addition.
- Creating an enabling environment for the basic farmers in preparation of the introduction of the contract farming by strengthening their Cotton Growers Association through the Cotton Development Trust Fund.

A strong political will and support from all players at all levels to meet the challenges facing the industry are the only vehicles to sail us through.

Finally, I would like to thank my fellow Members of the Board of Directors for their invaluable support and advice towards realization of the Boards assigned objectives during the past year. Many thanks are to TCB Management and Staff who have worked diligently and tirelessly to make it possible for the Board to accomplish its planned commitments during this period though with limited resources. The Board is grateful to the Ministry of Agriculture, Food Security and Cooperatives for steady guidance and support to the operations and activities of the TCB. Last but not least, the cooperation offered by Cotton Ginners, Farmers and other stakeholders in the cotton industry is enormous and highly valued.



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



## Message from the Director General

The financial year ending on 30<sup>th</sup> June 2010 was the fourth since financing of TCB's statutory functions of regulating the cotton industry started being wholly financed by the government and those relating to promotion being met by the cotton industry itself. Some of the major events and activities during the period in question were as follows:-

- The cotton marketing season was officially opened at the village of Mayani in Musoma district. The season kicked off with a starting producer price of 360 shillings per kilogramme of seed cotton and it reached 440 shillings after a government subsidy of 80 shillings per kilogramme compared to the 540 shillings paid to farmers in the preceding financial year. This is due to the effects of the world's economic crisis.
- The 2009/10 marketing season witnessed a decline of cotton output by 27% from 368,697 bales in 2008/9 to 267,004 bales due to farmers reaction to anticipated low cotton prices in the wake of unfolding world's economic crises.
- The 2009/10 financial reporting period witnessed the unfolding of the effects of the world's economic crisis which started in the previous financial year, hence the low cotton prices this year, the low cotton yields which has made some of the cotton merchants failing to honour their forward contracts to deliver cotton.
- Ilonga and Ukiriguru research centres continued with the efforts of undertaking research activities with a support from the sub sector through the Cotton Development Trust Fund by financing the two centres' activities to the tune of Tshs 200,888,360 in this financial year.
- In this financial year TCB in collaboration with the Tanzania Gatsby Trust continued to undertake the Cotton and Textile Development programme which seeks, among other things, to raise cotton productivity and output to 271,000 tons lint and domestic consumption of cotton to 51% by 2015.
- The achievements from the pilot of contract farming undertaken in Mara Region under the Cotton and Textile Development programme indicate increased yield of between 485 and 620 kg per acre, improved cotton quality and increased level of transparency at buying posts.

While the details on the activities undertaken by TCB are discussed in brief in this annual report a point worth mentioning here is that, TCB continues to struggle against the challenges of a growing mismatch between its core obligations to the industry and the manpower and financial resources available to achieve these obligations.



Marco C. Mtunga  
**DIRECTOR GENERAL**



## TANZANIA COTTON BOARD

### Board of Directors



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



**Mr. Christopher M. Gachuma**  
Member



**Mr. Raphael N. Mlola**  
Member



**Dkt. Mbete Mshindo Msolla**  
Member



**Mr. Clement Gregory Mabina**  
Member



**Mr. Robert Jongela**  
Member



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

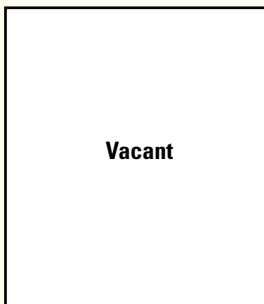




## TANZANIA COTTON BOARD Present Management Staff



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

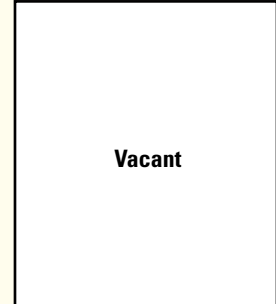


**Vacant**

Director of Regulatory Services



**Mr. Henry J. Munuo**  
Director of Finance and  
Administration



**Vacant**

Director of Development and  
Promotion



**Mr. Jones K. Bwahama**  
Zonal Director



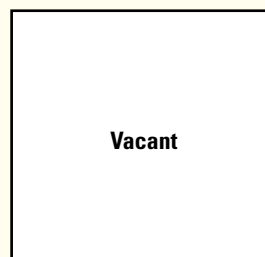
**Mr. Charles P. Gongoh**  
Internal Auditor



**Ms. Elizabeth A. Msuya**  
Legal Counsel



**Mr. Ndema Mapunda S.**  
Information Technology  
Officer



**Vacant**

Planning Officer





## PERFORMANCE OVERVIEW FOR THE YEAR 2009/2010

An estimated 404,414 ha were sown to cotton during the 2008/09 cropping season. This represented a 10% decline in crop area when compared to the 450,000 ha under cotton in the previous season. The apparent decline in crop area was by and large due to some farmers opting out of cotton for fear of an anticipated decline in cotton prices in the wake of unfolding economic and financial crises. By November and December 2008 farmers had become aware of the two crises and have had about what was happening to their colleagues in Uganda and other developing countries such as India and China in the Northern hemisphere. As a result, during 2009/2010 marketing season cotton outputs declined by 27% from 368,697 of 2008/2009 to 267,004 tons. The decline was attributable to;

1. Farmer's reaction to anticipated low prices in the wake of unfolding crises;
2. The rainfall regime being sub-optimal and poorly distributed during the growing season; and
3. Insect attack being unchecked due to most farmers failing to spray their cotton in the aftermath of the suspension of pass book system.

**Table 1: Seed Cotton Production from 2007/2008, 2008/2009 and 2009/2010**

Zone	Region	2009/2010	2008/09	2007/2008
WCGA	Shinyanga	174,162	220,808	128,285
	Mwanza	59,637	75,744	41,814
	Mara	10,986	53,283	13,081
	Tabora	4,700	13,451	11,698
	Kagera	15,650	2,559	4,257
	Singida	294	1,300	581
	Kigoma	1,336	1	238
	<b>WCGA</b>	<b>266,765</b>	<b>367,145</b>	<b>199,954</b>
ECGA	Manyara	172	898	540
	Morogoro	33	307	98
	Kilimanjaro	6	84	23
	Pwani	19	84	47
	Tanga	5	157	1
	Iringa	4	23	1
	<b>ECGA</b>	<b>230</b>	<b>1,552</b>	<b>710</b>
<b>Total</b>		<b>267,004</b>	<b>368,697</b>	<b>200,664</b>

### COTTON BUYING AND MARKETING

Official 2009/2010 buying season was inaugurated in Musoma District at Mayani village. During this season the number of cotton buyers licensed to buy cotton was only 34 in contrast to 42 during the 2008/09 season. The decline was a direct result of bad economic circumstances which had prompted some buyers to exit the market as a result of financial losses and subsequent failure to secure bank loans. The two largest regional cooperative unions namely SHIRECU and NCU were again involved in cotton buying alongside the private buyers. Producer prices as of 22<sup>nd</sup> June were 360 shillings per kg of seed cotton. However they rose to 440 shillings per kg by the second week of July following a government decision to add 80 shilling per kg as an interim measure to boost producer prices. In the wake of the economic and financial crises, the suggested producer price of 360 shilling per kg (equivalent to 49 cents per pound FOT) was lower than a suggested price of 400 shillings (equivalent to 60 cents FOT) offered during the 2008/09 season. The intension of the government was to try to stabilize producer prices in the aftermath of the crises. As a result the farm gate prices of 440/= prevailed throughout the season, in contrast to 540/= peak price in the preceding season of 2008/2009.



## COTTON GINNING

A total of 41 ginneries were inspected and permitted to operate in the buying season of 2009/2010. Two out of the total were for the ECGA. A total of 24 ginneries were Double Rollers, whereas, the other 17 were Saw Gins. The ginneries passed for 2009/2010 buying season were, as summarized in Table 3.

**Table 2: Ginning Performance for 2009/10 Season**

S/No	Ginnery	Deliveries (kg)	Bales Produced	Average GOT (%)		
				Lint	Seed	Waste
1	Alliance Ginneries	17,033,523	31,544	35.22	61.86	2.92
2	Aham Investment	6,901,348	12,780	34.47	60.94	4.59
3	Afrisian – Shinyanga	16,719,243	30,962	34.97	61.91	3.11
4	Afrisian – Sangu	8,392,815	15,542	34.37	62.09	3.54
5	Al Adawi – Lalago	681,980	1,263	34.43	60.84	4.73
6	Badugu Ginning Co.	6,014,777	11,138	35.65	62.03	2.32
7	Biore (T) Ltd.	4,081,940	7,559	35.22	62.38	2.40
8	Birchand Oil Mill Ltd.	10,551,640	19,540	35.52	62.91	1.57
9	BOFA	88,760	164	34.60	61.50	3.9
10	Biosustain	601,837	1,115	36.84	60.68	2.48
11	Copcot Cotton Trading	1,793,670	3,322	35.85	62.65	1.50
12	Chesano	2,815,001	5,213	35.62	62.17	2.21
13	Fresho Investment Co.	13,285,970	24,604	34.07	62.28	3.64
14	Gaki Investment Co. Ltd	16,347,400	30,273	33.66	62.29	4.06
15	Hassanal Walji	2,034,687	3,768	34.74	60.47	4.80
16	ICK Cotton Oil	5,502,220	10,189	35.77	62.38	1.86
17	Intergrated Cotton Field	1,605,892	2,974	34.30	61.83	3.87
18	Jambo Oil Mill	16,773,740	31,062	33.86	61.30	4.84
19	KBL Enterprises Ltd	2,168,590	4,016	34.19	61.17	4.65
20	KCCL-Bukoli	9,826,420	18,197	36.39	62.38	1.23
21	KCCC-Kahama	9,679,500	17,925	35.53	62.11	2.36
22	Kahama Oil Mill	16,236,038	30,067	34.42	62.11	3.47
23	MSK Solutions	3,397,399	6,291	35.98	61.81	2.21
24	Nyanza Cotton Oil Mill	5,316,210	9,845	34.66	62.30	3.05
25	NCU (1984) Ltd	3,708,998	6,868	35.56	62.56	1.88
26	NGS Investment Co Ltd	10,952,720	20,283	33.60	61.71	4.68
27	NIDA Textile Mills	8,214,168	15,211	34.91	61.57	3.52
28	Nsagali Co Ltd	3,057,380	5,662	34.32	61.98	3.70
29	Olam (T) Ltd	22,799,140	42,221	35.81	62.70	1.49
30	Roko Investment	3,061,179	5,669	35.49	61.03	3.48
31	S&C Ginning Co	17,152,590	31,764	35.79	62.17	2.05
32	S.M. Holdings Ltd	4,683,396	8,673	35.40	62.11	2.49
33	SHIRECU (1984) Ltd	3,995,342	7,398	34.56	61.29	4.15
34	Vitreco Oil	4,023,500	7,451	36.20	61.84	1.96
35	Vearrian (T) Ltd - Igunga	7,265,942	13,455	35.88	61.62	2.50
<b>Sub Total – WCGA</b>		<b>266,764,955</b>	<b>494,009</b>			
<b>Sub Total – ECGA</b>		<b>239,045</b>	<b>443</b>			
<b>Grand Total</b>		<b>267,004,000</b>	<b>494,452</b>			

In the course of cotton marketing and ginning, some operators shown in Table 3 infringed the Cotton regulations and were accordingly punished.



**Table 3: Punishment for Offenders**

S/No.	Ginnery	Punishment	Offence	Fine
1	Badugu Ginning	License suspended	Poor ginning	1,300,000Tsh
2	Fresho Inv. Ltd	License suspended	Mixed grades	1,000USD
3	Afrisian - Shinyanga	License suspended	Mixed grades	-
4	NGS Inv. Co. Ltd	License suspended	Contamination	1,000USD

**COTTON INPUT SUPPLY**

The Cotton Development Trust Fund (CDTF) could not import insecticides in 2009/2010 as a result of pesticide balance which remained in the previous season. The balance of 1,225,788 acre packs was distributed and applied by the farmers in 2009/2010 season, as shown in Table 4.

**Table 4: Insecticides Supplied in 2009/2010 Farming Season**

S/No.	Insecticides	Acre packs from TCB store	Acre packs from Ginners' stores	Total Supplied to Farmers
1	Helerat 5EC	12,158	1,272	13,430
2	Insectido 5EC	182,795	4,296	187,091
3	Lambdex 5EC	164,422	17,870	182,292
4	Lambdex Super 315 EC	95,441	5,818	101,259
5	Attakan C 344 SE	109,987	8,019	118,006
6	Karate 5 EC	130,019	12,251	142,270
7	Fastac 10 EC	8,316	146,697	155,013
8	Zetabestox 10 EC	84,578	102,370	186,948
9	Fenkil 20 EC	64,437	23,645	88,082
10	Fury 0.6 ULV	2,726	48,671	51,397
	<b>Total</b>	<b>854,879</b>	<b>370,909</b>	<b>1,225,788</b>

**Table 5: Distribution of Cotton Insecticides and Sprayers**

S/No.	Region	Acre packs	Sprayers
1.	Shinyanga	648,059	5,115
2.	Mwanza	281,312	1,930
3.	Mara	144,718	1,110
4.	Tabora	66,012	580
5.	Kagera	35,769	300
6.	Singida	2,500	180
7.	Kigoma	1,000	100
Sub Total – WCGA		1,179,370	9,315
8.	Manyara	14,000	45
9.	Morogoro	9,375	43
10.	Kilimanjaro	4,850	17
11.	Pwani	2,775	70
12.	Tanga	2,500	10
13.	Iringa	172	3
Sub Total – ECGA		31,172	188
<b>Grand Total</b>		<b>1,210,542</b>	<b>9,503</b>



## COTTON RESEARCH

Cotton related research funded by the cotton industry is conducted at Ilonga and Ukiriguru Research Stations. The overall objective of cotton research is to increase productivity and profitability through development of varieties and other production technologies.

During the 2009/10 farming season, the cotton research program carried some 8 activities at Ukiriguru namely variety development, quality monitoring, use of organic and in organic fertilizer, adoption of good agronomic practices, empowering extension staff with skills and knowledge, potentiality of integrated soil fertility management, study of cotton natural enemies and cotton inter-cropping.

At Ilonga Research Station 10 activities were carried during the 2009/10 farming season. These were multiplication of promising cotton lines for on-farm testing, maintenance of cotton germplasm, investigation on changes of soil fertility status with time under continuously Cotton cultivated land, effect of rotating cotton with Sorghum, cow pea and pigeon pea on soil fertility, biological control, integrated pest management training on cotton, demonstration on the recommended cotton production practices and use of sprayers, cotton scouting technique demonstrations, evaluation of insecticides on cotton and maintenance of infrastructure related to cotton research.

A total of Tshs 200,888,360/= were made available for cotton research activities from the Fund for Both Ukiriguru and Ilonga Research Stations.

## COTTON CLASSIFICATION

Cotton classification is undertaken by the Tanzania Cotton Board at the two laboratories in Mwanza and Dar es salaam. During 2009/2010 the cotton quality was poor as a result of number of reasons among them being due to the suspension of input passbooks leading to ineffective crop spraying. The overall results on cotton quality were as shown in Table 6.

**Table 6: Cotton Grades**

Bales Produced	Bales Classed	Grades		
		<i>Gany and above</i>	<i>Below Gany</i>	<i>Yika and Undergrade</i>
494,448	403,506	186,015 (46%)	208,599 (52%)	8,892 (2%)

## COTTON EXPORTS

Cotton lint exports and destinations were as shown in Table 7 and the exporters were as shown in Table 8.





**Table7: Cotton Lint Export for 2009/2010 by Destination**

Country	Lint (tons)	Value in US\$
Bangladesh	1,040.33	1,381,790.70
China	7,117.50	9,182,880.25
Eritrea	58.50	64,033.20
India	6,418.04	7,864,084.47
Indonesia	11,792.82	14,370,050.97
Italy	35.10	48,060.80
Japan	19.50	36,200.00
Kenya	682.50	867,986.00
Malaysia	1,794.39	2,366,700.19
Mauritius	534.30	685,781.94
Morocco	21.84	28,790.00
Portugal	389.81	529,985.00
Taiwan	638.43	762,200.90
Thailand	6,518.66	8,064,619.37
Turkey	136.50	170,547.00
Vietnam	13,115.90	13,970,118.32
<b>Total</b>	<b>50,314.10</b>	<b>60,393,829.11</b>

**Table 8: Performance of exporters during 2009/2010 season**

Exporter	Bales	Value in USD
Afrisian	38,164	9,267,710.51
Aham	5,338	1,083,309.00
Al adawi	990	282,184.88
Alliance	14,131	3,252,574.32
Ami Tanzania Ltd	12,270	1,789,823.00
Biore	6,120	1,510,099.04
Biosustain	2,353	588,453.40
Birchand	25,140	5,756,623.60
Chesano	300	63,703.00
Copcot	1,478	315,812.00
Cotton Agency	4,800	988,569.00
Fresho	900	198,450.00
Gaki	5,819	1,335,003.00
Kahama Oil Mill	2,300	901,246.00
Kahama Cotton company	8,023	1,774,286.69
Livercot	7,494	1,480,418.00
MSK Solution	1,976	438,306.00
NGS	5,503	1,185,408.00
Nsagali	500	53,961.00
Nyanza Cotton Oil	2100	461,354.00
Olam	52,874	13,800,123.70
Roko	1,160	232,316.00
Roshan	17,701	4,155,772.00
S&C Ginning	22,548	5,460,664.99
S.M. Holdings	6,375	1,531,174.00
Vearian	1000	308,377.00
Vitreco	2,664	764,039.00
<b>Total</b>	<b>252,021</b>	<b>60,393,829.11</b>

## EXTENSION SERVICES TO COTTON FARMERS

Agricultural extension and information services play an important role in agriculture development. In recognition to that the Tanzania Cotton Board in 2009/2010 marketing season strived to educate cotton farmers on Good Agricultural Practice using different programmes as follows:

### Radio Programmes

'Pamba yetu' radio programme, is weekly aired in accordance with what is going on in farmers' fields as per cotton crop calendar. It goes on air on every Tuesday at 6.30-6.45 pm. through 'TBC Taifa'. In the season under review 'Pamba yetu' was also being aired on 'Radio Free Africa'. However, it was discontinued due to exorbitant charges and lack of space on prime times. Radio programmes are important because it is still the main way that rural farmers get news.

### Cinema Shows

Cinemas programmes on Good Agricultural Practices were shown in villages both in the Western Cotton Growing Area (WCGA) and Eastern Cotton Growing Area (ECGA), in the season under review. Cinema plays an important role in agricultural extension work and in improving the educational level of rural Tanzanian farmers. The Board, through Cotton Development Trust Fund (CDTF) have already bought two cinema vans for the purpose.

### Training on Pesticides and Applicators

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

### Pamba Day Celebrations

In the marketing season of 2009/2010 Pamba Day was celebrated at Msae village in Singida Region. Various issues pertaining to cotton production were shared at the occasion. Amongst others, evaluation of what had been achieved throughout that cotton season was done and good performers among the stakeholders were accorded recognition and accordingly, awarded prizes by the Guest of Honour.

### Education through Leaflets and Brochures

Leaflets showing Good Agricultural Practices were printed and distributed to both Western Cotton Growing Area (WCGA) and Eastern Cotton Growing Area (ECGA). It is still very important that education is imparted to farmers using various ways and means, including the leaflets and brochures which have shown a very big impact so far.

### Nane Nane Shows

The Board participated in Nane Nane shows at Mwanza ground, Nzuguni Dodoma and the Mwalimu Nyerere grounds in Morogoro. These shows have shown to be of great value to farmers' education on the cotton crop. In all the three zones/regions the Tanzania Cotton Board performed exemplary well and out-classed other crop Boards, in the category.

## COTTON AND TEXTILE DEVELOPMENT PROGRAMME

In 2007, Gatsby Trust contracted an expert team to complete a feasibility study that identified the constraints along the whole cotton and textile supply chain, and then worked with sector stakeholders



to set up a series of interventions addressing these constraints. Gatsby UK has already committed approximately £6m to the Cotton Textile Development Programme over four years, and intends to provide additional funding where needed to ensure the success of the Programme.

In the cotton sector, the Programme aims to double the yields of Tanzania's 400,000 plus cotton farmers. Interventions include introducing improved cotton seed, promotion of conservation agriculture among farmers, and setting up contract farming between ginners and farmers to enable access to inputs.

For the textile sector, efforts have been going on to promote exports, encourage internal investment, attract foreign direct investment into the sectors, and improve the availability of skilled resource through a Tanzania Gatsby Trust supported Programme with VETA and The College of Engineering and Technology (CoET).

Below is a summary of what has been achieved within the three years of the Cotton and Textile Development Programme:-

### **Seed Multiplication**

The programme has been working closely with Ukiriguru, Quton and the TCB to ensure farmers have access to improved varieties of cotton seeds. This is primarily being achieved through the seed development of new varieties, multiplication of UK91 seed by Ukiriguru research institute in Mwanza. Once delinted, UK91 is expected to deliver significant yield increases for farmers. Additionally TCB and CDTF have entered into contract with Quton (private firm) to manage the production of seed.

### **Research**

In addition to its work on UK91 and in support of the introduction of improved seed varieties the programme has been working with Ukiriguru to identify and produce favourable cotton varieties that can subsequently be introduced to the market.

### **Conservation Agriculture**

Building on internationally recognised best practise, the programme has been refining conservation agriculture techniques for the Tanzanian cotton sector, as well as promoting its adoption by farmers. By introducing minimum tillage planting, improved water management and proven inter-cropping techniques, the programme is focused on improving farmer yields through better practises and minimal agricultural inputs.

### **Contract Farming**

Based on wide stakeholder support, contract farming in cotton was first piloted in Mara region during the 2008-09 and 2009-10 seasons. Although in year one drought affected farmers plots, the benefits of contract farming was widely recognised by both participating farmers and ginners. During this initial pilot over 26,000 farmers were provided inputs on credit by their associated ginner. The subsequent results were very encouraging as cotton yields increased by between 12-25% and repayments for inputs has averaged over 80%. Through the pilots, the programme and TCB have been able to refine its understanding on how to organise farmers (Farmer Business Groups) and manage the provision of inputs. While there are still issues to be resolved, the pilots have been instrumental in providing what works and what doesn't work.

### **Textile**

The textile component of the programme is aimed at increasing the local utilisation of cotton and is organised around four key components:





1. Promoting textile and garment sales
2. Facilitating new value chain investments
3. Improving enterprise competitiveness
4. Strengthening sector organisations

### Information and Communication Technology

During this period, the board finalized the implementation of Online Integrated Cotton Information (OICIS) which uses web interface and General Packet Radio Service (GPRS) technologies that facilitate data collection from cotton growing areas to the head office.

With collaboration with Tanzania Gatsby Trust, the board continues to support, maintain and upgrade Pambanet, an online information system for the management of contract farming, whereby farmers, ginnery and the board can communicate via Short Message Service (SMS), using mobile phone and web interface.

In this financial year the Board recruited ICT Officer; to manage and maintain Computer hardware, Computer Software, Computer Systems and oversee all ICT activities as the board is continuing to expand and invest in ICT.

ICT audit recommendations were implemented whereby Server rack and Server room were bought and constructed respectively, and also Pastel database server was put in secure place. This has enhanced ICT security, stability and resilience.

The board's IT Security Policy has been formulated and is in final stages to be implemented.

### Legal Matters

The Board of Directors held two (2) ordinary meetings and one extra ordinary meeting that deliberated on various issues pertaining to regulatory, promotion and administrative matters, also during the year the President assented the Crops law (miscellaneous amendments) of which several changes were introduced including

- Inclusion of the contract farming;
- Redefining the Board's functions;
- The mechanism for financing of the shared function; and
- Controller and Auditor General being responsible for the auditing of the Board's annual accounts as opposed to any reputable audit firm.

### Personnel Matters

As at 30<sup>th</sup> June, 2010, the Board had a workforce of 59 employees, 57 being employed on permanent & pensionable terms and 2 engaged on contracts. However, during the period under review, one employee retired from the services of the Board after reaching compulsory retirement age.





In order to keep the employees well informed in their fields of work, the Board financed short courses in Human Resources Solutions and Auditing the Public Sector in South Africa. The foregoing notwithstanding, the accounting and engineering staff continued to attend Continued Professional Education programs in their fields.

### **Management Structure**

The Board falls under the Ministry of Agriculture, Food Security and Cooperatives. The overall control and direction of the Board's activities is under the Board of Directors consisting of, for the year under review, nine members. The Chief Executive Officer of the Board is the Director General who is the accounting officer for the day to day activities of the Board. During the period under review, the Director General was assisted by two Heads of Directorates namely, Director of Regulatory Services and Director of Finance & Administration. Apart from the two directorates, there were two advisors, the Legal Counsel and Internal Auditor. The Western Cotton Growing Area was manned by the Zonal Director.

However, TCB organisation structure provides for the directorate of cotton development & promotion services, planning unit and zonal office for the Eastern Cotton Growing Area, the positions which the Board has failed to fill due to financial constraints.



# BOARD OF DIRECTORS' REPORT

## 1.0 INTRODUCTION

The Board of Directors of the Tanzania Cotton Board has the pleasure to present its Annual Report and Financial Statements for the period of one year from 1 July, 2009 to 30 June, 2010.

## 2.0 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 confirm 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 30<sup>th</sup> June, 2010.

## 3.0 MEMBERSHIP OF THE BOARD OF DIRECTORS

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

- (i) The Chairman appointed by the President upon advice of the Minister for Agriculture, Food Security and Co-operatives for the time being;
- (ii) A member from Tanzania Cotton Association;
- (iii) A member from Cotton Growers Association;
- (iv) A member from the Ministry of Regional Administration and Local Government; and
- (v) 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	Status
1. Hon Dr. Festus B. Limbu (MP)	Chairman	Tanzania	Re-appointed 24 <sup>th</sup> April, 010
2. Dr Mbetete M. Msolla	Member	Tanzanian	Appointed 24 <sup>th</sup> Apr 010
3. Mr George B. M. Wasira	Member	Tanzanian	Re-appointed 24 <sup>th</sup> April, 010
4. Mr Raphael N. Mlola	Member	Tanzanian	Re-appointed 24 <sup>th</sup> April, 010
5. Mr Christopher M. Gachuma	Member	Tanzanian	Re-appointed 24 <sup>th</sup> April, 010
6. Mr Robert Jongela	Member	Tanzanian	Appointed 24 <sup>th</sup> Apr 010
7. Mr Clement G. Mabina	Member	Tanzanian	Appointed 24 <sup>th</sup> Apr 010
8. Hon Lucas L. Seleli (MP)	Member	Tanzanian	Retired 24 <sup>th</sup> Apr 010
9. Hon Fred Tunga Mpendazoe (MP)	Member	Tanzanian	Retired 24 <sup>th</sup> Apr 010
10. Hon James P. Musalika (MP)	Member	Tanzanian	Retired 24 <sup>th</sup> Apr 010
11. Hon John M. Shibuda (MP)	Member	Tanzanian	Retired 24 <sup>th</sup> Apr 010
12. Dr. Nicodemas P. Sicilima	Member	Tanzanian	Retired 24 <sup>th</sup> Apr 010

#### 4.0 FUNCTIONS OF THE BOARD

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

- To advise the government on the policies, strategies and all other matters relating to the development of the cotton industry;
- To promote the development of the industry;
- To provide for the licensing of persons engaged in the marketing and processing of cotton or cotton by products;
- To make regulations for the control or eradication of cotton pests and diseases;
- To assist directly or through financial support, research and development and extension services;
- To ensure free competition, fair trade, and to set and monitor indicative prices as established by market forces;
- To protect the interests of farmers against syndicate of buyers;
- To promote the establishment of societies or associations of stake-holders and monitor their activities;
- To promote and regulate the quality, marketing and export of cotton;
- To collect, refine, maintain, or disseminate information or data relating to the cotton industry;



- (k) To make regulations for cultivation, marketing, processing, importation, exportation and storage of seed cotton and cotton lint;
- (l) To receive and administer any fund established under the Act;
- (m) To represent the government in all international forums relating to or dealing with cotton industry; and
- (n) To permit or license buyers and exporters of seed cotton, cotton lint and operators of ginneries.

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

- (a) to issue export permits for cotton seed, cotton lint and other cotton by-products;
- (b) to establish quality standards for cotton seed, seed cotton and cotton lint and to ensure the compliance of such standards by person licensed by the Board;
- (c) to provide for a forum for discussions and negotiations among various stakeholders in the sector;
- (d) to determine the manner and quantity of cotton seed which any ginner or owner of seed cotton shall retain for the purpose of planting having regard to geographical location; and
- (e) to 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 provision of this Act.

## **5.0 FINANCE AND ADMINISTRATION MATTERS**

### **5.1 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 sixth year of operation for the Tanzania Cotton Board established under the above Act. During the year under review, the Board earned revenue of TZS. 2,276,509,881 compared to TZS 2,057,061,910 that was earned during the previous year, representing an increase of 11%. However, during the same period, operating expenses were TZS.1,860,908,017 compared to TZS 1,617,176,504 in 2008/2009, excluding depreciation, provision for bad and doubtful debts and provision for impairment of intangible assets, representing an increase of 15%. The net surplus after taking into consideration depreciation, provision for bad and doubtful debts and provision for impairment of intangible assets amounting to TZS 173,971,054, TZS 13,567,155 and TZS 14,657,635 respectively, was TZS 213,406,020.





The Board's operating results for the period ended 30 June, 2010 were as shown below:

	2010 TZS'000	2009 TZS'000
<b>Total Revenue</b>	2,276,509	2,057,062
<b>Less: Total Expenditure</b>	2,063,103	1,857,178
<b>Surplus/(loss)</b>	213,406	199,884

### 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, 2 (two) employees retired from the Board's services. The staff position as at 30<sup>th</sup> June, 2010 was as shown below:-

Department	Position as at 30.06.2010	Position as at 30.06.2009
Director General's Office	4	3
Regulatory Finance & Administration	20	36
Regulatory	35	21
<b>Total</b>	<b>59</b>	<b>60</b>

Two employees were employed on contractual basis as storekeepers, to safeguard TCLSB properties at our Kurasini godowns in Dar es Salaam and Mwanjelwa Ginnery in Mbeya.

### Solvency Position

The Board's state of affairs as at 30 June, 2010 is reflected in these financial statements.

## 6.0 TRENDS AND FUTURE PROSPECTS

### 6.1 Board of Directors Meetings

The Board of Directors held two (2) ordinary and one (1) extraordinary meeting during the year under review which deliberated on various issues pertaining to regulatory, promotion and administrative matters, among them being the 2009/10 annual budget and audit report for the period ended 30 June, 2009.

### 6.3 Cotton Price Subsidization

During the year the Board received Government Cotton Price Subsidy to the tune of TZS 20 billion to assist farmers for the low cotton prices as a result of the impact caused by the global financial crisis. TZS 19,440,173,866 has already been paid out in the financial year 2009/2010. The remaining fund balance of TZS 559,826,134 is held in Cotton Price subsidization Account as disclosed in note (9) to the Financial Statements.



#### 1.4 Cotton Insecticide Subsidy

The Government provided cotton insecticide subsidy for the year 2008/2009 to the tune of TZS 2 billion, part of which (TZS 1,172,241,000) was utilised to reduce the price from TZS 3,000 per acre pack on 1,202,772 acre packs of EC formulation to TZS 2,100 and ULV from 5,500 to 4,600 per litre on 99,718 litres. The remaining balance of TZS 827,759,000 is retained by the Board awaiting the Government decisions.

#### 1.5 Cotton Industry Act No. 2 of 2001

During the year, the President assent the Crops Laws (Miscellaneous Amendments). The laws amended Act No. 2 of 2001 which became effective on 1<sup>st</sup> July, 2004 after consultation with various cotton stakeholders. Several changes were introduced and become operational including the definition of regulatory function; introduction of contract farming; the composition of the Board of Directors and the recognition of the Controller and Auditor General as the Auditor of the Board's accounts etc. The amendments were passed in November, 2009's Parliamentary session.

#### 1.6 Defunct TCLSB Assets Under Treasury Registrar

Some assets held in Trust at the beginning of the year which represented net-assets of the defunct Tanzania Cotton Lint and Seed Board which were not vested to Tanzania Cotton Board as at 1<sup>st</sup> July, 2004 but they were still under custody of the Board were to be handed to the Tanzania Building Agency through an Instrument of Transfer dated 23<sup>rd</sup> May, 2008. The actual transfer of the assets took place in November, 2008. The remaining assets amount to TZS 1,513,800,847.

Further, the Ministry of Agriculture, Food and Cooperatives instructed that TZS 935,000,000 collected by the Board from renting of the Go-downs be used to pay unpaid Defunct TCLSB debt of TZS 895,040,403. The remaining amount shall be remitted to the Treasury.

### 7.0 FINANCIAL PERFORMANCE FOR THE YEAR 2009/2010

During the year ended 30 June, 2010 Tanzania Cotton Board had a surplus of TZS. 213,406,020. The increase in surplus was mainly caused by TZS.219 million increases in income which was mainly due to the increase in government subsidy from TZS 1.166 billion to 1.45 billion.

### 8.0 EMPLOYEES WELFARE

- **Health Policy (Medical Expenses)**

The Board accepts responsibility to provide medical and dental treatment on cost sharing basis to its employees and their families. The total cost the Board incurred in medical expenses for the year 2009/2010 was TZS. 54,911,808.

- **HIV/AIDS Policy**

The management of HIV/AIDS is an important challenge for 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
- 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, we held 4 and 3 meetings with Head Office and Zonal office employees respectively to discuss issues pertaining to the operations of the Board and the 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 on the basis of staff training programme. 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.

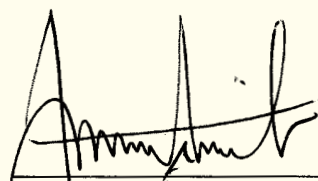
## 9.0 AUDITORS


R & S Associates appointed as independent auditors of the Board was renewed by the Controller and Auditor General as per letter Ref. No. DF.314/641/dated 1 September, 2010.

## 10.0 CONCLUSION

The present Board has a challenge of fostering cotton yield in order to achieve the set goal of producing 1000 kgs per acre by year 2015.

### BY ORDER OF THE BOARD

  
 CHAIRMAN  
 24 Feb 2011  
 DATE

  
 DIRECTOR  
 24/02/2011  
 DATE





## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA COTTON BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010

I have audited the accompanying financial statements of Tanzania Cotton Board which comprise the statement of financial position as at 30 June 2010, 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 41 of this report.

### Directors' Responsibility for the Financial Statements

The Board of directors of 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 control 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 (ISSAIs) 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 audit evidence about the amounts and disclosures in the financial statement. 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 Tanzania Cotton Board 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 Tanzania Cotton Board 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, Sect.10 (2) of the 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 instruction 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 Reg.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.



# STATEMENT OF COMPREHENSIVE INCOME

Annual Report and Accounts for the year ending on 30<sup>th</sup> June 2010

## Basis of opinion

I could not get strong evidence and confirmation from farmers to support payment of TZS 2bill made by the Board through cotton buyers as subsidy for cotton bought at TZS 360 per kilogram at the beginning of cotton season during the year under review. Therefore, the amount stated in the financial statement as cotton subsidy payable to farmers may be understated.

## Qualified Opinion

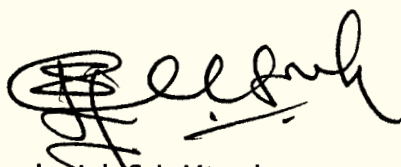
In my opinion, except for the matters referred to above, the financial statements present fairly in all material respects the financial position of the Tanzania Cotton Board as at 30<sup>th</sup> June 2010, its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Cotton Industry Act, 2001.

## Emphasis of Matter

I draw attention to the Board for a need to conduct full investigation to establish actual cotton subsidy amount paid to farmers and the real outstanding balance to be paid.

## Report on Compliance with the Procurement Legislation

In view of my responsibility on the Procurement legislation, and taking into consideration the procurement transactions and process I reviewed as part of this audit, I state that Tanzania Cotton Board has to great extent complied with the requirements of the Public Procurement Act No. 21 of 2004 together with its related Regulations save lack of Procurement Management Unit.



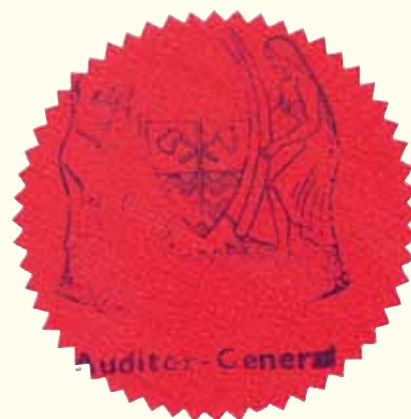
Ludovick S.L. Utouh

**CONTROLLER AND AUDITOR GENERAL**

National Audit Office,  
Dar es Salaam, Tanzania

1<sup>st</sup> March, 2011

Controller and



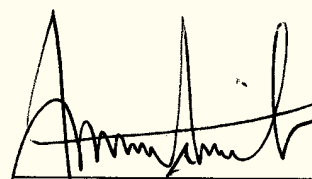
# STATEMENT OF FINANCIAL POSITION


Annual Report and Accounts for the year ending on 30<sup>th</sup> June 2010

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

ASSETS	NOTE	2009/2010 TZS	2008/2009 TZS
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	1,965,223,765	2,035,361,858
Intangible Assets		16,864,894	28,595,032
Investment Property	6	<u>6,157,047,447</u>	<u>6,157,047,447</u>
		8,139,136,106	8,221,004,337
<b>Current Assets</b>			
Inventories		2,839,600	1,130,245
Assets Held in Trust –Treasury Registrar	7	1,513,800,847	1,513,800,847
Trade and other receivables staff receivables	8	296, 249,175	575,172,120
Cash and Cash Equivalents	9	3,297,359,255	1,983,885,213
		<u>5,110,248,877</u>	<u>4,073,988,425</u>
<b>TOTAL ASSETS</b>		<u>13,249,384,983</u>	<u>12,294,992,762</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Capital Fund	10	3,126,455,103	3,126,455,103
Revaluation Reserve	11	1,177,316,032	1,177,316,032
General Reserve		4,836,097,170	4,622,967,630
		9,139,868,305	8,926,738,765
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Trade and Other Payables	12	2,035,889,697	1,854,453,150
Cotton subsidy due to farmers	19	559,826,134	0
Treasury Registrar		1,513,800,847	1,513,800,847
		<u>4,109,516,678</u>	<u>3,368,253,997</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>13,249,384,983</u>	<u>12,294,992,762</u>

NOTES 1 TO 24 FORM PART OF THESE FINANCIAL STATEMENTS

  
 CHAIRMAN  
 24 Feb 2011  
 DATE

  
 DIRECTOR  
 24/02/2011  
 DATE





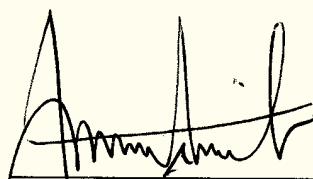
# STATEMENT OF COMPREHENSIVE INCOME


Annual Report and Accounts for the year ending on 30<sup>th</sup> June 2010

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2009/2010 TZS	2008/2009 TZS
<b>INCOME</b>			
Government Subvention		1,450,088,884	1,165,713,607
Classification Fees		84,817,585	94,478,024
Rental Income	13	407,338,604	431,151,895
Other Income	14	<u>334,264,808</u>	<u>365,718,384</u>
<b>TOTAL INCOME</b>		<u>2,276,509,881</u>	<u>2,057,061,910</u>
<b>LESS: OPERATING EXPENSES</b>			
Employees Costs	15	776,891,738	656,775,502
Administrative Expenses	16	468,488,368	463,423,839
Cotton Promotion Expenses	17	455,552,756	366,561,912
Repairs and Maintenance	18	139,694,746	114,262,925
Financial Expenses		6,484,284	4,917,486
Taxes and Levies		13,796,125	11,234,840
Provision for Bad and Doubtful Debts		13,567,155	44,729,254
Provision for Impairment of Intangible Assets		14,657,635	12,071,018
Depreciation	2	<u>173,971,054</u>	<u>183,200,854</u>
<b>TOTAL EXPENDITURE</b>		<u>2,063,103,861</u>	<u>1,857,177,630</u>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		213,406,020	199,884,280
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>			
<b>SURPLUS FOR THE YEAR</b>		213,406,020	199,884,280
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>213,406,020</u>	<u>199,884,280</u>
<b>ATTRIBUTABLE TO:</b>			
<b>EQUITY HOLDERS</b>		<u>213,406,020</u>	<u>199,884,280</u>

NOTES 1 TO 24 FORM PART OF THESE FINANCIAL STATEMENTS

  
\_\_\_\_\_  
CHAIRMAN  
24 Feb 2011  
\_\_\_\_\_  
DATE

  
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DIRECTOR  
24/02/2011  
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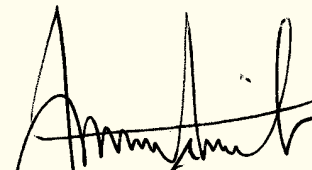
# STATEMENT OF CHANGES IN EQUITY


Annual Report and Accounts for the year ending on 30<sup>th</sup> June 2010

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Particulars	Capital Fund TZS	Revaluation Reserve TZS	General Reserve TZS	Total TZS
Balance as at 30 June, 2009	3,126,455,103	1,177,316,032	4,622,967,630	8,926,738,765
Surplus/(Deficit) for the Year 2009/2010			37,053,147	37,053,147
Fixed Asset adjustments			276,480	276,480
Balance as at 30 June, 2009	3,126,455,103	,177,316,032	4,622,967,630	8,926,738,765
<b>Balance as at 1 July, 2009</b>	<b>3,126,455,103</b>	<b>1,177,316,032</b>	<b>4,622,967,630</b>	<b>8,926,738,765</b>
Surplus/(Deficit) for the Year 2009/2010			213,406,020	213,406,020
Fixed Assets Adjustments			(276,480)	(276,480)
<b>Balance as at 30 June, 2010</b>	<b>3,126,455,103</b>	<b>1,177,316,032</b>	<b>4,836,097,170</b>	<b>9,139,868,305</b>

NOTES 1 TO 24 FORM PART OF THESE FINANCIAL STATEMENTS

  
 CHAIRMAN  
 24 Feb 2011  
 DATE

  
 DIRECTOR  
 24/02/2011  
 DATE



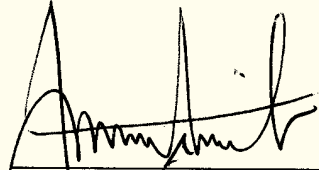
# CASH FLOW STATEMENT


Annual Report and Accounts for the year ending on 30<sup>th</sup> June 2010

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

CASH FLOWS FROM OPERATING ACTIVITIES	2009/2010 TZS	2008/2009 TZS
Net Surplus/(Deficit) for the Year	213,406,020	199,884,280
Add: Items Not Involving Movement of Cash:		
Depreciation	173,971,054	183,200,854
Amortization on Intangible Assets	14,657,636	12,071,018
Property, Plant and Equipment Adjustments	-	-
Gain on Disposal of Assets	-	-
Recovery on Insurance claims	188,628,690	195,271,872
Operating Surplus/(Deficit) Before Working Capital Changes	402,034,709	395,156,152
<b>Changes in Working Capital Items:</b>		
(Increase)/Decrease in Inventories	(1,709,354)	4,728,197
(Increase)/Decrease in Trade and other receivables	278,922,946	(256,096,243)
Increase/(Decrease) in Payables and Accruals	741,262,680	792,968,385
Net Changes in Working Capital Items	1,018,476,272	541,600,339
Cash Flows Generated From/(Used in) Operating Activities <b>[A]</b>	1,420,510,981	936,756,491
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant and Equipment	(104,109,442)	(78,995,423)
Acquisition of Intangible Assets	(2,927,497)	(29,874,287)
Proceeds on Disposal of Assets	-	-
<b>Net Cash Flows Used in Investing Activities [B]</b>	(107,036,939)	(108,869,710)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents A+B]</b>	1,313,474,042	827,886,781
Cash and Cash Equivalents as at 01.07.2009	1,983,885,213	1,155,998,432
<b>Cash and Cash Equivalents as at 30.06.2010</b>	<b>3,297,359,255</b>	<b>1,983,885,213</b>

NOTES 1 TO 24 FORM PART OF THESE FINANCIAL STATEMENTS

  
 CHAIRMAN  
 24 Feb 2011  
 DATE

  
 DIRECTOR  
 24/02/2011  
 DATE





# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 NOTES

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### GENERAL INFORMATION

Tanzania Cotton Board is a parastatal organization whose operations 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 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:-**  
**3<sup>rd</sup> Floor, Pamba House**  
**Garden Avenue**  
**PO Box 9161**  
**Dar es Salaam**

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.

#### (a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousands.

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.

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Board*

IAS 24 (revised) 'Related Party Disclosures'-effective for annual periods beginning on or after 1 January 2011. The revision exempt the Board from the disclosure requirements of paragraph 18 of the standard in relation to related party transactions and outstanding balances, including commitments, with the Government of the United Republic of Tanzania.

This plus other amendments to existing standards and new interpretations have been published and will be effective for the Board's accounting periods beginning on or after 1 January 2011, but the Board has not early adopted any of them.



## **(b) 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 and expenditure account.

## **(c) Revenue recognition**

With exception of Government subvention which is recognized on cash basis; income is recognized on accrual basis of accounting. Income is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Board. Rent income is recognized at the invoiced / billed amount net of Value added tax and withholding tax.

## **(d) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at face 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.

## **(e) Government grants**

Grants received for capital expenditure are classified as capital grants in the Balance Sheet, while grants received for operating expenses are treated as recurrent income and credited in the Income and Expenditure Account. The method used for accounting for grants in respect of capital expenditure is capital method.

## **(f) Property, plant and equipment**

Property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical costs excluding day to day servicing, less accumulated depreciation and accumulated impairment in value. Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent 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 during the financial year in which they occurred.



Increases in the carrying amount arising from revaluation are credited to a revaluation surplus reserve 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. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

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. Land is not depreciated. 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% and 25%
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 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 credited/ charged to income and expenditure account. Expenditures on tools and other minor assets are written off during the year of acquisition. However, they are recorded in memoranda registers.

## (g) Investment Property

Investment property is initially recorded at cost. After initial recognition, an investment property is carried at fair value. Changes in fair value are recognized in the income and expenditure account.

Initial recognition for the Tanzania Cotton Board's Investment Property was done in 2004. Subsequently, the properties have been carried at fair value due to valuation done on 30 June 2006 as per the adjustment explained in Note 21. Investment Property is comprised of buildings other than owner-occupied held by Tanzania Cotton Board for earning rentals. Investment Property as at 30 June 2010 was valued at TZS 6,157,047,447.

The fair values of the Investment Properties as at 30 June 2010 are shown in note 6.

## (h) 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. The Board's intangible assets have finite useful life of five years and are amortized on straight line basis with zero residual value. Amortization commences when the asset is available for use. Intangible assets are derecognized when no future economic benefits are expected from their use.





## (i) Inventories

Inventories are valued at the lower of cost and 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.

## (j) Employees benefits

### (i) Retirement Benefit Obligations

The Board makes statutory Contributions to the Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF) and 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 employees are members of the Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF) and the National Social Security Fund (NSSF) which are defined contribution plans. 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's obligations in respect of contributions to such funds are 15% of the employee's gross 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	2009/2010 TZS	2008/2009 TZS
PPF	44,112,049	42,951,458
PSPF	-	3,000,000
NSSF	<u>4,844,400</u>	<u>5,374,800</u>
<b>Total</b>	<b><u>48,956,449</u></b>	<b><u>51,326,258</u></b>

### (ii) 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.

### (iii) 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.



The estimated monetary liability for employees' accrued annual leave entitlement at balance sheet date is recognized as an expense accrued.

## **(k) Provisions**

Provisions are recognized when the Board has a present legal or constructive obligation as a result of past events, 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.

## **(l) Accounting for Leases**

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. 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.

## **(m) Income Tax**

Income tax expense is the total of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is recognized as income tax benefit or expense in the year in which it arises.

## **(n) 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 and expenditure account 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 against administrative expenses in the income and expenditure account.



## (o) Payables

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

## 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 2009 is made up as follows:

	2009/2010	2008/2009
	TZS	TZS
Cash at bank	3,297,359,255	1,983,885,213
Trade receivables	489,399,535	433,396,090
VAT receivable	11,313,035	42,950,247
Staff debtors	38,115,310	41,193,733
Receivable from a related party	-	290,378,212
Other receivables	16,668,809	12,934,198
	<u>3,852,855,944</u>	<u>2,804,737,693</u>

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):-

	2009/2010 TZS.	2008/2009 TZS.
by up to 3 months	150,627,298	203,467,268
by 3 to 6 months	59,552,056	173,469,457
by 6 to 12 months	52,363,875	198,235,395
Total past due but not impaired	<u>262,543,229</u>	<u>575,172,120</u>
Impaired	<u>13,567,155</u>	<u>44,729,254</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, as the impact of discounting is not significant.

	Less than 1 year TZS'000'	Between 1 and 2 years TZS'000'	Between 2 and 5 years TZS'000'
<b>At 30 June 2010</b>			
Trade and other payables	167,873,153	16,020,107	916,540,922
Deferred Govt. subsidies	559,826,134	894,622,316	-
Deferred income	1,095,840	-	-
Payable to related party	<u>39,737,359</u>	<u>-</u>	<u>-</u>
	<b><u>768,532,486</u></b>	<b><u>910,642,423</u></b>	<b><u>916,540,922</u></b>
<b>At 31 June 2009</b>			
Trade and other payables	162,121,968	22,829,580	767,168,113
Deferred Govt. subsidies	894,622,316	-	-
Deferred income	<u>7,711,173</u>	<u>-</u>	<u>-</u>
	<b><u>1,064,455,457</u></b>	<b><u>22,829,580</u></b>	<b><u>767,168,113</u></b>

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management continuously evaluates estimates and judgments based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.



## (i) Critical accounting estimates and assumptions

### Property, Plant and Equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment and their residual values. The rates used are set out in Note 2(f) above.

### Receivables

Critical estimates are made by directors in determining the recoverable amount of impaired receivables.

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

In the process of applying the Board's accounting policies, Management has made judgments in determining the classification of financial assets and whether assets are impaired or not.



## 5 PROPERTY, PLANT AND EQUIPMENT

	Property	Plant & machinery	Motor vehicles	Office fixtures and equipment	Computer equipment and accessories	Total
<b>Cost / Valuation</b>						
At 1 July 2009	1,466,000,000	213,643,200	578,330,000	165,334,095	124,771,110	2,548,078,405
Additions	31,431,094	32,956,895	-	15,188,068	24,533,385	104,109,442
Transfers	-	-	-	-	-	-
At 30 June 2010	<u>1,497,431,094</u>	<u>246,600,095</u>	<u>578,330,000</u>	<u>180,522,163</u>	<u>149,304,495</u>	<u>2,652,187,847</u>
<b>Depreciation</b>						
At 1 July 2009	11,418,750	44,346,607	335,761,500	56,459,222	64,730,468	512,716,547
Charge for the period	3,884,828	20,622,266	115,454,500	22,309,970	11,699,490	173,971,054
Transfers /Adjustment	-	-	-	276,480	-	276,480
At 30 June 2010	<u>15,303,578</u>	<u>64,968,873</u>	<u>451,216,000</u>	<u>79,045,672</u>	<u>76,429,958</u>	<u>686,964,081</u>
<b>Net book value</b>	<u>1,482,127,516</u>	<u>181,631,222</u>	<u>127,114,000</u>	<u>101,476,491</u>	<u>72,874,537</u>	<u>1,965,223,766</u>
<b>At 30 June 2010</b>						
<b>Cost/Valuation</b>						
At 1 July 2008	7,610,787,604	51,323,200	560,325,000	147,934,625	93,440,000	8,463,810,429
Additions	12,259,843	162,320,000	18,005,000	17,399,470	31,331,110	241,315,423
Transfers	(6,157,047,447)	-	-	-	-	(6,157,047,447)
At 30 June 2009	<u>1,466,000,000</u>	<u>213,643,200</u>	<u>578,330,000</u>	<u>165,334,095</u>	<u>124,771,110</u>	<u>2,548,078,405</u>
<b>Depreciation</b>						
At 1 July 2008	45,162,091	2,737,237	220,307,000	36,670,562	38,828,394	343,705,284
Charge for the period	3,806,250	18,249,370	115,454,500	19,788,660	25,902,074	183,200,854
Transfers /Adjustment	(37,549,591)	23,360,000	-	-	-	14,189,591
At 30 June 2009	<u>11,418,750</u>	<u>44,346,607</u>	<u>335,761,500</u>	<u>56,459,222</u>	<u>64,730,468</u>	<u>512,716,547</u>
<b>Net book value At 30 June 2009</b>	<u>1,454,581,250</u>	<u>169,296,593</u>	<u>242,568,500</u>	<u>108,874,873</u>	<u>60,040,642</u>	<u>2,035,361,858</u>



## 6 INVESTMENT PROPERTY

The fair values of the Investment Properties as at 30 June 2010 are shown below:-

Plot	30.06.2010 TZS.
Pamba House Garden Avenue	2,086,047,447
Plot 20 Godown 15-34	1,900,000,000
Plot 21 Godown No. 35	900,000,000
Plot 56 Ada Estate	73,000,000
Plot 358 Chake Chake Street.	404,000,000
Plot 93/103 Office Bloc	280,000,000
Plot 102	37,000,000
Plot 103	34,000,000
Plot 104	36,000,000
Plot 105	36,000,000
House 1 Plot 109	52,000,000
House 3 Plot 111	52,000,000
House 4 Plot 112	52,000,000
House No. 1	55,500,000
House No. 2	55,500,000
Plot No. 30 Heri Avenue	23,000,000
Plot No. 83 Bangwe Street	23,000,000
Plot No. 213 Mwanga Road	58,000,000
<b>Total</b>	<b><u>6,157,047,447</u></b>

## 7 ASSETS HELD IN TRUST FOR REASURY REGISTRAR

Assets held in Trust with amount of TZS 1,513,800,847 represent net assets of the defunct Tanzania Cotton Lint and Seed Board which were not vested to Tanzania Cotton Board as at 1 July,2004 but they were still under custody of the Board as at 30 June,2010. . A letter from the Ministry of Agriculture, Food and Cooperatives dated 6<sup>th</sup> September 2010 instructed Consolidated Holding Corporation (CHC) not to proceed with privatisation of the go-downs. The Go-downs will be retained by the Government under the custodian of the Cotton Board for economic and development activities. The Management of the Cotton Board has continued to persuade the Government to hand- over the godowns to the Board.

	30.06.2010 TZS.
<b>Assets Not Taken Over</b>	
Land and Buildings (Ex TCLSB NBV)	2,721,184,500
Transferred to Tanzania Building Agency	733,950,000
	<b>1,987,234,500</b>
<b>Less: Liabilities Not Taken Over</b>	
Sundry Creditors - Local	53,527,028
Sundry Creditors - Foreign	140,092,616
Insurance Payable (NIC – Premiums Unpaid)	165,440,634
Unfulfilled Contract Claims Unpaid by the Government	114,373,375
	<b><u>473,433,653</u></b>
<b>TOTAL NET ASSETS HELD IN TRUST</b>	<b><u>1,513,800,847</u></b>



## 8 TRADE AND OTHER RECEIVABLES

	2009/2010 TZS.	2008/2009 TZS.
Trade receivables	489,399,535	433,396,090
Intercompany receivables (CDTF)	-	290,378,212
VAT receivables	11,313,035	42,950,247
Staff receivables	38,115,310	41,193,733
Other Receivables	16,668,809	12,934,198
<b>Sub -Total</b>	<b>555,496,689</b>	<b>820,852,480</b>
Less: Provision for Bad and Doubtful Debts	<u>259,247,515</u>	<u>245,680,360</u>
<b>TOTAL</b>	<b><u>296,249,174</u></b>	<b><u>575,172,120</u></b>

## 9 CASH AND CASH EQUIVALENTS

	2009/2010 TZS.	2008/2009 TZS.
NBC Limited General Accounts	967,757,116	212,813,519
NBC Limited – Samora Branch Account	113,866,175	71,696,649
NBC Limited- Forex Account	26,340,080	25,205,007
CRDB Bank Limited - Azikiwe Account	625,550,759	991,756,159
CRDB Bank Limited - Forex Account	865,268,587	551,632,684
CRDB Bank Limited - Mbeya Account	961,194	2,757,011
CRDB Bank Limited –Mwanza Account	137,381,842	99,111,124
CRDB Cotton Price Subsidization	559,926,134	-
Standard Chartered	20,255	5,240,277
Standard Chartered –Forex Account	47,790	23,396,268
Cash in Hand	<u>239,323</u>	<u>276,515</u>
<b>TOTAL</b>	<b><u>3,297,359,255</u></b>	<b><u>1,983,885,213</u></b>

## 10 CAPITAL FUND

The figure represents excess of assets over liabilities taken over from the defunct Tanzania Cotton Lint and Seed Board as at 1<sup>st</sup> July, 2004 as per Instrument of Transfer published on Government Notice No.5 of 20.01.2006, adjusted subsequently for assets sold. The Capital Fund balance as at 30.06.2010 was TZS. 3,126,455,103 as analyzed as hereunder:-

	2009/2010 TZS.	2008/2009 TZS.
<b>Assets Taken Over</b>		
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



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Cash and Bank Balances	143,008,059	143,008,059
<b>Sub- Total</b>	<b>3,284,829,048</b>	<b>3,284,829,048</b>
<b>Less: Liabilities Taken Over</b>		
Deferred Income (Received in 2003/2004)	133,751,596	133,751,596
PAYE Payable	545,786	545,786
Audit Fees` Payable (For 2003/2004 Accounts)	8,800,000	8,800,000
Accrued Expenses	7,637,267	7,637,267
TPAWU Payable	521,170	521,170
VAT Payable	7,108,126	7,108,126
Staff Benevolent Fund	10,000	10,000
	<u>158,373,945</u>	<u>158,373,945</u>
<b>TOTAL (Net)</b>	<b><u>3,126,455,103</u></b>	<b><u>3,126,455,103</u></b>

## 11 REVALUATION RESERVE

The revaluation reserve amounting to TZS. 1,177,316,032 as at 30 June, 2010 is an aggregate surplus which arose from the revaluation of the Board's property, plant and equipment. The revaluation of the Board's assets was done on 30 June, 2006, by Property Consultancy and Services Limited. The basis of valuation adopted was depreciated market value. The reserve is not available for distribution.

## 12 TRADE AND OTHER PAYABLES

	2009/2010 TZS.	2008/2009 TZS.
Business Payables	141,612,267	138,614,818
Deferred Government subsidies	894,622,316	894,622,316
Treasury Registrar Current Account	892,910,014	767,168,113
Cotton Development Trust Fund	39,737,359	-
Other Creditors	32,418,238	33,406,294
Accrued Expenses	19,589,503	9,741,609
Provision for Audit Fees	15,000,000	10,900,000
<b>TOTAL</b>	<b><u>2,035,889,697</u></b>	<b><u>1,854,453,150</u></b>

## 13 RENTAL INCOME

Rental Income	436,718,996	456,183,325
<b>Less: Withheld Tax</b>	<b><u>(29,380,392)</u></b>	<b><u>(25,031,430)</u></b>
<b>TOTAL</b>	<b><u>407,338,604</u></b>	<b><u>431,151,895</u></b>





## 14 OTHER INCOME

	2009/2010 TZS.	2008/2009 TZS.
Interest Income	165,350	197,230
Gain on Foreign Exchange Fluctuations	75,763,574	98,896,866
Gain on Disposal of Assets	-	-
Recovery of Insurance Claim	-	-
Recovery of doubtful debts	3,694,493	66,855,136
Recovery of bad debts written off	-	10,017,918
Fund from CDTF for Monitoring services	-	100,000,000
Miscellaneous Income	254,641,391	89,751,234
<b>TOTAL</b>	<b>334,264,808</b>	<b>365,718,384</b>

## 15 EMPLOYEES COSTS

Salaries and Wages	386,337,032	409,042,177
Allowance for Entitled Officers	20,249,500	19,260,000
Acting Allowances	2,211,375	2,425,437
Skills and Development Levy	-	55,710
Terminal Benefits/Severance Allowance	5,281,000	23,520,422
Gratuity	48,822,945	15,143,025
Pension Contributions	-	51,233,934
Transfer and Disturbance Allowances	25,397,678	13,030,740
Training Expenses	77,293,765	15,661,285
Staff Uniforms	1,980,000	1,327,000
Staff Benevolent Expenses	8,155,924	350,000
Workers Meeting	4,684,499	2,458,718
Staff Amenities	46,236,065	27,780,444
Medical Expenses	54,911,808	34,127,810
Traveling Expenses - Local Leave	24,186,427	15,265,859
Traveling Expenses – On Duty	25,002,401	13,679,950
Traveling Expenses – Workers Council	14,194,119	5,810,133
Workers Day Expenses	14,627,500	7,650,811
Integrity Committee meeting	2,095,700	-
<b>TOTAL</b>	<b>776,891,738</b>	<b>657,823,455</b>

## 16 ADMINISTRATIVE EXPENSES

	2009/2010 TZS.	2008/2009 TZS.
Legal and Professional Charges	17,222,503	6,015,700
Printing and Stationery	38,459,552	27,523,281
Newspapers and Periodicals	3,248,500	3,192,900
Subscriptions	1,562,048	2,309,933
Postage, Telephones and Telegrams	37,981,029	31,800,274
Internet Services	25,915,728	13,573,103



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Donations	2,991,800	1,900,000
Entertainment	13,506,070	12,495,617
Water and Sewerage	9,372,356	9,080,029
Directors' Remuneration	-	7,400,000
Directors' Expenses	53,128,138	76,339,088
Audit Fees and Expenses	15,000,000	20,500,000
Other Audit Expenses	11,820,040	9,221,567
Electricity Charges	44,758,536	44,607,585
Tender Meeting Expenses	1,599,300	7,716,500
Management Meeting Expenses	3,739,267	2,468,651
Fuel	36,488,308	33,115,887
Motor Vehicle Repair and Maintenance	20,033,419	14,044,589
Extra Duty	18,383,500	11,738,850
Budget Preparation Expenses	5,071,128	8,490,687
Stock Taking Expenses	2,485,730	739,800
Insurance	32,558,083	22,461,908
Sanitation Expenses	21,541,861	22,110,334
Fumigation	-	2,847,733
Security Services	38,242,678	65,083,733
Agency and Debt Collection Fees	5,600,988	578,412
Staff Recruitment Expenses	7,777,806	6,067,678
<b>TOTAL</b>	<b><u>468,488,368</u></b>	<b><u>463,423,839</u></b>

## 17 COTTON PROMOTION EXPENSES

	2009/2010 TZS.	2008/2009 TZS.
Conference Expenses	31,941,152	25,205,286
Farmers Education Expenses	1,285,800	4,623,633
Advertising Expenses	11,711,462	7,139,658
Subscriptions	33,097,223	28,262,050
Buying Post Inspection cost	60,317,870	50,615,502
Ginnery Inspection cost	54,603,191	59,551,407
Cotton Classing Costs	39,690,304	53,636,564
Inspectors Meeting Costs	2,495,000	10,784,325
Law Enforcement Costs	102,892,885	104,020,533
Cotton Quality Seminar Costs	-	3,371,400
Fuel	1,587,649	3,475,005
Motor Vehicle Repairs & Maintenance	18,984,887	9,785,949
Extra Duty	-	850,000
Stakeholders Meeting Expenses	2,995,420	3,488,800
Season Launching Expenses	2,376,500	-
Strategic Plan Cost	28,000,000	1,751,800
Government Cotton Price Subsidies	63,239,013	-
Parliamentary Meeting on Cotton	334,400	-
<b>TOTAL</b>	<b><u>437,552,756</u></b>	<b><u>366,561,912</u></b>

## 18 REPAIRS AND MAINTENANCE

Repairs of Office Buildings	26,947,155	27,194,097
Repairs of Godown	4,880,550	13,711,474
Repairs of Staff Houses	25,606,760	11,045,144
Repairs of Furniture and Equipment	29,454,043	32,206,763
Repairs & Maintenance of HVI Machine	8,476,698	7,268,176
Repair and Maintenance of Generator	30,000	105,000
Repair and Maintenance of Computers	32,611,729	17,399,772
Repairs of Motor Vehicles	11,687,812	5,332,500
<b>TOTAL</b>	<b>139,694,747</b>	<b>114,262,926</b>

## 19 SUBSIDY PAYMENT TO COTTON FARMERS

	2009/2010 TZS.	2008/2009 TZS.
TZS 80 per kg for 250m estimated kg	20,000,000,000	0
Payment made to date	19,440,173,866	0
Amount due to farmers	559,826,134	0

## 20 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June, 2010.

## 21 CONTINGENT LIABILITIES

As at the year end, the Board had no contingent liabilities.

## 22 RELATED PARTY TRANSACTIONS

Tanzania Cotton Board is a parastatal organization whose operations are governed by the Cotton Industry Act, 2001 ("the Act"). The Board is controlled by the Government of Tanzania, through the Ministry of Agriculture, Food and Cooperatives.

Related party relationships exist between the Board, Directors and Management as well the Cotton Development Trust Fund (CDTF). During the year, the following transactions were carried out with related parties:

	2009/2010 TZS.	2008/2009 TZS.
(i) Payments Incurred on Behalf of CDTF	1,882,937,407	899,182,942
(ii) Receipts from CDTF	1,922,674,767	608,804,729
(iii) Outstanding Balances Arising from Receipts and Payments		
Receivable from CDTF: (Note 8)	(39,737,359)	290,378,212

## 23 RELATED PARTY TRANSACTIONS

### (iv) Key Management Personnel and Directors Remunerations

Key management short term benefits which were paid included salaries, allowances and social security contributions as follows: -





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	2009/2010 TZS.	2008/2009 TZS.
Salaries and Allowances	<b>123,142,000</b>	124,548,000
Pension and Gratuity	18,193,200	16,632,400
Directors Remunerations	<u>10,960,000</u>	<u>29,680,000</u>
<b>TOTAL</b>	<b><u>152,295,200</u></b>	<u>170,860,400</u>

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.

## 24 COMPARATIVE YEAR'S FIGURES

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











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