



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



ISO 9001:2015 Certified

**TANZANIA COTTON BOARD
(TCB)**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2024**

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AR/PA/TCB/2023/24

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap. 418.



Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
CAG	Controller and Auditor General
CDTF	Cotton Development Trust Fund
CDTF	Cotton Development Trust Fund
DC	District Council
DG	Director General
GA	Gatsby Africa
HVI	High Voltage Instrument
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standard of Supreme Audit Institutions
IT	Information Technology
MC	Municipal Council
PPA	Public Procurement Act
PSSSF	Public Service Social Security Fund
TBS	Tanzania Bureau of Standards
TCB	Tanzania Cotton Board
TCLSB	Tanzania Cotton Lint and Seed Board
TFRS	Tanzania Financial Reporting Standards
TZS	Tanzanian Shillings
URT	United Republic of Tanzania
VAT	Value Added Tax

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board,
Tanzania Cotton Board,
P.O. Box 61,
Mwanza.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Tanzania Cotton Board, which comprise the statement of financial position as at 30 June 2024, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Tanzania Cotton Board as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Tanzania Cotton Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report

Other Information

Management is responsible for the other information. The other information comprises the Report by those charged with governance, statement of management responsibility, Declaration by the Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap. 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap. 410 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods, and services

I performed a compliance audit on the procurement of works, goods, and services in the Tanzania Cotton Board for the financial year 2023/24 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, procurement of goods, works and services of Tanzania Cotton Board is generally in compliance with the requirements of the Public Procurement laws.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in Tanzania Cotton Board for the financial year 2023/24 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that Budget formulation and execution of Tanzania Cotton Board is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.


Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March 2025



2.0 REPORT WITH THOSE CHARGED BY GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2024

2.1 Introduction

The Financial Statements of Tanzania Cotton Board (TCB) for the year ended 30 June 2024 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Management is pleased to present its Draft Annual Report on behalf of Members of the Board of Directors which discloses the state of affairs of the organization in accordance with the Cotton Industry Act, Cap. 201 R.E 2002 (Act No. 2 of 2001) under which TCB is incorporated and in conformity to Tanzania Financial Reporting Standards (TFRS 1) on Directors Report.

Vision

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

Mission

To improve the production, productivity and profitability of cotton by maximizing 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 promote production, processing and consumption of cotton.

Establishment

The TCB was established under the Cotton Industry Act, Cap. 201 R.E 2002 (Act No. 2 of 2001, as amended by the Crop Laws (Miscellaneous Amendments) Act No 20 of 2009 and came into existence on 1st July 2004. TCB operates in two major cotton production zones; the Western Zone based in Shinyanga and the Eastern Zone based in Dar es Salaam. The Western Zone produces about 99% of the total cotton produced in Tanzania. The head office of the Board is located at Pamba House along the Regional Drive in Mwanza Municipal.

2.2 Functions of the Board

The main functions of the TCB are to carry out regulatory functions and such other activities necessary, advantageous or proper for the benefit and development of the cotton industry. Without prejudice to the generality of the above functions, the Board has power and responsibility: -

- a) To advice 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;

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- 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 the local (market) textile industries;
- g) To promote the development of the cotton industry; and
- h) To represent the Government in Local and International fora on matters relating to the cotton industry;

In December, 2017, the Government dissolved the management of the Cotton Development Trust fund (CDTF) and transferred its functions to the Board as a move to improve service delivery to the cotton farmers. CDTF functions includes; supporting the cotton industry in cotton research related activities, procurement and distribution of cotton inputs to farmers, facilitating provision of extension services to farmers and data collection for cotton harvest.

2.2.1 PERFORMANCE OVERVIEW FOR 2023/24

In Tanzania cotton is grown in the Western Cotton Growing Area (WCGA) and the Eastern Cotton Growing Area (ECGA). WCGA which in most cases accounts for more than 99% of total cotton production includes twelve (12) regions of Simiyu, Shinyanga, Mwanza, Mara, Kagera, Geita, Kigoma, Singida, Manyara, Katavi, Dodoma and Tabora accounting about 99% of cotton produced. The ECGA consists of five (5) regions, Morogoro, Kilimanjaro, Pwani, Tanga and Iringa contributing only about 1% of cotton produced.

Cotton production is predominantly carried out by smallholder farmers who owns about 0.5 to 10 acres. Being subsistence agriculture, cotton farming suffers from inadequate use of inputs like fertilizers and quality seeds. Farmers are not applying fertilizers on their lands and even the application of organic manure is inadequate. The majority, use hand hoe for soil preparation, planting and weeding. Moreover, cotton farming is 100 percent rain-fed of which together with the traditional farming methods, partly are responsible for low cotton productivity in the country.

Tanzania annual cotton production in recent five years ranged between 140,000 to 300,000 metric tons. The yield of seed cotton is low ranging from 124kg/acre to 350kg/acre as compared to the global average of 800kg/acre. The total land under cotton cultivation in Tanzania, ranges between 1,000,000 to 1,800,000 acres annually.

SEED COTTON PRODUCTION DURING 2023/24

Production was **282,510** tons during 2023/24 which is an increase of 108,283 tons from its preceding season of 2022/23, during which **174,486** tons, were produced. Good weather condition especially even distribution of rainfall in most cotton growing areas was the main cause of the increase in production, as cotton cultivation is 100 percent rain fed. Also, bendiness by the large number of farmers to the best agronomic practices in terms of recommended spacing, may had have improved productivity in the season under review. As expected, the

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production share of the WCGAs of the total production was **98.8%** and the regional-wise production is as shown in Table 1.

Table 1: Seed Cotton Production from 2020/2021 to 2023/24 (Ton)

ZONE	REGION	2021/22	2022/23	2023/24
WCGA	Shinyanga	16,320	21,516	37,579
	Simiyu	82,214	87,189	138,651
	Mwanza	10,235	15,919	19,065
	Geita	6,883	13,611	20,239
	Mara	5,101	7,080	11,379
	Kagera	878	1,800	2,596
	Tabora	17,448	14,545	31,711
	Kigoma	929	3,130	5,808
	Singida	2,037	1,660	4,216
	Katavi	2,150	5,433	7,638
	Dodoma	54	20	138
	Manyara	232	70	192
	TOTAL WESTERN	144,480	171,973	279,212
	PERCENTAGE OF WESTERN	99.8%	98.8%	98.83%
ECGA	Manyara	-	0	0
	Morogoro	251.398	1746	2,449
	Kilimanjaro	15.497	52	109
	Pwani	24.454	189	361
	Tanga	18.609	65	368
	Iringa	2.458	8	11
	TOTAL EASTERN	312.416	2060	3,298
	PERCENTAGE OF EASTERN	0.22%	1.2%	1.17%
	GRAND TOTAL	144,792	174,033	282,510

COTTON INPUT USE AND COST

In the recent three years, cotton input use has increased significantly due to emergence of new insect pests specifically sucking pests associated with climate change. The inputs used for the last three seasons and their associated value are shown in table 2 below. For the recent period, there has been noticeably misuse of cotton inputs including some people returning them to the markets. This situation has made the use of inputs appear to be very high and sometimes increase the debts of the Cotton Industry. The Board is continuing to work hard to ensure that it controls the wastage of inputs by using government machineries in parallel with registering farmers biometrically.

Table 2: Cotton Inputs Cost

Season	Seed (TZS)	Pesticides (TZS)	Sprayers (TZS)	TOTAL VALUE
2022/23	31,004,400,000	61,604,949,100	4,916,730,000	97,526,079,100
2021/22	21,176,400,000	41,949,270,000	368,865,000	63,494,535,000
2020/21	17,644,200,000	38,612,328,250	-	56,256,528,250

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ORGANIC COTTON

Organic Cotton production is an important niche in Tanzanian Cotton Farming Systems. Much as Tanzanian Organic Cotton share is relatively much smaller, compared to the Conventional Cotton, Tanzania is one of the leading producers both in Africa and the world, at large. In the current season of 2023/24, three main companies were involved in Organic Cotton production, including Remei (T) Ltd (5,447,572kg), Biosustain (T) Ltd (22,305,254kg), and the Alliance Ginning Co. (9,579,804kg), totaling 37,332,640 kg. For the unversed, the Tanzanian Organic Cotton is globally highly regarded, as the most authentic. This is due to the non-GMOs adoption by a country. Also, little usage of industrial fertilizers, insecticides and other pesticides in our farming systems, as well as a rigorous certification. In light of this, much of Tanzanian Organic Cotton destination is Europe contrasting Asia for conventional cottons. European textiles and garment markets tend to revert to nature which in textile-garment terms' is Organic Cotton fibre clothing. As of recently, Tanzania Cotton Board has increased its pace in production for this noble product by coordinating efforts of stakeholders to find a better organic pesticide and ensuring compliance to issued directives on organic farming. The major organic producing areas in Tanzania are Simiyu (Meatu, Maswa, Itilima and Bariadi) and Singida Regions.

SEED COTTON BUYING AND MARKETING IN 2023/24

Purchasing is done by ginners that are licensed to purchase seed cotton through the village AMCOS', buying posts. During the year under review, the Board licensed 33 Companies to buy seed cotton as opposed to 32 Companies during 2022/23. Also, during the current year, the Board certified and licensed 427 seed cotton buying posts as opposed to 454 during the preceding season. The average purchasing price under the current year was TZS. 1,200/= /kg, a decline of TZS 600/kg over TZS.1,800/kg during 2022/23.

COTTON GINNING

Ginning is the process of separating cotton fibers from seed cotton. After having purchased seed cotton from farmers, ginners process them into lint and cotton seeds by either using roller or saw gins.

Table 3: Performance of Ginners during 2023/24 Marketing Season

S/n	Company Name	Deliveries (KG)	Varied Weight BALES
1	Lugeye Ginnery	13,194,860	23,234
2	VIRA	3,026,480	5,310
3	Mapacha Cotton	7,988,013	14,820
4	Birchand Oil Mill	11,380,760	21,382
5	S.M. Holdings	8,637,520	16,205
6	ICK Cotton Oil A&B	15,843,180	24,087
7	Mwatex (2001) Ltd	196,110	373
8	Chato Ginnery	3,931,174	8,364
9	Masumbwe Ginnery	5,921,450	10,786
10	Afrisian A&B	22,940,902	41,391

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S/n	Company Name	Deliveries (KG)	Varied Weight BALES
11	Fresho Kahama	3,916,020	6,682
12	Fresho B&C	8,426,720	16,020
13	Gaki Investment A	10,213,080	17,194
14	Kahama Co-operative Union	5,175,466	11,202
15	Kahama Cotton Company (KCCL)	15,762,536	28,547
16	NIDA Textile Co. Ltd	7,321,366	14,412
17	Alliance Ginnery B&A	32,096,903	55,056
18	Biosustain (T) Ltd - Meatu	3,956,857	7,123
19	Remei	5,447,572	9,780
20	Chesano	1,391,832	2,906
21	Emmac-Hinduki	2,685,400	4,728
22	Gaki Investment - Mwandoya	2,751,692	5,096
23	Moli Oil Mills	733,012	1,370
24	Majahida - NGS Investment	8,337,860	14,969
25	SIMCU - Sola	1,825,819	3,381
26	Vitreco Oil Mill	4,280,690	7,854
27	4C Protrade	16,324,340	27,857
28	S&C Ginning	8,038,060	15,578
29	Mount Meru Millers - Igunga	2,073,600	4,026
30	Biosustain Ginnery A&B	32,125,892	61,076
31	Tanganyika Ginnery	13,445,570	29,616
32	Hannang Cotton Mills	943,406	1,734
33	Kilosa Ginnery (Upami)	1,169,470	2,576
34	Mandera Ginnery (Upami)	1,006,124	1,623
	TOTAL	282,509,736	516,358

In 2023/24, A total of 39 ginneries were Licensed by TCB to operate compared to 36 ginneries in the previous year. A total of 516,358 (varied weight) bales of cotton lint were produced out of the 282,509,736 kg seed cotton deliveries during the year under review (Table 3).

COTTON INPUTS SUPPLY

The inputs that were distributed to farmers during this year include cotton seeds for planting and pesticides. The distribution of inputs was carried out by the ginners. A total of 24,318 tons of seed for planting have distributed to farmers and 7,238,613 acrepacks of pesticides were imported by the Tanzania Cotton Board during the year under review. The seed variety distributed in both zones is UKM08.

Table 4: Quantity of pesticides supplied during 2023/24 farming season

No.	Pesticide	Quantity (A/P)
1.	Leny720EC (60mls)	591,600
2.	Satecron Plus 440EC (120ml)	5,409
3.	Power Methrin 150SC (120mls)	1,553,680
	Take 44EC (120mls)	10,008

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No.	Pesticide	Quantity (A/P)
1.	Leny720EC (60mls)	591,600
4.	Sky Plus 550EC (120mls)	32,920
5.	Atomic 230SC (120mls)	1,420,738
6.	Bodigadi 500WDG (60gms)	216
7.	Betam 175EC (120mls)	1,385,036
8.	Charisma247SC (100mls)	32,977
9.	Benkill 120EC (100mls)	1,738,772
	Benkill 120EC (500mls)	119,870
10.	Tegata (100mls)	347,388
	TOTAL	7,238,614

COTTON RESEARCH

In Tanzania cotton Research is conducted by Tanzania Agricultural Research Institute, at TARI Ukiriguru and TARI Ilonga for the Western and Eastern Cotton Growing Areas, respectively

During the year under review, more emphasis was placed on Seeds Breeding, cotton management, production and Pests control research programs.

COTTON CLASSIFICATION

Cotton classification is undertaken by the Tanzania Cotton Board at the Shinyanga laboratory whereby, the quality of cotton is described. The Tanzanian cotton is sold on the basis of Grade, together with the corresponding staple length known as Type. Accordingly, there are seven (7) grades of cotton out of which five (5) are physical and two (2) are descriptive. The basic selling grade is **Gany**, as adopted by the International Cotton Association (ICA). The cotton grades are indicated in **Table 5**.

Table 5: Tanzania Cotton Grades

Tanzania Grade	Universal grades	Remarks
Tang	Good middling	Physical
Gany+1/2	Strict middling	Physical
Gany	Middling	Physical
Gany-1/4	Strict low middling	Descriptive
Gany-1/2	Low middling	Physical
Gany-3/4	Strict Good Ordinary	Descriptive
Yika	Good ordinary	Physical
Under grade (UG)	Below grade (BG)	No grade

Source: TCB 2024.

During the year under report, a total of 503,289 samples of cotton lint were received and classed. The results of classification were as follows; Gany and above grade were 221,597 samples, 276,245 below Gany and 5,447 samples were Yika and Under-grade.

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Table 6: Classification Report 2023/24

Samples	Season		
	2021/2022	2022/23	2023/24
Received	270,539	318,608	503,289
Classed	270,539	318,608	503,289
Gany and above	19.44	36.95	44.03%
Below Gany	74.12	62.99	54.88%
Yika & Under grade	6.44	0.07	1.08%

Source: TCB 2024

COTTON LINT EXPORTS

During the 2023/24 marketing season, a total of 434,446 bales of cotton lint which valued at US\$ 264,633,869 were exported to different markets as compared to 283,694 worth US\$ 172,806,662 during 2022/23. This shows that, exports earnings the period under review has increased by 53.14% as opposed to that of 2022/23.

The top five (5) leading importers of Tanzania's cotton during 2023/24 include Pakistan, India, Singapore, Bangladesh and Mauritius which together accounted for 87% of total exports. The average price of cotton lint was 0.85 UDS/Lb.

Table 7: Exports by Country of Destination during 2023/24

NA	DESTINATION	BALES	AVERAGE PRICE (USc/lb)	VALUE IN US\$
1.	Bangladesh	50,021	0.83	29,222,468
2.	China	6,591	0.81	5,091,209
3.	France	6,700	0.89	4,059,535
4.	Germany	3,407	0.98	2,255,260
5.	India	96,073	0.89	55,968,188
6.	Indonesia	1,378	0.79	735,756
7.	Italy	12,280	0.95	26,388,286
8.	Kenya	3,524	0.86	1,896,865
9.	Mauritius	14,689	0.86	7,670,312
10.	Pakistan	142,806	0.86	75,930,267
11.	Portugal	2,521	0.95	1,998,978
12.	Singapore	72,225	0.84	41,571,619
13.	Swaziland	1,629	0.76	1,010,694
14.	Thailand	3,568	0.84	1,832,452
15.	Turkey	149	0.75	86,079
16.	UAE	6,891	0.90	3,954,530
17.	Vietnam	9,066	0.88	4,394,510
18.	Rwanda	159	0.97	92,143
19.	Uganda	769	0.88	474,718
TOTAL		434,446		264,633,869

*Standard bale = 206kg

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COTTON EXTENSION SERVICES/PROMOTIONAL ACTIVITIES

For the sake of improving cotton production and productivity, during the period under review the Tanzania Cotton has responded by investing in extension campaign including recruitment of 230 extension staff under BBT program, public awareness raising programs through mass media such as radio and television. Furthermore, Cotton Ambassador continued to promote and train cotton farmers and stakeholders on adoption of best agronomic practices.

Production of publicity materials

Tanzania Cotton Board prepared and distributed brochures and leaflets to stakeholders. The purpose of the materials was to present the relevant information and news for cotton growers and other stakeholders in the Cotton Industry. The information shared with stakeholders includes, cotton production, quality of cotton and inputs usage in our farming system

Nane Nane Agricultural Show 2023 /24

During 2023/24 the Tanzania Cotton Board, participated in the Nane Nane shows in four different regions of Morogoro, Mwanza, Tabora and Simiyu.



Figure 1: Spraying Drone in operation at Nyakabindi - Simiyu.

2.2.2 The Composition of the Directors

The Cotton Industry Act, Cap. 201, RE 2002 (Act No. 2 of 2001) as amended by the Crop Laws (Miscellaneous Amendments) Act No 20 of 2009 provides for the composition of the Board of Directors as provided hereunder: -

- a) The Chairman; appointed by the President;
- b) One member representing the local government authorities;
- c) One member from Tanzania Cotton Association;
- d) One member from Cotton Growers Association;
- e) One member representing the textile industry;
- f) Two members who have knowledge and experience in the matter relating to cotton industry; and
- g) Two members representing cotton grower's co-operative societies.

Upon appointment, Members of the Board of Directors hold office for a period of three years and are eligible for re-appointment. The current Board was appointed by the Minister responsible for Agriculture on 23 August, 2022 and its tenure will last for the next three years. In the period under review, the decisions on day-to-day activities for TCB were entrusted to the

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Director General. Other decisions that needed approval from the Board of Directors were presented to members of the Board for deliberations, and approval or directives.

During the year, the Board conducted four ordinary and four extra ordinary meetings. The Board deliberated among other things on the following matters: -

- (a) Review and approve management progress reports and direct areas for improvements;
- (b) Receive and approve report of the Controller and Auditor General on the Financial Statements of Cotton Development Trust Fund for the financial year ended 30 June, 2024;
- (c) Review and approve the audited financial statements of Cotton Development Trust Fund for financial year ended 30 June, 2024;
- (d) Review and approve annual budget for 2024/25;
- (e) Review and approve policy and guidelines for management operations.

The members of the Board served TCB during the year were as follows: -

Table 8: Current TCB Board Members

Name	Position	Age	Meetings attended	Qualification	Representation	Nationality
Mr.Christopher Gachuma	Chairman	78	7	Diploma in Sales & Management Marketing	President	Tanzanian
Ms. Zainabu S. Mahenge	Member	64	8	Primary School	Cooperative Unions	Tanzanian
Mr. Twahiru I. Shemahonge	Member	70	8	Primary School	Cotton Growers Association	Tanzanian
Mr. Sylvester Kazi	Member	64	7	Advanced Diploma in Procurement	Textile Industry	Tanzanian
Dr. Riyaz Haider	Member	63	6	PhD Geography and Economics	Tanzania Cotton Association	Tanzanian
Mr. Aggrey D.J. Mwanri	Member	69	8	Masters in political science and public Administration	Experience in Cotton Industry	Tanzanian
Mr. Hosea K. Mwakyoma	Member	41	6	MSC of Finance and Investment	Experience in Cotton Industry	Tanzanian
Mr. Salehe M. Mhando	Member	45	3	Bachelor's degree in political science	Cooperative Unions	Tanzanian
Mr. Adam K.A Malima	Member	59	5	MSC in Economics Development and Planning	Local Government Authorities	Tanzanian
Mr. Marco C. Mtunga	Director General	59	8	MSC in Agronomy & Plant protection	Secretary of the Board	Tanzanian

TANZANIA COTTON BOARD

The Board Committees

The Board established two committees for efficiency of the main Board activities. The Committees established by the Board are the Audit and Accounts Committee and Production Committee.

The Audit and Accounts Committee

The Audit and Accounts Committee carried risk assessment of the Board through the work of the Internal Auditor. During the year, the Audit and Accounts Committee of the Board deliberated among other things on the following matters: -

- (a) Report of the Controller and Auditor General on the Financial Statements of Tanzania Cotton Board for the financial year ended 30 June 2024;
- (b) Review and approve the audited financial statements of Tanzania Cotton Board for the financial year ended 30 June, 2024;
- (c) Report of the Controller and Auditor General on the Financial Statements of Cotton Development Trust Fund for the financial year ended 30 June, 2024;
- (d) Review and approve the audited financial statements of Cotton Development Trust Fund for financial year ended 30 June, 2024;
- (e) Discuss and approve the work of the Internal Audit Unit for 2023/24
- (f) Review and approve the Internal Audit plan and programme for 2023/24
- (g) Review and approve annual procurement plan for 2023/24
- (h) Review management accounts progress reports and direct areas for improvements

Table 9: Audit and Accounts Committee Members

Name	Position	Age	Meetings attended	Qualification	Nationality	Appointment date	End of Tenure
Mr. Adam K.A Malima	Chairman	59	7	MSC in Economics Development and Planning	Tanzanian	11.10.22	22.08.2025
Mr. Sylvester Kazi	Member	64	7	Advanced Diploma in Procurement	Tanzanian	11.10.22	22.08.2025
Mr. Hosea K. Mwakyoma	Member	41	4	MSC of Finance and Investment	Tanzanian	11.10.22	22.08.2025
Mr. Salehe M. Mhando	Member	45	4	Bachelor's degree in political science	Tanzanian	11.10.22	22.08.2025

TANZANIA COTTON BOARD

Cotton Production Committee

The Cotton Production Committee is a committee established by the Board of Directors to ensure that, there is increase and sustainable cotton production. The main functions of the committee are overall supervision of cotton production. During the period, the committee performed the following activities;

- a) Evaluate and Monitor cotton production plans and strategies of the future improvement.
- b) Ensure that, the cotton production plans and strategies of the organization are properly implemented.
- c) To advise the Board of Directors on new cotton production initiatives and strategies.
- d) Review management production progress reports and direct areas for improvements

Table 10: Production Committee

	Position	Age	Meetings attended	Qualification	Nationality	Appointment date	End of Tenure
Mr. Aggrey D.J. Mwanri	Chairman	69	4	Master's in political science and public Administration	Tanzanian	11.10.22	22.08.2025
Dr. Riyaz Haider	Member	63	4	PhD Geography and Economics	Tanzanian	11.10.22	22.08.2025
Mr. Twahiru I. Shemahongwe	Member	70	4	Primary School	Tanzanian	11.10.22	22.08.2025
Ms. Zainabu S. Mahenge	Member	64	4	Primary School	Tanzanian	11.10.22	22.08.2025

2.2.3 Strategies of the Cotton Board

Tanzania Cotton Board is mandated to manage and coordinate all activities related to the production, sale and processing of cotton and its products. In order to achieve its mandated functions, Tanzania Cotton Board as a cotton sub-sector regulator, is implementing its five years strategic plan (2021/22 - 2025/26) with six Strategic Objectives as mentioned hereunder: -

- a. Linking and Internalize Cross-cutting Issues
- b. Enhancing Cotton Sustainable Production and Productivity
- c. Improving the Quality and Cleanness of Cotton
- d. Promoting Cotton Value Addition at AMCOS Level
- e. Enhancing the Capacity of TCB to Carry out its Operations Efficiently
- f. Support stakeholders to play their role in the sector

TANZANIA COTTON BOARD

The above-mentioned strategic objectives were developed within the context of the Cotton Sub-Sector as a whole and it is used as a guiding document for all cotton stakeholders in implementing their activities. Together with its Five Years Corporate Strategic Plan, Tanzania Cotton Board is implementing other National Policies and Strategies such as;

- a) National Five-Year Development Plan 2021/22-2025/26
- b) Agricultural Sector Development Program II (ASDP II)
- c) Ruling Party Election Manifesto of 2020 and;
- d) Other Government directives and programs.

2.2.4 Achievements on Implementation of the Strategic Plan

Implementation of the above-mentioned plans and other government priorities and strategies have resulted in the following main achievements: -

- i) Strengthened cotton seed multiplication system; From 2018/19 farming season onwards, the Cotton Sub-sector has managed to produce and distribute enough certified seed (UMK08) to all cotton farmers across the country. The system is starting from Ukiriguru Cotton Research Centre to Tanganyika district (Kasekese) and then Igunga district in Tabora. These areas have been designated to be cotton seed multiplication zone because of being free from fusarium wilt and other soil diseases. Tanzania Cotton Board in collaboration with TARI Ukiriguru and respective stakeholders are still working to identify other fusarium free areas for cotton seed multiplication to satisfy potential high demand of seed for planting and as a backup strategy to the existing areas in case of any unforeseen events.
- ii) Steady increasing in cotton production and productivity; cotton production dropped drastically in 2020/21 marketing season due to unfavourable market condition from 348,977 metric tons in 2019/20 to 122,792 metric tons in 2020/21. Since then, TCB and the Ministry of Agriculture have taken initiatives and the cotton production started to increase consistently from 122,792 metric tons in 2020/21 to 282,510 metric tons in 2023/24. The Board target is to produce 500,000 metric tons of seed cotton in 2024/25 farming season toward aligning the main goal of producing 1,000,000 metric tons of seed cotton in by 2025/26 season.
- iii) Improved cotton quality; practically, cotton price is direct related to its quality; The higher the quality, the higher the price and vice versa). Tanzania Cotton Board have been working to improve cotton quality aimed to improve farm-gate price and income to farmers and increased foreign currency. In the year under review, the cotton lint quality for higher grades (Gany and above has increased from 36.95% in 2022/23 marketing season to 44% in 2023/24 marketing season. The Board main target in cotton quality improvement is to reach 75% for higher grades by 2025/26 marketing season and making cotton from Tanzania to be traded at a premium price.
- iv) Promoting adoption cotton best agronomic practices and of new recommended planting space; in the effort to improve cotton production and productivity, several initiatives have been developed including strong campaign on adoption of best agronomic practices and new planting

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space to increase plant population in a given area. In the period under review the Board through CDTF has engaged Cotton Ambassador to train and sensitize farmers on adoption of same with higher turnover. Currently, over 70% of cotton farmers have adopted new planting space and other best agronomic practices. As a result, the farmers harvest increased from an average of 180 to 500 kilogram of seed cotton per acre.

v) Cotton price is normally determined by the market forces of demand and supply. TCB guides and provide the necessary information on market and macroeconomic situation as well as operating costs to cotton stakeholders during farm-gate price setting. This has reduced unnecessary conflicts and mistrust among the cotton stakeholders in regarding to increase or decrease in farm-gate price.

vi) Training of TCB staff: currently Tanzania Cotton Board has 74 permanent staff. Employee skills improvements have been very crucial in making sure that the organization can achieve its mission with a given number of staff. In doing so, TCB has extended short and long-term training to all eligible staff as per the raised requirement.

vii) Staff performance management

During the year, the Government through President's Office - Establishment introduced an electronic performance management system which aimed to assess employees' performance on daily basis. The results of employee performance are linked to the Institution overall performance.

viii) Review of organizational structure: TCB is currently using 2012 organizational structure which is a bit out-dated. The revised organizational structure has been submitted to the respective authorities for approval or directives. The new structure is designed to address key challenges observed in the current organization structure following emerging new roles and responsibilities.

ix) Renovation and maintenance of income generating assets; For about seven years, the Board has been depending on its own sources revenue to carry out its mandated functions. Before 2021/22 the occupancy rate for most of buildings was less than 70% due to high depreciation of its assets. TCB has decided to renovate some buildings so as to increase its internal revenue which account for 94% of the total revenue. After renovation, the occupancy rate has also increased from an average of 70% in 2021/22 to about 96% in 2023/24.

2.2.5 Challenges

During the year under review (2023/24), the Board encountered the following challenges which affected the performance of the Cotton Industry as a whole:

a) Resistance of Insect Pests and Climate Change

Some insects which affect cotton have become resistance to cotton insect-sides applied to them due to mutation and climatic change. This has contributed to significant low seeds cotton

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production and productivity in recent years. Besides, the peril led TCB to the increased additional cost in insect pest management as the quantity of acre packs sprayed per Acre increased significantly. For the period under review 7,238,613 of acre-packs have been consumed and it is expected to produce 130,000 metric tons of seeds cotton as compared to financial year 2022/23 whereby 12,320,990 acre-packs were spent to produce 282,510. Therefore, huge investment has to be directed on cotton research and development specifically in new cotton seed varieties that can overcome this situation.

b) Unfavourable Weather Condition

Significant increase in rainfall in 2023/24, led to floods in some cotton growing areas as a result contributed to low cotton production. Many cotton cultivated farms were surrounded by water as a result the crop failed to germinate properly and grow. The situation bring attention to the cotton sector to come up with simple and affordable technique and technology of best farm management in case of heavy rainfalls.

c) Inadequate Funding for Regulatory Activities

From 2005, the Government of the United Republic of Tanzania decided to finance the operations of all crop Boards by removing crop levies charged to farmers for supporting Crop Boards activities. The aim was to improve the revenues of the farmers from their produce. TCB operating costs especially salaries to employees are 100% funded by the Government. The regulatory functions during the financial year 2023/24 continued to be financed through Cotton Development Trust Fund (CDTF) and internally generated revenue of the Board.

d) Inadequate Finance for Servicing TIB Bank Loan Facility

Tanzania Cotton Board acquired loan facility from the Tanzania Investment Bank in 2014/15 financial year for rehabilitation and renovation of its warehouses in Kurasini aimed to improve revenue and stop further deterioration of the warehouses.

Revenue from these warehouses account about 94% of TCB internal revenue. On average, the warehouses are leased at USD 3.7 per square meter exclusive of taxes contrast to the rate of USD 5.5 charged in 2015/16 due to decrease in market demand for warehouses. The Board had been struggling to pay the loan instalments because of these changes and for that matter Bank penalties and interests continue to accrue. During the year 2023/24 TCB, TIB Bank and Ministry of Finance held several meetings regarding the best way for servicing the loan. It was mutually agreed that, TCB should pay TZS 280 million annually at zero interest for the next seventeen years from May 2024 to January 2041 which reflect the period for total loan repayment.

2.2.6 Trends and future prospects

a) Public Awareness Campaign

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In improving cotton production and productivity, TCB has conducted several campaigns through Cotton Ambassador in cotton growing areas. Several awareness raining campaigns have been carried out by Tanzania Cotton Board to educate and emphasize farmers and cotton stakeholders to continue implementing and applying recommended spacing (60cm x 30cm); use of simple agro machineries, and insisting on application of the best recommended agronomic practices in cotton. In the year under review, TCB in collaboration with TCA managed to organize the supply of one hundred 100 Tractors to facilitate on cultivation of large cotton farms.

b) Introducing New Spraying Technologies

In financial year 2023/24, TCB in collaboration with Tanzania Cotton Association (TCA), managed to coordinate distribution of 200 boom sprayers, with high pressure which were used for spraying pesticides especially on large farms in Build Better Tomorrow areas (BBT) in Maswa, Meatu and Igunga districts.

c) Procurement of Irrigation Facilities

Through procurement process done on NeST, Tanzania Cotton Board has managed to get the supplier for supplying heavy equipment to be used in construction of irrigation infrastructure. The latter will minimize the challenge of persisting rainfall scarcity facing cotton growing areas. The costs for irrigation construction machines are estimated to be TZS 4 billion.

d) Improving Classing Facilities

TCB is aiming to increase its cotton classing capacity by increasing the number of classing staff and High-Volume Instrument (HVI). TCB has received one HVI machine and its IT equipment from Tanzania Bureau of Standards in 2021/22 financial year to improve the capacity of TCB to classify reasonable samples at a reasonable time. The machine is expected to start operation in 2024/25 classing season after undergo some major maintenance and installation.

e) Renovating TCB buildings

Tanzania Cotton Board will continue to renovate its buildings as major sources of revenues. The buildings for Pamba Houses in Morogoro, Mwanza, Musoma and Shinyanga have been renovated to make them habitable and sustain internal revenue collection. Furthermore, Pamba House in Dar es Salaam, Kurasini warehouses and some residential houses in Dar es Salaam have been regularly maintained and renovated as needs arises.

f) Awareness Creation to Stakeholders on Quality Management

Since cotton quality is a key parameter in price determination, TCB is committed to extend trainings and workshops to all cotton stakeholders involved in cotton quality management production chain.

2.3 Financial overview and Performance

The financial statements for the period under review were prepared in compliance with IPSAs requirements for the purpose of ensuring that TCB is accountable for decisions and use of public resources.

2.3.1 Revenue and expenditures

During the year under review, the Board's total revenue was TZS 5.76 billion compared to TZS5.5 billion that was recognized during the previous year. The increase in revenue was due increased number of tenants who occupied rentable space in investment properties for financial year 2023/24 as compared to 2022/23. The operating expenses were TZS6.6 billion compared to TZS 5.8 billion in 2022/23. The increase of operating expenses were as a result of depreciation charges, provision for bad and doubtful debts, amortization of intangible assets and expenses related to employees salary benefits due to implementation of collective bargaining agreement. The depreciation rates are based on the estimated economic useful lives of assets. It is the policy of the management to review useful lives for assets in each accounting period to comply with IPASAs requirements on Property Plant and equipment (PPE), Investments Properties and Intangible assets. Material changes on depreciation charges for previous periods are applied retrospectively to restate the comparative figures. The Board's operating results for the period ended 30 June 2024 were as shown below: -

Table 11: Revenue and Expenditure Summary

	2023/24	2022/23
	TZS'000	TZS'000
Total Revenue	5,761,554	5,502,641
Less: Total Expenditure	(6,550,374)	(6,922,567)
Operating Surplus/ Deficit	(788,820)	(1,419,926)

2.3.2 Non-Current Assets

The total noncurrent assets for the year ended 30 June 2024 was TZS 61.96 billion compared to TZS. 62.6 billion in 2022/23. The decrease in the assets was caused by depreciation and amortization of assets.

2.3.3 Cash and cash equivalents

The Board do collect CDTF levy through Government electronic payment system (GePG) and the total amount of TZS 1,616.63 million was collected by the Board on behalf of CDTF at the end of the accounting period.

2.3.4 Receivables

The trade receivable balances for the year were TZS 2.78 billion as compared to TZS. 2.33 billion Which is equivalent to 16% increase on accounts receivables.

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2.3.5 Liabilities

The total outstanding liabilities as at 30 June 2024 was TZS7.97 billion as compared to TZS. 7.22 billion for previous year. The increase in liabilities was due to Cash flow problems to finance recurrent expenditure.

2.4 Human resource issues

a) Establishment

During the year 2023/24, Tanzania Cotton Board received only six employees as first appointment (new hire) from President's Office Public Service Recruitment Secretariat to fill the post of Internal Audit, Legal Officer, ICT Officer and three drivers.

The staff position of the Board as at 30 June, 2024 was as shown in Table 12 below: -

Table 12: TCB Staff

Department	Position as at 30 June 2024	Position as at 30 June 2023
Director General's Office	8	5
Finance & Administration	18	17
Cotton Development and Promotion	1	0
Regulatory	47	46
Total	74	68

b) Medical Services

The Board is obliged to comply with the National Health Insurance Fund (NHIF) Act No 8 of 1999 (Cap 395 RE 2002) to register its employees with the Fund and contribute 6% of their gross pay monthly, 3% being deducted from employees' salaries. The Board spent TZS 41.6 million for medical expenses for the financial year 2023/24, as compared to TZS 52 million incurred in the previous period.

c) HIV/AIDS Policy

Management of HIV/AIDS is an important challenge to the Tanzania Cotton Board (TCB). TCB appreciates the fact that HIV/AIDS if left unattended have a direct impact on its operational efficiency, and hence it is a health risk. Whilst all risks are closely monitored, TCB has adopted the following core principles as a basis for its HIV/AIDS policy: -

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

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d) Management and Employees Relationship

TCB employees are represented by the Tanzania Plant and Agricultural Workers Union (TPAWU). The relationship between employees and management was good. There were no unresolved complaints received by Management from the employees during the year 2023/24. The Management recognizes the importance of working cordially particularly with the Trade Union for the purpose of improving staff welfare and wellbeing. During the year 2023/24, the Board held one meeting with employees to discuss issues pertaining to operations of the Board and staff welfare.

e) Financial Assistance to Staff

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

f) Training

The Board continued to provide training to its employees in accordance to the TCB training policy and on the basis of the training program. During the year 2023/24, the Board sponsored three employees for long-term programs. Opportunities to attend seminars and long-term programs were provided to within TCB's financial ability.

g) 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.

h) Gender

The Board gives equal access to employment opportunities to both genders and ensures that the best available person is appointed to any given position free from any kind of discrimination and without regard to any factors like gender, tribe, disability, religion and marital status which does not impair ability to discharge duties and responsibilities.

As at 30 June 2024, number of employees by gender were as shown in **Table 13**:

Table 13: TCB Staff Gender

Gender	As at 30 June 2024	As at 30 June 2023
Female	11	13
Male	63	55
Total	74	68

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2.5 Related Party Transactions

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

	Related Party	Relationship	2023/24 TZS 000	2022/23 TZS 000
1	Board Emoluments	Final decision makers for TCB operations	56,500	66,755
2	Management Emoluments	Decision makers for TCB operations	524,882	560,143
3	Levy Collected on behalf of CDTF	Management of CDTF function	1,616,629	864,8426
4	Ministry of Agriculture (Staff emoluments)	Parent Ministry	1,572,140	1,473,965

2.6 Environmental Issues

In order to reduce soil pollution resulted from application of chemical fertilizers by cotton farmers, the Board during the year under review, has started to conduct research by manufacturing and applying bio-fertilizers using simple technology in some seeds cotton growing areas. The Positive results will be a base to educate farmers with emphasize to apply bio-fertilizers instead of industrial produced fertilizers in order to reduce soil pollution.

The application of pesticides in Tanzania is much lower as compare to other cotton producing countries. As a result, cotton produced in Tanzania is preserved as more environmentally friend.

The Board is aware on impact of pesticides application on environmental pollution which remains a source of concern worldwide. In Tanzania, cotton insecticides are applied in less quantity compared with other countries. As a result, our cotton lint in the world market is seen as organic cotton due to minimal application of insecticides. Cotton farmers were encouraged to and educated to use best agronomic practices including use of organic fertilizer which can improve soil nutrients and conserve environment as well.

As well farmers were emphasized and educated to often use best agronomical practice including application of organic fertilizers produced by animals which help to improve soil fertility and minimize environmental pollution in comparison with industrial fertilizers.

2.7 ICT Matters

In the year under review the Board installed e-office management system in order to comply with the requirement of President's Office Records and Archives Management Department. The system enabled TCB to work on files and documents, submitted online in softcopy mode and replace the practice of working on physical hard copy files and documents submitted physically. TCB staff started to report their daily performed activities online through Performance Management Information System (PEPMIS) with effect from February 2024. The system replaced previous reporting through OPRAS forms. In addition to that, TCB received 200 tablets from the

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Ministry of Agriculture which were distributed to staffs employed under BBT program to help them collect and disseminate information relating to seed cotton production.

2.8 Auditors

The Controller and Auditor General is the independent statutory auditor of the financial statements of the Board. The Controller and Auditor General will carry out audit of the financial statements of the Board for the year ended 30 June 2024.

BY THE ORDER OF THE BOARD



Christopher Gachuma
Chairman of the Board



Marco C. Mtunga
Director General

Date: 18/3/2025

TANZANIA COTTON BOARD

3.0 STATEMENT OF DIRECTORS RESPONSIBILITY ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

The Board of Director is required under section 49 of the Cotton Industry Act No 2 of 2001 to keep truthful and complete financial records. The Board is also required to prepare financial statements which give a true and fair view of the state of affairs of Cotton Board and its activities as at the end of the financial year.

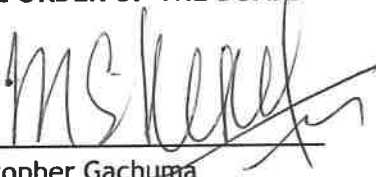
The Board is also required to ensure that the Board keeps proper accounting records, which disclose, at any time, the financial position of the Board with reasonable accuracy and completeness. The Board is also responsible for maintenance of sound and adequate systems of internal controls for safeguarding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

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

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

Signed on behalf of the Board of Directors by:

BY THE ORDER OF THE BOARD


Christopher Gachuma
Chairman of the Board


Marco C. Mtunga
Director General

Date: 18/3/2025

TANZANIA COTTON BOARD


4.0 DECLARATION OF THE DIRECTOR OF FINANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act.No.33 of 1972, as amended by Act No.2 of 1995, requires financial statements to be accompanied with a declaration issued by the Director of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors' Responsibility Statement on an earlier page.

I, CPA Simon Makandilo, being the Director of Finance of Tanzania Cotton Board do hereby acknowledge my responsibility of ensuring that financial statements for the year ended on 30 June 2024 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Tanzania Cotton Board as on that date and that they have been prepared based on properly maintained financial records.


Signed by: CPA Simon Makandilo
Position: Director of Finance and Administration
NBAA Membership No. ACPA-1906,


Date: 18/03/2025


TANZANIA COTTON BOARD

5.0 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

		2023/24	2022/23 RESTATED
ASSETS			
Current Asset	Note	TZS ('000)	TZS ('000)
Cash and Cash Equivalents	15	1,165,698	980,700
Receivables	16	2,776,333	2,329,858
Prepayments	17	0	14,746
Inventories	18	4,812	8,223
Total Current Asset		3,946,843	3,333,527
Non-Current Asset			
Investment Property	19	25,062,685	25,489,197
Property, Plant and Equipment	20	36,894,796	37,108,647
Intangible Assets	21	7,329	10,372
Total Non-Current Asset		61,964,810	62,608,216
TOTAL ASSETS		65,911,653	65,941,743
LIABILITIES			
Current Liabilities			
Payables and Accruals	23	1,337,866	1,012,981
Deferred Income	26	6,245	0
Deposits	27	925,096	1,304,865
Total Current Liabilities		2,269,207	2,317,846
Non-Current Liabilities			
Other Borrowings by Government Entities	28	4,842,277	4,416,552
Payables and Accruals (Long Term)	29	865,717	484,073
Total Non-Current Liabilities		5,707,994	4,900,625
TOTAL LIABILITIES		7,977,201	7,218,471
Net Assets		57,934,452	58,723,272
NET ASSETS/EQUITY			
Capital Contributed by:			
Taxpayers Fund/Share Capital	24	5,113,690	5,113,690
Accumulated Surpluses/Deficits	25	52,820,762	53,609,582
TOTAL NET ASSETS/EQUITY		57,934,452	58,723,272


 Christopher Gachuma
 Chairman of the Board


 Marco C. Mtunga
 Director General

Date: 18/3/2025

TANZANIA COTTON BOARD

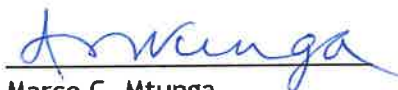
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2024

		2023/24	2022/23 RESTATED
	Note	TZS ('000)	TZS ('000)
REVENUE			
Revenue Grants	3	1,572,140	1,548,782
Revenue from Exchange Transactions	4	3,543,148	3,758,499
Fees, Fines, Penalties and Forfeits	5	22,085	18,559
Gain on Foreign Currency Translation	7	375,805	13,587
Other Revenue	8	248,376	163,214
TOTAL REVENUE		5,761,554	5,502,641
EXPENSES AND TRANSFERS			
Expenses			
Wages, Salaries and Employee Benefits	9(i)	3,034,786	2,686,167
Use of Goods and Service	10(i)	1,995,181	1,586,759
Maintenance Expenses	11	158,541	336,237
Provision for ECL Receivables	12	212,291	1,165,104
Provision for ECL cash and cash equivalent	15	2,465	9,739
Other Expenses	13	465,962	414,846
Depreciation of Investment Property - Carried at Cost	19	426,512	427,775
Depreciation of Property, Plant and Equipment	20	231,592	292,896
Amortization of Intangible Assets	21	3,044	3,044
Total Expenses		6,530,374	6,922,567
Transfer			
Other Transfers	14	20,000	0
Total Transfer		20,000	0
TOTAL EXPENSES AND TRANSFERS		6,550,374	6,922,567
Surplus /(Deficit)		(788,820)	(1,419,926)

Notes form part of the financial statements



Christopher Gachuma
Chairman of the Board



Marco C. Mtunga
Director General


Date: 18/3/2025

TANZANIA COTTON BOARD

CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 June 2024

		2023/24	2022/23 RESTATED
RECEIPTS		TZS ('000)	TZS ('000)
Revenue Grants	3	1,578,385	1,473,965
Revenue from Exchange Transactions	4	2,891,809	2,878,941
Other Revenue	8	248,376	163,214
Increase in Deposit		0	207,088
Fees, Fines, Penalties and Forfeits	5	22,085	18,559
External Assistance		0	74,817
Total Receipts		4,740,655	4816584
PAYMENTS			
Wages, Salaries and Employee Benefits	9(ii)	3,017,455	2,828,746
Use of Goods and Service	10(ii)	834,082	759,322
Other Transfers	14	20,000	1
Other Expenses	13	428,150	775,175
Maintenance Expenses	11	158,541	336,238
Decrease in Deposit		379,769	0
Advances and Loans Payment made to other parties		3,259	53,128
Total Payments		4,841,256	14385778
NET CASH FLOW FROM OPERATING ACTIVITIES		(100,602)	63,974
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	20	(17,741)	(49,197)
Acquisition of Investment Property		0	(63,886)
Total Investing Activities		(17,741)	(113,083)
NET CASH FLOW FROM INVESTING ACTIVITIES		(17,741)	(113,083)
CASH FLOW FROM FINANCING ACTIVITIES			
Financing Activities	22(ii)	(70,000)	(50,000)
NET CASH FLOW FROM FINANCING ACTIVITIES		(70,000)	(50,000)
Net Increase	22(iii)	(188,343)	(99,109)
Effect of Foreign Currency Changes	7	375,805	13,589
Cash and cash equivalent at beginning of period		990,439	1,075,959
Cash and cash equivalent at end of period	15(ii)	1,177,902	990,439

Notes form part of the financial statements


 Christopher Gachuma
 Chairman of the Board


 Marco C. Mtunga
 Director General

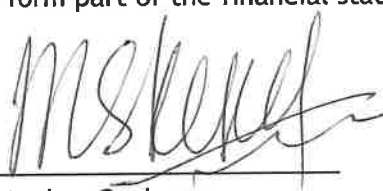
Date: 18/3/2025

TANZANIA COTTON BOARD


STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2024

	Tax Payer's Fund TZS ('000)	Accum. Surplus/(Deficit) TZS ('000)	Total TZS ('000)
Opening Balance as at 01 Jul 2023-Restated	5,113,690	53,609,582	58,723,272
Surplus/ Deficit for the Year	0	(788,820)	(788,820)
Closing Balance as at 30 Jun 2024	5,113,690	52,820,762	57,934,452
Opening Balance as at 01 Jul 2022	5,113,690	54,026,072	59,139,762
Provision for ECL Reversal		1,003,436	1,003,436
Surplus/Deficit for the Year-Restated	0	(1,419,926)	(1,419,926)
Closing Balance as at 30 Jun 2023	5,113,690	53,609,582	58,723,272

Notes form part of the financial statements



Christopher Gachuma
Chairman of the Board



Marco C. Mtunga
Director General

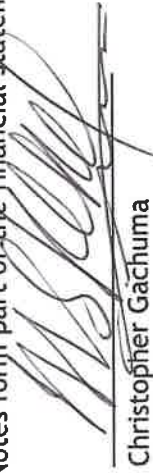
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TANZANIA COTTON BOARD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE PERIOD ENDED 30 June 2024

	Original Budget	Reallocations /Adjustments	Final Budget (B)	Actual Amount on Comparison Basis (A)	Difference Final Budget & Actual (B-A)
RECEIPTS	TZS ('000)	TZS ('000)	TZS ('000)	TZS ('000)	TZS ('000)
Subvention from Other Government Entities					
Revenue Grants	3,463,048	-	3,463,048	1,578,385	1,884,663
Revenue from Exchange Transactions	4,111,742	-	4,111,742	2,891,809	1,219,933
Other Revenue	898,863	-	898,863	248,376	650,487
Financing Income	3,760,032	-	3,760,032	-	3,760,032
Fees, Fines, Penalties and Forfeits	-	-	-	22,086	(22,086)
Total Receipts	12,233,685		12,233,685	4,740,655	6,895,980
PAYMENTS					
Wages, Salaries and Employee Benefits	3,325,666	681,249	4,006,915	3,017,455	989,460
Use of Goods and Service	4,428,113	624,705	5,052,818	834,083	4,218,736
Other Transfers	-	-	-	20,000	(20,000)
Other Expenses	1,500,271	(427,498)	1,072,773	428,150	644,623
Maintenance Expenses	1,229,572	(256,959)	972,613	158,541	814,072
Decrease in Deposit	-	-	-	379,769	(379,769)
Advances and Loans Payment made to other parties	-	-	-	3,259	(3,259)
Acquisition of Property, Plant and Equipment	1,724,863	(761,497)	963,365	17,741	945,624
Acquisition of Intangibles	25,200	-	25,200	-	25,200
Cash proceeds from other short or long-term borrowings	-	140,000	140,000	70,000	70,000
Total Payment	12,233,685		12,233,685	4,928,998	7,399,687
Net Receipts/Payments	-		-	(188,343)	(408,707)

Notes form part of the financial statements



Christopher Gachuma
Chairman of the Board



Marco C. Mtunga
Director General

Date: 18/3/2025

TANZANIA COTTON BOARD

6.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2024

1 ESTABLISHMENT AND MANDATE OF TCB

Tanzania Cotton Board is a public corporate body established under the Cotton Industry Act No 2 of 2001 primarily to regulate the cotton industry. The Board started operations in July, 2004 and works under the Ministry of Agriculture. TCB operates through two zones, being the Western Cotton Growing Zone based in Shinyanga and the Eastern Cotton Growing Zone based in Morogoro but currently the eastern zone has two staff only and most of its affairs are managed from the extension office in Dar es Salaam. The Head office of the Board is located in Mwanza at Pamba House along Regional Drive Road. According to Act No 2 of 2001, TCB has two main roles: -

i) Regulating the cotton actors including:

Registration and Licensing
Enforcing Cotton Husbandry
Monitoring and Quality Control
Inspection and Certification

ii) Facilitating and promoting the cotton industry including:

Extension Services
Contract Farming
Cotton Seed Multiplication Management
Stakeholder Consultation

2 BASIS FOR PREPARATION

2.1 Compliance with Standards

TCB is a public entity receiving government subventions to finance its Staff who are full engaged in TCB operations. The Government circular no.12 directed all public entities that receives Government Subventions to prepare their financial statements in compliance with International Public Accounting Standards (IPSAS). The TCB accompanying Financial Statements have been prepared in accordance, and in comply with IPSAS-Accrual Accounting Standards

The financial statements have been prepared on historical cost convention except for certain assets which are measured at fair value at the end of each reporting period. The cash flows statement was prepared using the direct method. TCB adapted IPSAS for the first time in July, 2014 and it will consistently be applied year after year until there is good reason to change them. Any change in policy was disclosed in this report as per IPSAS no.3; Accounting Policy, Change in Accounting Estimates and Errors.

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

2.2 CHANGES IN ACCOUNTING POLICIES

Improvements to International Public Sector Accounting Standards (IPSAS) issued in 2023/24

The International Public Sector Accounting Standard Board (IPSASB) works to improve the public sector financial reporting through development or improvement of IPSAS. In March 2023, IPSASB issued the following IPSASs for Public Sector Reporting Entities: -

IPSAS 46, Measurement

The IPSASB approved IPSAs 46, Measurement, which brings measurement guidance together in a single standard and introduces a public sector specific current value measurement basis for assets held for their operational capacity and provides additional generic guidance of fair value.

The Standard will be effective for the period beginning on or after 1 January 2025.

IPSAS 47, Revenue

The Standard was approved to account all revenue transactions in the public sector. IPSAS 47 replaces the existing revenue standards and it presents accounting models which will improve financial reporting and support public sector financial management.

The Standard will be effective for the period beginning on or after 1 January 2026.

IPSAS 48, Transfer Expenses

IPSAS 48 provides guidance on major area of expenditure for public sector reporting entities. The standard fill the gap which previously led to ambiguity and inconsistency of accounting policies in the public sector.

The standard will be effective for the period beginning on or after 1 January 2026.

2.3 ACCOUNTING POLICIES

(i) Revenue from non- exchange transactions

Revenue from non-exchange transaction includes government grants, capital grants and contribution from donors and other development partners who are willing to invest in Cotton Industry.

Grants and Contribution from Donors

Grants are recognized as revenue when there is a reasonable assurance that the grants will be received. Revenue recognition is based on an assessment of whether an asset or a liability has been created. For capital grants without conditions attached, revenue is recognized immediately in the statement of financial performance. If conditions are attached, a liability

TANZANIA COTTON BOARD

is recognized as capital funds in the statement of financial position and is reduced and revenue recognized as the conditions are satisfied.

Capital Grants

Grants with conditions are classified as capital grants in the statement of financial position upon receipt of the amount for acquisition of capital grant which later upon acquisition of assets the recognition is made in the statement of financial performance as revenue from non-exchange transaction for the cost used to acquire assets.

Revenue is recognized up front as stipulations attached to the transferred funds have been met accordingly, whereas liability is recognized to the part of fund of which conditions for utilization of the funds were not met and should be returned to the Consolidated Fund at year end upon failure to satisfy the need as per the budget.

Grants without conditions are credited in the Statement of financial performance in the period in which they were received.

(ii) Revenue from Exchange Transactions

Revenue from exchange transactions is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Board and that the amount of revenue due can be measured reliably. It is determined at the fair value of the consideration received or receivable. Revenue from exchange transactions is comprised of the following sources:

Revenue from Leased Properties

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

Revenue from Rendering of Services

Revenue arising from rendering of services which includes cotton classification and regulatory services is recognized provided that all of the following recognition criteria are met:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits will flow to the Board; and
- The costs incurred or the costs that will be incurred to complete the transaction of those services can be measured reliably.

Revenue from Classification Services

TCB provides cotton lint classification service to cotton exporters by testing the cotton lint in its classification laboratory. TCB is charging cotton quality testing fee of two US Dollar per cotton

sample. The fees are recognized in the period in which actual classification work is undertaken, whether or not the fees are paid. It is standard practice that classification fees are paid just before samples are delivered and tested.

Revenue for Regulatory Functions

TCB is authorized to impose fines to cotton industry stakeholders who purposely or negligently violate the cotton industry regulations. These fines are recognized only when actual cash is paid to TCB by the offending entities.

(iii) Borrowings

Borrowings are initially recognized at fair value and subsequently carried at amortized cost. The borrowings with repayment period of over 12 months are presented as non-current liabilities in the statement of financial position. The interests accrued in the borrowing costs are expensed in the statement of financial performance. Borrowings are derecognized when the obligation is discharged, cancelled or expired.

(iv) 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 flows 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 prevailing 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 flows statement in order to reconcile the cash and cash equivalents at the beginning and the end of the year. TCB has elected to present its cash flows by using a direct method.

(v) Property, Plant and Equipment

(a) Materiality

Assets with a useful life in excess of one year are capitalized and included in property, plant and equipment only when their initial cost or fair value meets the minimum capitalization threshold of TZS 100,000 as specified in the Government Fixed Assets Guideline.

An item of PPE that does not meet the minimum capitalization thresholds is regarded as consumable assets to be charged in the statement of financial performance and derecognized in TCB fixed assets register. However, the memorandum record of consumable assets is maintained by TCB for Management future reference, follow up and decision making.

(b) Initial Recognition

All property, plant and equipment of the Board are initially recorded at historical cost. Cost is determined by purchase price of assets plus incremental costs to the acquisition of the assets, including architects and engineering design fees where applicable, and all other recognizable costs. All research and development costs of an asset are treated as direct expenses in the statement of financial performance. For an item of PPE acquired at no cost, or for nominal consideration, its cost is determined at fair value at the date of acquisition. The initial cost of non-current assets constructed by TCB itself, without contractors, includes the cost of all materials used, direct labour deployed and an appropriate percentage of variable and fixed overhead is recognized as PPE and its carrying value is presented in the statement of financial position.

(c) Subsequent Recognition

Property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at cost less accumulated depreciation and accumulated impairment loss. Historical costs include expenditure that is directly attributable to the acquisition of the items such as invoice price excluding discount, installation costs, site preparation, testing costs, dismantling costs and import duties. 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 statement of financial performance during the financial year in which they occurred.

(d) Asset impairment

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

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

Valuation of Assets

Third part Asset acquired by TCB are valued by an independent professional expert to determine the market value of the Assets. The valuation costs incurred by TCB are charged to the statement of financial performance.

(e) Depreciation

Depreciation on assets is calculated using the straight-line method to write off the cost or valuation of each asset, down to its estimated residue value if any, over its estimated remaining useful life at a given rate per annum. Land is not depreciated but its fair value is periodically estimated and restated. The depreciation rates are based on the estimated economic useful lives of assets. TCB management reviewed the useful lives for assets in June, 2022 to comply with IPASAs requirements on Property Plant and equipment (PPE) and Investments Properties. Material changes on Assets and depreciation charges were applied retrospectively to restate comparative figures for previous period.

The depreciation rates and economic useful lives used by TCB during the year as follows: -

Asset Type	Rate per Annum	Economic Useful Life Years
Buildings	2%	50
Plant and Machinery	6.6%	15
Furniture and Fittings	20%	5
Computer Equipment and Accessories	25%	4
Other Office Equipment	20%	5
Motor Vehicles	20%	5
Motor Cycles	14%	7
Investment Property	2%	50
Intangible Asset	12.5%	8

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 de-recognized by the Board. An asset is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are recognized in the statement of financial performance.

(f) Residual Values

Residual Values are estimated separately for each category of assets. According to IPSAS 17, the residual value of an asset is the estimated amount of money that TCB would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life.

(g) Investment Property

Investment Properties are properties held for earning rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The cost of major renovation or improvements of investment properties is capitalized. An item of investment property is de-recognized upon disposal or when there is permanently withdrawal from use and no future economic benefits are expected from the use

of the property. Any gain or loss arising as a result of de-recognition of the property is included in the statement of financial performance in the period in which the property is de-recognized.

(h) Intangible Assets

Intangible assets comprise of computer application software and computer packages. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over the estimated useful lives of the intangible assets. The amortization rate applied in the year under review was 12.5% and the changes in intangible assets estimates were recognized in the Statement of financial performance through profit or loss account prospectively.

The amortization commences when the intangible asset is available for its intended use. Intangible assets with indefinite useful lives are carried at cost. 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 current replacement cost. Costs of inventories are determined on First in First out (FIFO) basis. Full provision for obsolete/damaged inventories is made in the accounts on inventories whose actual loss/damage has been established. Due to its nature of activities, TCB carries low levels of inventory at any one time mostly in the form of office stationery.

(j) Employee Benefits

i. Salaries, Allowances and Compensated Absences

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

ii. Annual Leave Benefit

Unpaid leave allowances are recognized on accrual basis as they fall due and are charged to the statement of financial performance as employment costs.

iii. Retirement Benefit

Before enacting the Pension funds, TCB employees were members to a number of statutory pension funds and the Board made monthly contributions stipulated by each fund. Employees in public sector are now required by Pension Fund Act No.5 of 2018 to be members of the Public Service Social Security Fund (PSSSF) whereas employees under private sector are required to be members of the National Social Security Fund (NSSF).

TANZANIA COTTON BOARD

The Board's obligation in respect of contribution to PSSSF is 15% of the employee's basic salary. The Public Service Social Security Fund (PSSSF) was established under the Pension Fund Act Number 5 of 2018 where by the four pension funds (LAPF, PSPF, PPF and GEPF) were merged. The Board started combining the contribution of the four merged pension funds in October, 2018.

The Board's contribution to pension fund during the year was as shown below: -

Scheme	2023/24 TZS'000	2022/23 TZS'000
PSSSF	199,366	196,155
Total	199,366	196,155

iv. Terminal Benefits

Terminal benefits are determined in accordance with the Tanzania labour laws and are recognized as an expense in the statement of financial performance in the period when they become payable.

v. Other Benefits

Other 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.

(k) Provisions

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

(l) Leases

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

(m) Trade Transactions

I. Trade Receivables

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognized in the statement of financial performance. 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 statement of financial performance as other revenue.

II. Trade Payables

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

(n) Foreign Currency

I. Functional and presentation currency

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

II. 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 Statement of financial performance.

(o) Financial Risk Management

i. Financial risk factors

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

TANZANIA COTTON BOARD

ii. Foreign Currency Risk

The Board's exposure to foreign exchange risks arises from rental revenue, 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 rental revenue in US Dollars bank accounts.

The effect of foreign currency risk is not significant and therefore Management does not hedge against foreign currency risk.

iii. 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 2023 is made up as follow: -

Financial Risk Factors

			2024				2023			
	30-Jun-2024	30-Jun-2023	0-30 days	31- 60 days	61-90 days	91 - 365 days	0-30 days	31- 60 days	61-90 days	91 - 365 days
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Imprest Receivable - Staff	105,628	101,460	105,628	0	0	0	101,460	0	0	0
Provision for bad and doubtful debt (Impairment of receivable)	(513,699)	(230,332)	(230,332)	0	0	0	(230,332)	0	0	0
Provision for bad and doubtful debt (Impairment of	(863,696)	(863,696)	(863,696)	0	0	0	(863,696)	0	0	0

TANZANIA COTTON BOARD

		2024					2023			
receivable)										
Receivable (GEPG)	3,991,713	3,340,374	3,032,839	0	0	0	3,340,374	0	0	0
Staff Loan Receivables	56,387	53,128	7,786	0	0	0	53,128	0	0	0
	5531153	2,400,935	4242305	0	0	0	2,400,935	0	0	0

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

Liquidity Risk

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

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

			2024				2023			
	30-Jun-2024	30-Jun-2023	0-30 days	31- 60 days	61-90 days	91 - 365days	0-30 days	31- 60 days	61-90 days	91 - 365days
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Other Payable	158,474	196,286	55,817	0	0	0	196,286	0	0	0
Staff Claim Addition	185,536	201,431	168,724	0	0	0	201,431	0	0	0
Supplies of goods and services Addition	139,944	441,534	593,469	0	0	0	441,534	0	0	0
VAT Payable Addition	200,625	171,114	143,151	0	0	0	171,114	0	0	0

TANZANIA COTTON BOARD

	2024						2023			
Withholding tax	4,954	2,616	458	0	0	0	2,616	0	0	0
Total	689533	1012981	963643	0	0	0	1012981	0	0	0

(p) Significant Accounting Judgments and Estimates

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

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

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

(a) Revaluation of Assets

The Board engages an independent valuation specialist to estimate revalued amount of the Investment Properties. The revalued figures are treated as deemed costs of the properties and assets involved.

The investment properties are stated at revalued amount and the changes in value is recognized in the statement of financial performance. In addition, the property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss. The depreciation and impairment loss for PPE and Investment Properties are charged to statement of financial performance in the accounting period.

(b) Receivables

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

(c) Operating Lease Commitments

Management has entered into contractual agreement with tenants (lessee) on its investment properties in Kurasini Warehouses under the supervision of the property manager. 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 under operating lease.

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(d) *Assets Future Economic Benefits*

Management has made significant judgments in determining whether the asset or groups of assets continue to have the future economic benefits to the Board and whether they are impaired or not. An asset is impaired when the carrying value of the asset exceeds its recoverable amount. Recoverable amount 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.

333333- Revenue Grants

During the year the Board received 1.5 billion from the Government through the parent Ministry for payment of salary for TCB employees.

3 -Revenue Grants

During the year the Board received 1.5 billion from the Government through the parent Ministry for payment of salary for TCB employees.

	2023/24 TZS'000	2022/23 TZS'000
Government Grant Personal Emolument	1,572,140	1,473,965
Add/less (Change in working capital)	6,245	
Recurrent Deferred Income Addition	1,578,385	1,473,965

4- Revenue from exchange

In 2014/15 the Board renovated its investment properties for the purpose of improving rental charges for Warehouses. After renovating the warehouses, the rates were increased from an average rate of TZS 5, 666 (USD 2.5) to TZS 9, 066 (USD 3.5) per square meter. These rates became effective from 2016/17 and remained almost the same due to real estate market instability.

During the year TCB recognized rental income of TZS 3.5 billion compared to TZS 3.7 billion in previous year.

	2023/24 TZS'000	2022/23 TZS'000
Revenue from Miscellaneous Fees A	3,543,148	3,758,499
Add/less(Change in Working Capital)	(651,339)	(879,558)
	2,891,809	2,878,941

5 - Fees, Fines, Penalties and Forfeits

According to Cotton Industry Act No.2 of 2001, TCB is authorized to impose fines to cotton industry stakeholders who purposely or negligently violate the cotton industry regulations. During

TANZANIA COTTON BOARD

the year the Board collected TZS 22 million as regulatory revenue in terms of fines for non-compliance to the Cotton Industry Act.

	2023/24 TZS'000	2022/23 TZS'000
Fines	22,085	18,559
	22085	18,559

6 - External Assistance

Other Development Grants -Current (Multilateral)	0	74,817
	0	74,817

7 - Gain on Foreign Currency Translation

The Board lease some of its investment property in foreign currency whereby rental fees are paid in local currency at prevailing exchange rate on the date of transaction. The outstanding rentals in foreign currency are converted into local currency at the end of the year and the gain or losses on exchange are recognized in the statement of financial performance.

Foreign Exchange differences (Gain) - Monetary	375,805	13,587
	375805	13,587

8 - Other Revenue

During the year the Board recognized other revenue of TZS 248 million from sales of lint samples and other miscellaneous revenues as follows: -

	2023/34 TZS'000	2022/23 TZS'000
Miscellaneous Revenue	248,376	163,214
	248376	163,214

9 -Wages, Salaries and Employee Benefits

(i)

	2023/34 TZS'000	2022/23 TZS'000
Acting Allowance	0	8,636
Civil Servants	1,387,679	1,382,821
Electricity	20,120	15,525
Extra-Duty	55,580	77,430
Food and Refreshment	372,396	395,735
Furniture Expenses	16,260	0
Gratuities	314,569	6,032
Housing allowance Expenses	267,360	233,990

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Leave Travel	8,640	20,187
Medical and Dental Refunds	6,656	15,293
Moving Expenses	13,115	19,599
Outfit Allowance	0	900
Sitting Allowance	121,450	105,548
Statutory Contributions	247,510	236,511
Subsistence Allowance	5,697	0
Telephone	73,370	0
Telephone Allowance	0	72,060
Transport Allowance	124,160	95,900
Expenses	3034562	2686167

(ii) Add/less (Change in Working Capital)

Staff claim addition	(15,895)	(142,579)
Payment	3,018,667	2,828,746

10 - Use of Goods and Service (i)

	2023/34 TZS'000	2022/23 TZS'000
Advertising and publication	2,069	0
Advertising and Publication - Communication & Information	0	6,070
Air Travel Tickets-Training - Domestic	18,340	56,773
Air Travel Tickets-Travel - In - Country	62,569	0
Air Travel Tickets-Travel Out Of Country	22,960	0
Computer Software - Use of goods and Services	5,362	0
Computer Supplies and Accessories	3,996	12,420
Conference Facilities	11,400	2,930
Diesel	90,513	74,232
Food and Refreshments	14,237	0
Gifts and Prizes	12,900	4,500
Ground travel (bus, railway taxi, etc)Travel - In - Country	66,365	36,251
Internet and Email connections	16,951	9,154
Land Rent Expenses Expenses - Other operating Expenses	37,638	0
Non Cash Expenditure-Use of Goods and Service	495,726	519,224
Office Consumables (papers,pencils, pens and stationaries)	20,139	27,774
Outsourcing Costs (includes cleaning and security services)	420,686	281,458
Per Diem - Domestic	524,129	399,600
Per Diem - Foreign	7,872	1,525
Posts and Telegraphs	5,069	3,778
Printing and Photocopying Costs	6,722	4,740
Protective Clothing, footwear and gears	480	0
Purchased Electricity - TANESCO	50,999	46,858
Rent - Office Accommodation	0	2,580
Subscription Fees	6,090	1,497
Telephone Charges (Land Lines)	9,745	0
Tuition Fees Training - Domestic	55,127	85,016
Uniforms and Ceremonial Dresses	8,000	0

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Uniforms -Clothing, Bedding, Footwear and Services	2,592	491
Water Charges	9,435	9,888
	1,988,111	1,586,759

(ii) Add/less (Change in Working Capital)

	2023/24	2022/23
	TZS'000	TZS'000
Consumables	(3,411)	(2,768)
Imprest Receivable-Staff	4,168	(59,891)
Prepayment Consumables	(14,746)	(35,199)
Impairment of receivable	0	(31,124)
Supplies of goods and services-Addition	(301,589)	(33,723)
Tax Payable Addition	(354,559)	(30,204)
VAT Payable Addition	29,511	(156,052)
Withholding tax	2,339	40,748
Payment	854,098	759,322

11 - Maintenance Expenses

	2023/24	2022/23
	TZS. (000)	TZS.(000)
Air conditioners	1,697	2,177
Air conditioners	4,778	243,802
Cement, Bricks and Building Materials	97,028	0
Cement, bricks and construction materials	854	0
Computers, printers, scanners, and other computer related equipment	49,742	0
Direct labour (contracted or casual hire) - Vehicles and Transportation Equipment	0	24,890
Direct labour (contracted or casual hire) - Water and Electricity	260	20,127
Electrical and Telephone Cable Installations	282	6,179
Repair and Maintenance of Furniture	0	775
Repair and Maintenance of Sewerage System	3,383	33,787
Spare Parts - Vehicles and Transportation Equipment	350	4,500
Tyres and Batteries	160397	336,237

12 - Impairment of Receivables

	2023/24	2022/23
	TZS. (000)	TZS.(000)
Provision for ECL Receivable	212,291	1,165,104
	212,291	1,165,104

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13 - Other Expenses

	2023/24	2022/23
	TZS. (000)	TZS.(000)
Agency fees	1,179	0
Audit fees Expenses	32,000	35,000
Bank Charges and Commissions	696	7,214
Burial Expenses	26,533	28,195
Co-Location operational Expenses	0	92,788
Consultancy fees	8,120	0
Director's Fee	70,250	12,000
Insurance Expenses	103,356	59,084
Land Rent Expenses	0	5,771
Legal fees Expenses	2,500	6,267
3Withholding Tax	221,328	168,527
Expenses	467985	416868
Add/less(Change in Working Capital)		
Other Payable	(37,812)	360,328
Payment	428,150	775,174

14 - Other Transfers

Transfer to Consolidated Fund - Cash	20,000	0
	20,000	0

15 Cash and Cash Equivalents

As at 30 June 2024 a CDTF Levy of TZS 1.62 billion was collected by TCB through Government Electronic Payment Gateway (GePG) System and it was included in TCB Bank collection accounts at the end of the accounting period. The Bank and Cash balances at 30 June 2024 were as follows: -

	2023/24	2022/23
	TZS'000	Restated TZS'000
BoT Own source Collection Account	876,415	2,000
Deposit Cash Account	9,391	468,765
Loan Cash Account	0	25,424
Own source Collection Account -CRDB	0	429,266
Own source Development Expenditure	12,546	2,509
Own source Recurrent Expenditure GF	260,588	37,723
Recurrent Expenditure Cash Account	6,831	5,614
Unapplied Cash Account	12,131	19,016
USD Commercial Collection Account		122
Gross cash and cash equivalent (iii)	1177902	990439
Provision for ECL cash and cash equivalent (2023 and 2024)	(12,204)	(9,739)
Cash and cash equivalent (ii)	1,165,698	980,700

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16 Receivables

Receivables which could be settled within the next 12 months were recognized in the list of current assets; otherwise, the Board recognized them in the category of non-current assets.

	2023/24	2022/23
	TZS'000	TZS'000
Imprest Receivable - Staff	105,628	101,460
Receivables from Exchange Transactions	3,991,712	3,340,374
Staff Loan Receivables	56,387	53,128
	4,153,727	3,494,962
Provision for ECL receivable (Impairment of receivable)	(1,377,395)	(1,165,104)
TOTAL	2,776,333	2,329,858

17 Prepayments

	2023/24	2022/23
	TZS'000	TZS'000
Prepayment Consumables	0	14,746
TOTAL	0	14,746

18 INVENTORIES

Inventories comprised of consumable goods like stationery for office use which remained as closing stock at end of the financial period.

	2023/24	2022/23
	TZS'000	TZS'000
Consumables	4,812	8,223
TOTAL	4,812	8,223

19 INVESTMENT PROPERTY

Investment Properties are buildings held by the Board for earning rentals. The Investment properties are located in Dar es Salaam, Morogoro, Shinyanga, Musoma and Kigoma regions. TCB is charging depreciation on investment property at a rate of 2% per annum by using straight line method.

Cost/Revaluation	2023/24	2022/23
	TZS'000	TZS'000
Balance as at 1 st July, 2023	28,810,912	28,747,026
Additions - Monetary	0	0
Additions -non monetary	0	63,886

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Balance as at 30 June 2024	28,810,912	28,810,912
Accumulated Depreciation and Impairment:		
As at 1 st July, 2023	3,321,715	2,893,940
Charge during the year - Depreciation	426,512	427,775
As at 30 June 2024	61370051	3,321,715
Carrying Value		
As at 30 June 2024	25,062,685	25,489,197

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20 PROPERTY, PLANT AND EQUIPMENT

For the Year Ended 30 June 2024

	Acquisition of land	Office buildings and structures	Plant and Machinery	Motor vehicles	Motorbikes and bicycles	Office Furniture and Fittings	Hardware: servers and equipment (incl. desktops, laptops etc.)	Total
Cost / Valuation:	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
As at 1 st July, 2023	32,979,617	3,174,764	801,392	966,266	135,350	273,188	207,965	38,538,542
Additions - Monetary		8,151				1,450	8,140	17,741
At 30 June 2024	32,979,617	3,182,915	801,392	966,266	135,350	274,638	216,105	38,556,283
Accumulated Depreciation and Impairment								
As at 1 July, 2023	0	329,138	220,319	553,271	73,350	136,042	117,775	1,429,895
Charge during the year - Depreciation		44,981	33,501	62,922	9,735	39,722	40,731	231,592
As at 30 June 2024	0	673,999	185,660	254,872	353,785	72,504	590,716	787,740
Net Book Value:								
As at 30 June 2024	32,979,617	2,808,796	547,572	350,073	52,265	98,873	57,599	36,894,796

For the Year Ended 30 June 2023

	Acquisition of land	Office buildings and structures	Plant and Machinery	Motor vehicles	Motorbikes and bicycles	Office Furniture and Fittings	Hardware: servers and equipment (incl. desktops, laptops etc.)	Total
Cost / Valuation:	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
As at 1 July 2022	32,979,617	3,148,678	801,392	966,266	135,350	263,678	194,365	38,489,345

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	Acquisition of land	Office buildings and structures	Plant and Machinery	Motor vehicles	Motorbikes and bicycles	Office Furniture and Fittings	Hardware: servers and equipment (incl. desktops, laptops etc.)	Total
Cost / Valuation:	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Additions - Monetary		26,086				9,510	13,600	49,196
At 30 June 2023	32,979,617	3,174,764	801,392	966,266	135,350	273,188	207,965	38,538,542
Accumulated Depreciation and Impairment								
As at 1 July 2022	0	282,697	186,818	426,936	64,807	96,809	78,932	1,137,000
Charge during the year - Depreciation		46,441	33,501	126,335	8,543	39,233	38,843	292,895
As at 30 June 2023	0	329,138	220,319	553,271	73,350	136,042	117,775	1,429,895
Net Book Value:								
As at 30 June 2023	32,979,617	2,845,626	581,073	412,995	62,000	137,146	90,190	37,108,647

*The value of land of TZS 32,979,617,000 represents the leasehold lands which are held by the Board.

21 INTANGIBLE ASSETS

The intangible assets of the Board are standalone computer software for **Cotton Classification**, **Sage Pastel** and **Fixed Asset Register**. The computer software movement during the year is shown below: -

Cost / Valuation:	2023/24 TZS'000	2022/23 TZS'000
As at 1 July 2023	<u>2024</u>	<u>4048</u>
Additions-Monetary	<u>0</u>	<u>0</u>
As at 30 June 2024	<u>2054</u>	<u>4108</u>
Accumulated Amortization/ Impairment:		
As at 1 July 2023	<u>22,156</u>	<u>19,113</u>
Charge during the Year	<u>3,043</u>	<u>3,043</u>
As at 30 June 2024	<u>29277</u>	<u>30312</u>
Carrying Value As at 30 June 2024	<u>7,329</u>	<u>10,372</u>

22(i) CASH GENERATED FROM OPERATIONS

	2023/24 TZS ('000)	2022/23 TZS ('000)
Surplus/ Deficit for the Period	(852,434)	(192,619)
Add/ (Less) Non Cash Item		
Amortization of Intangible Assets	3,044	3,044
Depreciation of Investment Property - Carried at Cost	426,512	427,775
Depreciation of Property, Plant and Equipment	231,592	292,896
Gain on Foreign Currency Translation	(375,805)	(13,587)
Provision for ECL Receivables	283,368	90,592
Provision for ECL cash and cash equivalent	2,465	9,739
Use of Goods and Service	495,726	519,224
Add/ (Less) Change in Working Capital		
Deferred Income	6,245	0
Inventories	3,411	2,768
Other Receipt	(358,709)	64,033
Payables and Accruals	678,005	(323,677)
Prepayments	14,746	35,199
Receivables	<u>(658,768)</u>	<u>(841,670)</u>
Net Cash Flow from Operating Activities	<u>(100,602)</u>	<u>63,977</u>

22(ii) CASH FLOW FROM FINANCING ACTIVITIES

The note disclose amount of cash paid for loan recovery for year under review in comparable basis.

	2023/24 TZS '000'	2022/23 TZS '000'
Payment	<u>(70,000)</u>	<u>(50,000)</u>

22(ii)

	2023/24 TZS '000'	2022/23 TZS '000'
Net Cash flow from operating activities	(100,602)	63,977
Net Cash flow from operating activities	(17,741)	(113,083)
Net Cash flow from operating activities	<u>(70,000)</u>	<u>50,000</u>
Net Increase	<u>188,343</u>	<u>99,106</u>

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23 - Payable and Accruals

	30-Jun- 2024	30-Jun- 2023	0-30 days	31- 60 days	61-90 days	91 - 365days	0-30 days	31- 60 days	61-90 days	91 - 365days
	TZS'000	TZS'000	TZS'000	TZS '000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Other Payable	234,098	196,286	55,818	178,280	0	0	196,286	0	0	0
Staff Claim	218,765	201,431	168,725	48,601			201,431			
Addition										
Supplies of goods and services	743,123	441,534	593,469	149,654			441,534			
Addition										
VAT Payable	141,603	171,114	141,422	0			171,114			
Addition										
Withholding tax	277	2,616	458	0			2,616			
Total	1,337,866	1012981	959,892	376,535			1012981			

24 CAPITAL FUND

The figure for the TCB Capital Fund represents excess of assets over liabilities taken over from the defunct Tanzania Cotton Lint and Seed Board as at 1 July 2004 as per Instrument of Transfer published on Government Notice No.5 of 20.01.2006, together with subsequent acquisition of other non-monetary assets of the Board. The Capital fund balance as at 30.06.2024 is analysed hereunder: -

	2023/24 TZS'000	2022/23 TZS'000
Assets Taken Over:		
Land and Buildings (Net)	2,883,703	2,883,703
Motor Vehicles	54,635	54,635
Office Furniture and Fittings and Equipment	13,122	13,122
Computer Equipment and Accessories	2,886	2,886
Staff Receivables	48,515	48,515
HVI Machinery	138,960	138,960
Cash and Bank Balances	143,008	143,008
Land and Buildings (Ex TCLSB NBV)	2,721,184	2,721,184
Transferred to Tanzania Building Agency	<u>(733,950)</u>	<u>(733,950)</u>
TOTAL ASSETS	6741986	6741985
Less: Liabilities Taken Over		
Deferred Income (Received in 2003/2004)	133,752	133,752
PAYE Payable	546	546
Audit Fees` Payable (For 2003/2004 Accounts)	8,800	8,800
Accrued Expenses	7,637	7,637
TPAWU Payable	521	521
VAT Payable	7,108	7,108
Staff Benevolent Fund	10	10
	<u>13642346</u>	13642344
Total (Net)	5,113,689	5,113,689

25 ACCUMULATED SURPLUS

The Board maintains accumulated surplus account for its operations. During the year, the Board recorded a deficit of TZS.852 million as compared to deficit of TZS. TZS.345 million recorded in previous year. The increase in deficit was mainly caused by expenditures for employees benefits in relation to the collective bargaining agreement between TCB and TPAWU which increased expenditures for salary and benefits from 2.6 billion to 3 billion. The cost for impairment on receivables increased from 90 million to 283 million due to application of IPSAS 41 on financial instruments of the Board.

The accumulated surplus as at 30 June 2024 was TZS.52.82 billion as compared to TZS.53.61billion in previous period.

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26 - Deferred Income

Descriptions	Opening	Fund Received	Amortised	Transfer to PMG	Transfer To Holding	Balance
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Deferred Subvention Revenue	0	0	0	0	0	0
Recurrent Deferred Income	0	1,578,385	1,572,140	0	0	6,245
TOTAL	0	1,578,385	1,572,140	0	0	6,245

27 - Deposits

	2023/24	2022/23
	TZS'000	TZS'000
Deposit General	912,783	1,286,049
Unapplied Deposit Account Addition	12,314	18,816
	925,096	1,304,865

28 Other Borrowings by Government Entities

The Board has an agreement with TIB for a loan facility of TZS 5.67 billion to renovate its investment properties located at Kurasini. Initially, the terms of the loan were as follows:

- The repayment period is 5 years payable semi-annually,
- Grace period is one year and the first instalment fell due in May, 2015
- Assets pledged as security are plot no.20 and 21 Block C in Kurasini area with a market value of TZS 10.45 billion ascertained by an accredited independent property value,
- The interest rate is 18% per annum charged on the outstanding amount.

However, during the year the Board requested the Bank to restructure the outstanding loan at zero interest rate in consideration of the amount which had already paid by the Board. In April 2024, the Bank approved the request and restructured the outstanding loan at zero interest rate payable quarterly by equal installment of TZS.70,000,000.

Out of TZS 4.8 billion of outstanding bank loan, TZS 1.38 billion is current obligation (payable within next twelve months) and TZS 3.46 billion is noncurrent liability.

	2023/24	2022/23
	TZS'000	TZS'000
Bank Loan-Current Liability	1,383,121	2,045,820
Bank Loan- Non Current Liability	3,459,157	2,370,730
Balance as at 30th June,2024	4,842,278	4,416,550

29 Payables and Accruals (Long Term)

Deferred revenue arises as a result of recognition of the amount received from tenants for the next financial reporting periods. The rent received in advance is reported in the consolidated statement of financial position as deferred revenue for the next accounting period. Similarly, VAT for invoices billed to customers for next accounting period were deferred in the statement of financial position.

	2023/24	2022/23
	TZS'000	TZS'000
Tax Payable Addition	838,632	484,073
	838,632	484,073

30 CAPITAL COMMITMENTS

TCB had undertaken major rehabilitation of its warehouses located in Kurasini so as to protect them from further deterioration and enable it to charge a higher rent per square meter. The finance for this work was obtained from TIB bank in form of a loan. The five year loan contract with the value of TZS 5.6 billion charged at an interest rate of 18% per Annum was signed by both parties way back in 2014. In April 2024, the Bank approved new terms of the loan after restructuring the Loan. According to new terms of the Loan, the Board is required to pay loan instalment of TZS.70 million payable quarterly at zero interest rate for the next seven years effective from May 2024. The balance of the loan as at 30 June 2024 was TZS 4.8 billion.

31 CONTINGENT ASSETS

(I) In the High Court of United Republic of Tanzania (Land division) at Dar es Salaam Land Case No. 50 of 2023 between Attorney General, Tanzania Cotton Board versus WI Africa Tanzania Ltd and Delmini Investment Limited. The Board lodged summary suit against the tenant WI Africa claiming breach of lease agreement whereby the tenant defaulted to pay rent in time. TCB is seeking for orders against the tenant for a declaration that the tenant is in breach of the terms of lease agreement duly entered between the Board and therefore to be ordered to pay USD 676,721.37 or its equivalent in TZS as per current Bank of Tanzania exchange rate (iii) The Honourable Court be pleased to issue an order for payment of specific damages assessed by the court but not less than the tune of USD 231,426.72 or its equivalent in TZS as per current Bank of Tanzania exchange rate (iv) That the Honorable Court be pleased to issue an order for payments of general damages assessed by the court but not less than the tune of USD 150,000 or its equivalent in TZS as per current Bank of Tanzania exchange rate (v) Honorable court be pleased to issue an order of attachment and sale by public auction of tenant's goods and/or properties stored at TCB warehouses so that the Board can set off the rent arrears from the proceed of sale.

Judgement of the case was delivered on 14th June, 2023 in favour of the Board. The process for execution are underway. The decision regarding the appointment of a Court Broker to execute the Judgement will be on 29th August, 2024.

(II) The High Court of United Republic Of Tanzania (Land Division) At Dar es Salaam Misc. Land Application No. 352 Of 2023 (Arising from Misc. Land Application No. 207/2021), between Maarifa Institute Versus Tanzania Cotton Board, Greenlight Auction Mart Ltd & The Attorney General whereby the tenant, Maarifa Institute, failed to comply with out of court settlement and the Board decided to evict Maarifa Institute and as a result the tenant instituted a case against the Board claiming unlawful and unjustifiable eviction conducted by Respondents' officials on 19th May 2023 without any reference to the court while there is a deed of settlement that buttress for the same. During the eviction, the tenant was found building another structure without the Board permission. The tenant debt accumulated USD 54,548.87 equivalent to TZS. 144,009,017 and remained outstanding as at 30th June 2024.

Furthermore, the option that the Board has as a mode of execution is to apply for the Judgment Debtor to be put on civil imprisonment as the Board has failed to trace his properties for attachment.

32 RELATED PARTY TRANSACTIONS

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

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity?

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

(1) Ministry of Agriculture

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.

The Government through Ministry of Finance and planning also paid funds for personal Emoluments (PE) directly to TCB employee's bank account. The total Government fund received by the Board during the year is detailed below:-

Government Subventions	2023/24 TZS'000	2022/23 TZS'000
PE Paid Direct to Employees	<u>1,572,140</u>	1,473,965
Total Government Subvention	1572140	1,473,965

The funds for Government subventions are recognized in the Statements of cash flows as well as the statement of financial performance. The government subventions of TZS 1.58 billion was reported in the statement of financial performance as revenue from non-exchange transactions.

(2) Cotton Development Trust Fund

The Cotton Development Trust Fund (CDTF) is a body corporate which was initially created by cotton stakeholders including both TCB and the Ministry of Agriculture and registered as a trust. Its main purpose was promotion of the cotton industry and, for this role; it worked closely with TCB in all its functions. On behalf of CDTF in the year under review, TCB collected through Government Electronic Payment Gateway (GePG) and retained in its bank accounts the seeds cotton levy of TZS 836.38 million as at 30th June 2024.

On 22nd December 2017, the Government announced its intention to dissolve CDTF and transfer its functions to TCB for cost saving purposes. The CDTF functions in the Cotton sub sector include the followings: -

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 cotton productivity and profitability through development of Cotton seed varieties and other production technologies. Nevertheless, the funds for research activities are disbursed directly to the Cotton Research Stations 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 Agricultural Shows, Cinema shows and /or Radio programs 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 correct basis for charging cotton levy to be paid by Cotton Ginners.

(3) Top Management

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

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

	2023/24	2022/23
	TZS'000	TZS'000
Short term benefits:		
Basic Salaries	447,118	421,258
Allowances	<u>75,360</u>	<u>75,696</u>
	522,478	496,954
Long term benefits:		
Pension	<u>67,068</u>	<u>63,189</u>
TOTAL	<u>589,546</u>	<u>560,143</u>

(4) Directors

In the year under review, TCB operations were managed by members of the Board of Directors. The Director's remunerations paid the Board includes directors fees and accommodation.

33 BUDGET AGAINST ACTUAL EXPENDITURES

IPSAS 24 requires entities that make their approved budget publicly available to prepare a statement of comparison of budget amounts and actual amounts. TCB prepared its budget on cash basis and the financial statements were prepared on IPSAS accrual basis. As such the budget and the financial statements were not in the same basis and therefore further adjustments were required to align the financial statements to the budget. The Statement of comparison of budget and actual amounts for that matter was prepared on budget basis (IPSAS24.39).

TANZANIA COTTON BOARD

REASONS FOR MAJOR VARIATIONS ON STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 June 2024

Particulars	Final Budget TZS'000	Actual on Comparable basis TZS'000	Variances TZS'000	Reasons for major variations
Revenue Grants	3,463,048	1,578,385	1,884,663	The Government did not release employment permits for TCB staff.
Revenue from Exchange Transactions	4,111,742	2,891,809	1,219,933	Outstanding account receivables and market changes which caused decrease in demand for warehouses
Financing Income	3,760,032	0	3,760,032	The Regulatory functions for crop production were funded by CDTF.
Wages, Salaries and Employee Benefits	0	3,018,667	988,248	The Government did not release employment permits for TCB staff.
Use of Goods and Service	0	854,098	4,198,720	Cash flow problems to finance administrative expenditures and pay liabilities as per budget.
Other Expenses	0	428,150	739,623	Cash flow problems to finance recurrent expenditure
Acquisition of Property, Plant and Equipment	0	17,741	945,625	The Government did not release disposal permits for TCB depreciated assets.
Cash proceeds from other short or long-term borrowings	140,000	70,000	70,000	There was ongoing negation with the bank to restructure the loan at zero interest.

34 RECONCILIATION STATEMENT OF COMPARISON BUDGET AND THE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

	2023/24 TZS'000	2022/23 TZS'000
Surplus as per Statement of Budget	(188,343)	425,665
Add :Accrued revenue	1,020,899	885,205
Less: Accrued expenses	(1,621,376)	(1,647,545)
Deficit as per Statement of performance as at 30.06.2024	788,820	(335,675)

35 EVENTS AFTER THE REPORTING DATE

Events after Reporting Period are those that occur between the end of the reporting period and when the financial statements are authorized for issue. In order to determine which events,

satisfy the definition of events after the reporting date, it is necessary to identify both the reporting date and the date on which the financial statements are authorized for issue.

The date of authorization for issue will usually be taken as 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 will comprise adjusting and non-adjusting events. Adjusting events are those events or transactions that provide evidence of conditions that existed at the end of the reporting period, update in disclosure to the financial statements are referred to as adjusting events. Some examples of the adjusting events are: a) the resolution of a court case after the reporting date due to a present obligation at the reporting date; b) information about an impairment of an asset at the reporting date; c) the cost of an asset or proceeds from the sale of an asset become determinable after the reporting date; and d) fraud or material errors have been discovered.

Whereas non-adjusting events are indicative of conditions arising after the reporting period. Where material; the non-adjusting events are disclosed.

However, there was no event reported by the Board after end of the accounting period.

36 REARRANGEMENT OF FIGURES

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