



**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



TANZANIA COTTON BOARD (TCB)

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS AND COMPLIANCE AUDIT FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2022**



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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.

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: "Modernizing External Audit for Stronger Public Confidence"

Core values

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

We do this by:

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by Tanzania Cotton Board and may form part of the annual general report which once tabled to National Assembly, becomes a public document hence, its distribution may not be limited.

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Abbreviations

CAG	Controller and Auditor General
CDTF	Cotton Development Cotton Trust fund
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standard of Supreme Audit Institutions
PAA	Public Audit Act
PFA	Public Finance Act
PPA	Public Procurement Act
PPR	Public Procurement Regulations
Sec	Section
TBS	Tanzania Bureau of Standards
TCB	Tanzania Cotton Board
TIB	Tanzania Investment Bank
USD	United State Dollars
TFRS 1	Tanzania Financial Reporting Standards (TFRS) No.1
HVI	High Volume Instrument



1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chairman,
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, 2022, and the statement of financial performance, statement of changes in net assets and 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 2022, 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.

Emphasis of Matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Note 31 (b) (2) of the financial statements describe the relationship between CDTF and TCB. On 22 December, 2017, the Prime Minister of the United Republic of Tanzania terminated CDTF operations as an independent Trust and directed CDTF functions to be

transferred to TCB. I noted that even though TCB has been controlling the Fund but the decision has not been legalized, and in my view the directive may expose the entity to legal disputes in the future. In addition, the process of legally dissolving CDTF as an independent Trust has not yet been completed as is still registered with Registration, Insolvency and Trusteeship Agency (RITA) as an independent Trust.

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 Directors' responsibility and 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.

- 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 our 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 benefits 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, 2011 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 procurement of works, goods and services in the Tanzania Cotton Board for the financial year 2021/22 as per the Public Procurement laws.

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 the Tanzania Cotton Board for the financial year 2021/22 as per the Budget Act and other Budget Guidelines.

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. Kichefe
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March, 2023



2.0 REPORT OF THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

2.1. Introduction

The Financial Statements of Tanzania Cotton Board (TCB) for the year ended 30 June, 2022 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 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 No.2 of 2001 (cap 201, RE 2002), as amended by the Crop Laws (Miscellaneous Amendments) Act No 20 of 2009 and came into existence on 1 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: -

TANZANIA COTTON BOARD

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

2.3. The Composition of the Directors

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

- 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 the period of three years and are eligible for re-appointment. The Board was appointed by the Minister responsible for Agriculture on 5 October 2017 and its tenure expired on 4 October 2020. The Chairman of the New Board was appointed on 24 August 2022 and the appointment of other members of the Board is underway.

In the period under review, the decisions on day to day activities for both TCB and CDTF were entrusted to the Director General. Other major decisions that needed an approval from the Board of Directors were referred to the parent Ministry for approval and directives.

2.4. Strategies of the Cotton Board

In order to achieve its objectives, Tanzania Cotton Board is implementing its Fourth Five Years Strategic Plan (2021/22 - 2025/26). The Plan has 6 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

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 like;

- a) Tanzania National Development Plan;
- b) Agricultural Sector Development Program II (ASDP II)
- c) Ruling Party Election Manifesto of 2020 and;
- d) Other Government directives.

2.5. Achievements on Implementation of the Strategic Plan

Implementation of the TCB Strategic Plan and other government priorities and strategies have resulted to the following main achievements: -

- i. Revival of cotton seed multiplication system; From 2018/19 farming season onwards, the Cotton Sub-sector 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. Increased production and productivity in cotton farming; the highest production level attained in the last five years is 348,977 metric tons in 2019/20 marketing season cotton production as compared to 122,178 metric tons in 2016/17 marketing season. In 2021/22 marketing season, there was a small increase in production from 122,836 metric tons (2020/21) to 144,792(2021/22). Though the sector is still facing many challenges

especially infestation of new insect pests, efforts are in place to ensure Tanzania is attaining the production of 1,000,000 metric tons by 2025/26 marketing season.

- iii. Improved cotton quality; normally cotton price is direct related to its quality. In the recent years, the cotton lint quality has increased from 11.64% for the Gaby and above grade in 2020/21 marketing season to 26.81% in 2021/22 marketing season. Main target is to increase the percentage of Gany grades to 75% by 2025/26 marketing season and make the cotton from Tanzania to be traded at a premium price.
- iv. Adoption of new planting space and other best agronomic practices; in the period under review the Board through CDT engaged Cotton Ambassador to train farmers on adoption of the new recommend planting space and other best agronomic practices. The training on best recommended agronomic practices is ongoing and in 2021/22 farming season; it has increased cotton productivity from an average of 180 kilogram of seed cotton per acre to about 500 kilogram 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. Review of organizational structure aimed to improve service delivery to our potential customers is ongoing.
- vii. For about seven years, the Board has been depending on its own sources revenue to institute its mandate. However, due to high depreciation of its assets, the occupancy rate for most of buildings were less than 70% by the end of last financial year. TCB has decided to renovate some buildings so as to increase its internal revenue which account for 94% of the total revenue. The occupancy rate has also increased from an average of 70% to 90%.

2.6. Challenges Encountered by TCB in 2021/22

During the year, the Board encountered the following challenges which affected the performance of the Cotton Industry as a whole:

a) Infestation of Insect Pests and Climate Change

Cotton insect pests specifically new emerged ones (jassids and thrips) have caused significant crop loss in the last three years and in doing so present a barrier to the achievement of TCB target of attaining 1,000,000 metric tons of cotton production by 2025/26 farming season as well as poverty reduction among cotton farming community. Furthermore, this threat has imposed huge cost in servicing the sector by increasing the pesticides applied from an average of three acre-packs per acre per season to about

eight acre-packs. For instance, in 2013/14 the sector spent about 1,391,420 acre-packs to produce 243,409 metric tons of seed cotton while in 2021/22 about 9,096,231 acre-packs were used to produce 174,032 metric tons of seed cotton. Therefore, huge investment has to be made on research to find-out the proper method of overcoming this situation.

b) Unfavourable Weather Condition

Cotton farming in Tanzania is a hundred percent rain-fed. Therefore, increase or decrease in production is highly determined by weather condition in a given season. In 2021/22 farming season, some areas faced adverse weather condition (drought) leading to substantial crop loss. This calls for cotton stakeholders and the government to think about introduction of simple cotton irrigation schemes at village level.

c) Inadequate Government 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 and regulatory functions of the Board were supposed to be 100% funded by the Government. The salaries for employees were paid through the Central Government payroll and paid directly to employees in their respective bank accounts.

However, the Government is inadequately funding the regulatory functions of the Board as TCB no longer receives any subsidy for its operating activities. This has resulted into difficulties in implementing some mandatory functions of the Board such as strong cotton quality controls through regular inspection of Cotton Ginneries and Cotton buying centers and providing education to farmers on good husbandry. The regulatory functions during the financial year 2021/22 continued to be financed through internally generated revenue and other sources because the Government did not provide funds for TCB regulatory activities.

d) Inadequate Finance for Servicing TIB Bank Loan Facility

The Board rehabilitated its Kurasini warehouses in 2014/15 aimed to improve revenue and stop further deterioration of the warehouses. Finance for renovating these warehouses was obtained from Tanzania Investment Bank (TIB) whereby TCB entered into five years loan agreement with the Bank.

These warehouses are the main source of TCB's internal revenue leased at an average rate of USD 3.5 per square meter exclusive of taxes. The market rates for warehouses had decreased from an average rate of USD 5.5 in 2015/16 to USD 3.5 in 2021/22 due to decrease in demand for warehouses in the economy. The Board had been struggling to pay the loan instalments because of these changes and for that matter the Bank

approved our request to restructure the loan instalments from TZS.700,000,000 to 460,000,000 semi-annually as well as reduction of the loan interest rate from 18% to 13%.

Despite these challenges, the Management of the Board is confident that TCB will continue to collect rental revenues from these warehouses for servicing the loan instalments as they become due because the warehouses are located in strategic business area around Dar es Salaam port where there are massive imports and exports of various commodities.

2.7. Trends and Future Prospects

a) Increasing Production and Productivity

Tanzania Cotton Board is increasing its efforts to help farmers in improving cotton production and productivity by Promoting adoption of new recommended spacing (60cm x 30cm); uses of simple agro machineries, and Insisting application of the best recommended agronomic practices in cotton;

b) Increasing Classing Facilities

TCB is aiming to increase its cotton classing capacity by increasing the number of classing staff and High-Volume Instrument (HVI). Currently TCB is working with other Government Authorities to increase its manning levels. On the other hand TCB has received one HVI machine and its IT equipment from TBS aimed to improve the capacity of TCB to classify reasonable samples at a reasonable time.

c) Renovating TCB buildings

The renovation of TCB buildings as major sources of revenues is ongoing and it will be implemented depending on availability of financial resources.

d) 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.

2.8. Corporate Governance

The Board of Directors of Tanzania Cotton Board tenure has expired since October, 2020. Since then, the Management of TCB has been working with Ministry responsible for Agriculture to ensure that there is adequate control of the assets of the Tanzania Cotton Board, including identifying the key risk areas that have significant impact in both internal and external environment in which the Board operates, and ensuring that the internal control policies and procedures are followed adequately. Procurement of goods and

consultancy services as reflected in the financial statements has been done in accordance with the Public Procurement Act No.7 of 2011 as Revised in 2016.

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 the public resources.

2.9. The 18 African Cotton Association Congress

The Tanzania Cotton Board (TCB) hosted the 18th Annual Congress of African Cotton Association (ACA). The meeting was held on 17 to 19 March 2022 at Malaika Beach Resort in Mwanza Tanzania and the theme of the Congress was Raising productivity and quality is a key to sustainability of African Cotton. There were about 200 delegates from member and non-member States including Nigeria, Ghana, Benin, Kenya, Ivory Coast, Togo, Tanzania, Cameroon, Kenya, Sudan, United Kingdom, Canada, France, Bangladesh, South Africa, Zimbabwe, Mali, Switzerland and Dubai.

2.10. Government Price Subsidy to Farmers

In 2020/21, the Government disbursed TZS 3.82 billion to TCB of which TZS 3.76 billion was disbursed to various district executive councils and paid to farmers as Government subventions to cover farmer's debts of 2019/20 cotton marketing season. During the year, the Parent Ministry issued a payment permit of TZS. 39 million for TCB to use part of the farmers funds retained in TCB Bank Account so that to clear out the remained farmer's debts in Shinyanga Municipal Council and Bukombe District Council.

2.11. Support from Donors and Development Partners

The Gatsby Charitable Foundation of London through Gatsby Africa (GA) was running the Cotton and Textile Development program in the cotton subsector. The program aimed to increase cotton productivity, production, and value addition. The program started in October 2007, and it came to an end in March 2022.

In the year under review, the Board also received HVI machine and IT equipment worth TZS 106 million from Tanzania Bureau of Standards (TBS) to support and improve working efficacy of our classification Laboratory. The assets were recognized by the Board at cost less accumulated depreciation and accumulated impairment loss.

2.12. Financial Performance

In 2021/22, the Board earned total revenue of TZS 4.8 billion compared to TZS 4.27 billion that was recognized in 2020/21. The operating expenses were TZS 5.2 billion compared to TZS 4.4 billion in 2020/21 after considering depreciation, provision for bad and doubtful debts and provision for impairment and amortization of intangible assets. 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 were applied retrospectively to restate the comparative figures. The Board's operating results for the period ended 30th June, 2022 were as shown below:

Table 1: Financial Performance

	2021/22	2020/21
	TZS'000	TZS'000
		Restated
Total Revenue	4,826,854	4,269,819
Less: Total Expenditure	(5,211,546)	(4,434,211)
Operating Deficit	(384,692)	(164,392)

2.13. Human Resource Issues

a) Establishment

During the year 2021/22, one employee was transferred from Tanzania Cotton Board to Tanzania Cashew-nut Board in the category of Agriculture. However, eight employees from Local Government at District level were transferred to Tanzania Cotton Board to fill various posts available in our Regulatory Department.

The staff position of the Board as at 30 June 2022 was as shown in Table 2 below: -

Table 2 Staff Position as at 30 June 2022

Department	Position as at 30 June 2022	Position as at 30 June 2021
Director General's Office	5	5
Finance & Administration	16	15
Cotton Development and Promotion	2	2
Regulatory	45	37
Total	68	59

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 52.2 million for medical expenses for the financial year 2021/22, as compared to TZS 45.1 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

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 2021/22. 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 2021/22, 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 TCB training policy and on the basis of the training program. During the year 2021/22, the Board Spent TZS 127 million to sponsor eighteen employees for short courses and three employees for long-term programs as compared to TZS 122 million that was spent in 2020/21. 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, 2022, number of permanent employees by gender were as shown in Table 3:

Table 3 Staff by Gender

Gender	As at 30 June 2022	As at 30 Jun, 2021
Female	14	14
Male	54	49
Total	68	63

Compliance Issues

Related Party Transactions

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

	Related Party	Relationship	2021/22 TZS 000	2020/21 TZS 000
1	Ministry of Agriculture (for paying cotton farmers through District Councils)	Parent Ministry	0	3,824,691
2	Key Management Emoluments	Decision Makers for TCB	546,062	563,419
3	Levy Collected on behalf of CDTF	Management of CDTF function	854,360	1,062,238
4	Ministry of Agriculture (Staff emoluments)	Parent Ministry	1,428,348	1,062,000

2.14. Environmental Issues

The Board is aware on impact of pesticides application on environmental pollution which remains a source of concern worldwide. The 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 less contamination with insecticides. 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.

2.15. ICT Matters

During the year, the Board used various computerized electronic systems and ICT equipment to process, record and disseminate information to stakeholders. The Board also installed a new home base developed accounting software (MUSE) to be used for financial year 2022/23.

2.16. Auditors

TANZANIA COTTON BOARD

The Controller and Auditor General is the independent statutory auditor of the financial statements of the Board. The Controller and Auditor General appointed M/s TAC Associates to carry out audit of the financial statements of the Board for the year ended 30 June 2022 on his behalf in accordance with Section 33 of Public Audit Act No. 11 of 2008.

BY THE ORDER OF THE BOARD

CHAIRMAN

DATE:

M. S. K. K.

22/03/2023

DIRECTOR GENERAL

DATE:

A. M. M.

22/03/2023



3.0 STATEMENT OF DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022


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

The Permanent Secretary 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 Directors are also responsible for maintenance of sound and adequate systems of internal controls for safeguarding the assets of the Board and preventing and detecting errors, 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 Directors accept responsibility for the Board's annual financial statements and confirm that they have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and are in conformity with the International Public Sector Accounting Standards (IPSAS) in force at the reporting date and in the manner required by the local law. The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs of Tanzania Cotton Board and of its operating results, cash flows and changes in equity for the year then ended.

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


Signed on behalf of the Board of Directors by:



CHAIRMAN

DATE:

22/03/2023



DIRECTOR GENERAL

DATE:

22/03/2023

4.0 DECLARATION OF THE DIRECTOR OF FINANCE

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, **Simon Makandilo**, being the acting Director of Finance of Tanzania Cotton Board do hereby acknowledge my responsibility of ensuring that financial statements for the year ended on 30 June, 2022 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: Acting Director of Finance,

NBAA Membership No.ACPA1906,

Date: 22/03/2023

5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	NOTES	30.06.2022 TZS'000	30.06.2021 TZS'000
ASSETS			
Current Assets:			
Cash and Cash Equivalents	7	1,075,959	1,275,704
Receivables	6	1,699,800	2,172,865
Inventories	8	10,991	10,833
Total Current Assets		<u>2,786,750</u>	<u>3,459,402</u>
Non-Current Assets:			
Property, Plant and Equipment	3	37,352,345	37,343,732
Investment Property	5	25,853,085	26,064,085
Intangible Assets	4	13,417	16,460
Total Non-current Assets		<u>63,218,847</u>	<u>63,424,277</u>
TOTAL ASSETS		<u>66,005,597</u>	<u>66,883,679</u>
LIABILITIES			
Current Liabilities:			
Bank Loan	11	1,729,893	2,336,120
Payables	13	1,931,161	2,191,169
		0	
Provisions	14	32,000	32,000
Deferred Revenue-Rent	15	953,320	976,255
Total Current Liabilities		<u>4,646,374</u>	<u>5,535,544</u>
Non-Current Liabilities:			
Cotton Subsidy due to Farmers	30	2,026	2,025
Bank Loan	11	<u>2,217,435</u>	<u>1,821,656</u>
Total Liabilities		<u>6,865,835</u>	<u>7,359,225</u>
Net Assets		<u>59,139,762</u>	<u>59,524,454</u>
EQUITIES			
Capital Fund	10	5,113,689	5,113,689
Accumulated Surplus	12	54,026,073	54,410,765
Total Equities		<u>59,139,762</u>	<u>59,524,454</u>

Notes form part of the financial statements

CHAIRMAN

DATE:

M. K. K. K.
22/03/2023

DIRECTOR GENERAL

Date:

Domwaga
22/03/2023

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2021/22 TZS'000	2020/21 TZS'000
REVENUE			
Revenue from Non-exchange Transactions:			
Government Subventions	31(b)(1)	1,428,348	1,062,238
Donors Contributions-Fund Received	17	0	41,061
TBS Capital Grant	17	106,150	0
		<u>1,534,498</u>	<u>1,103,299</u>
Revenue from Exchange Transactions:			
Rental Income	16	3,022,476	2,876,949
Regulatory Income	18	50,350	11,500
Other Revenue	19	219,529	278,071
		<u>3,292,355</u>	<u>3,166,520</u>
Total Revenue		<u>4,826,853</u>	<u>4,269,819</u>
Operating Expenses			
Employees and Related Costs	20	2,284,714	1,734,830
Administrative Expenses	21	1,009,813	991,418
Promotion Expenses	22	113,658	143,885
Repairs and Maintenance	23	237,231	247,416
Financial Expenses	24	12,969	9,128
Loan Interest Expense	11	622,552	808,171
Taxes and Levies	25	179,545	98,529
Impairment of Receivables	6	74,094	65,646
Depreciation and Amortization	3,4,5	676,968	255,936
Net Assets Impairment	27	0	79,252
Total Expenditure		<u>5,211,545</u>	<u>4,434,211</u>
Surplus/(Deficit) for the Year		<u>(384,692)</u>	<u>(164,392)</u>

Notes form part of the Financial Statements

5.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Particulars	NOTE	Capital Fund TZS'000	Accumulated Surplus TZS'000	Total TZS'000
Balance as at 1 July 2020		5,113,689	54,570,076	59,683,765
Deficit for the Year		<u>0</u>	<u>(469,003)</u>	<u>(469,003)</u>
Balance as at 30 June 2021		5,113,689	54,101,073	59,214,762
Depreciation Adjustments	26	<u>0</u>	<u>309,690</u>	<u>309,690</u>
Other Adjustment		<u>0</u>	<u>2</u>	<u>2</u>
Restated Balance as at 30 June 2021		<u>5,113,689</u>	<u>54,410,765</u>	<u>59,524,454</u>
At 1 July 2021		5,113,689	54,410,765	59,524,454
Surplus/(Deficit) for the Year		<u>0</u>	<u>(384,692)</u>	<u>(384,692)</u>
Balance as at 30 June 2022		<u>5,113,689</u>	<u>54,026,073</u>	<u>59,139,762</u>

Notes form part of the Financial Statements

5.4 CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

		2021/22 TZS'000	2020/21 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES	NOTES		
Receipts			
Government Subventions	31(b)1	25,039	80,965
Government Grants Received	31(b)1	16,471	3,824,691
Cotton Classification Fee	34	0	123,159
Rental Revenue Received	34(ii)	2,936,760	2,431,264
Regulatory Services	18	50,350	11,500
Donors Contributions Received	17	0	37,600
CDTF Levy Collected	7	854,360	1,036,185
Other Revenue Received	34(i)(a)	<u>223,011</u>	<u>94,425</u>
Total Receipts		4,105,992	7,639,789
Payments			
Payment to Suppliers	34	(877,059)	(630,963)
Employees Costs	34	(779,572)	(589,543)
Operating Expenses	34	(1,027,083)	(780,971)
Government Grants Paid to Farmers	7	(53,025)	(3,765,383)
Donors Grants Paid	17	0	(41,061)
Finance Costs	24	(14,166)	(9,128)
Tax Paid	34(iii)(a)	<u>(286,738)</u>	<u>(231,624)</u>
Total Payments		(3,037,643)	(6,048,673)
Net Cash Flows from Operating Activities [A]	9	<u>1,068,349</u>	<u>1,591,116</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	3	(248,028)	(51,805)
Improvement of Investment Properties	5	<u>(188,264)</u>	<u>0</u>
Net Cash Flows used in Investing Activities [B]		<u>(436,292)</u>	<u>(51,805)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES [C]			
Bank Loan Repayment	11	<u>(833,000)</u>	<u>(412,393)</u>
Net Cash Flows used in Financing Activities [C]		<u>(833,000)</u>	<u>(412,393)</u>
Net change in Cash and Cash Equivalents [A+B+C]		(200,943)	1,126,918
Cash and Cash Equivalents as at the Beginning of the Year		1,275,704	148,391
Effects of Exchange Rate		<u>1,197</u>	<u>395</u>
Cash and Cash Equivalents at End of the Year		<u>1,075,959</u>	<u>1,275,704</u>

Notes form part of the Financial Statements

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2022

Particulars	Original Budget (A) TZS'000	Final Budget (B) TZS'000	Actual on Comparable Basis(C) TZS'000	Variances (B- C) TZS'000
RECEIPTS				
Cash Flows from Operating Activities				
Government Subvention	1,228,456	1,228,456	1,444,820	216,364
Rental Revenue	4,195,540	4,195,540	2,936,760	(1,258,779)
Regulatory Services	60,000	60,000	50,350	(9,650)
Donors Contributions	1,498,847	1,498,847	0	(1,498,847)
Other Revenue	180,000	180,000	223,011	43,011
TOTAL RECEIPTS	<u>7,162,843</u>	<u>7,162,843</u>	<u>4,654,941</u>	<u>(2,507,901)</u>
PAYMENTS				
Payment to Suppliers	(1,123,878)	(1,123,878)	(877,059)	246,819
Employees Costs	(1,228,456)	(1,228,456)	(779,572)	448,884
Administrative Expenses	(1,032,091)	(1,032,091)	(880,682)	151,409
Regulatory Expenses	(1,112,903)	(1,112,903)	(146,401)	966,502
Finance Costs	(12,600)	(12,600)	(14,166)	(1,566)
Acquisition of Property, Plant and Equipment	(403,440)	(403,440)	(248,028)	155,412
Improved Investment Properties	(253,600)	(253,600)	(188,264)	65,336
Loan Repayment	(1,995,875)	(1,995,875)	(833,000)	1,162,875
	<u>(7,162,843)</u>	<u>(7,162,843)</u>	<u>(3,967,172)</u>	<u>3,195,671</u>
Surplus for the period	<u>0</u>	<u>0</u>	<u>687,770</u>	<u>687,770</u>

5.6 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 no staff and 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 operations. The Government circular no.12 had 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 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 will be disclosed in this section in the first year applied 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 2020/21

The International Public Sector Accounting Standard Board (IPSASB) works to improve the public sector financial reporting through development or improvement of IPSAS. Following the outbreak of COVID-19, the IPSASB has published Exposure Draft 73, Covid-19; Deferral of Effective dates, which propose delay for the effective dates of the recently published Standards and Amendments to IPSAS by one year to 1 January 2023. The IPSASB has improved/amended the following IPSASs: -

IPSAS 41, Financial Instruments. The standard based on IFRS 9. Financial Instrument and replaces IPSAS 29, which is based on IAS 39. Financial Instruments: Recognition and Measurement, as of 1 January 2023. The main changes from IPSAS 29 are the introduction of simplified classification and measurement requirements for financial assets, a forward looking impairment model, and flexible hedge accounting model.

IPSAS 42, Social Benefits. The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and / or households to mitigate the effect of social risk. The standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAs 42 established principles and requirements for: (i) recognizing expenses and liabilities for social benefit (ii) measuring expenses and liabilities for social benefits; (iii) presenting information about social benefits in the financial statements. And (iv) determine what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

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 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 assets 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) Assets 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.

(e) Valuation of Assets

Third part Assets 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.

(f) 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 revised the depreciation and useful lives for some assets in May, 2019 to comply with Government directives on Property Plant and Equipment (PPE) and Investments Properties. The revised depreciation rates and economic useful lives used by TCB are set out 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	20%	5
Investment Property	2%	50

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

(g) 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.

(h) 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 derecognized upon disposal or when there is permanently withdrawal from use and no future economic benefits are expected from the use of the property. Any gain or loss arising as a result of de-recognition of the property is included in the statement of financial performance in the period in which the property is derecognized.

(i) Intangible Assets

Intangible assets comprise of computer application software and computer packages. Intangibles assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of the intangible assets. The amortization rate applied in the year under review was 33% 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.

(j) 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.

(vi) 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 Benefits

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 Benefits

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).

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 contributions to these pension funds during the year were as shown below:

Scheme	2021/22	2020/21
	TZS'000	TZS'000
PSSSF	183,347	148,900
Total	183,347	148,900

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.

(vii) 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.

(viii) 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.

(ix) Trade Transactions

l. 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.

m. Trade Payables

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

(x) Foreign Currency

l. 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.

(xi) 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.

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 2022 is made up as follow: -

Financial Risk Factors

	2021/22	2020/21
	TZS'000'	TZS'000'
Cash at bank	1,075,958	1,275,704
Trade receivables	2,460,816	2,838,994

Staff debtors	121,968		116,044
Staff Advances Receivables	39,383		36,619
	<u>3,698,125</u>		<u>4,267,361</u>

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.

(i) Liquidity Risk

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

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

	Less than 1 year TZS '000'	Between 1 and 2 years TZS'000'	Between 2 and 5 years TZS'000'
At 30 June 2021			
Trade and other payables	570,616		
Deferred Govt. subsidies	59,308	-	2,025
Payable to related party	1,036,000	157,606	61,143
Other Payables	100,815	-	-
	1,766,739	157,606	63,168
At 30 June 2022			
Trade and other payables	407,811		
Deferred Govt. subsidies	23,138		
Payable to related party	1,210,386	91,558	
Other Payables	134,371	169,797	
	1,775,706	261,355	

(xii) Significant Accounting Judgement 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.

(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.

3.0. PROPERTY, PLANT AND EQUIPMENT
For the Year Ended 30 June 2022

Cost / Valuation:	Land TZS'000	Buildings TZS'000	Plant & Machinery TZS'000	Motor Vehicles TZS'000	Motor Cycles TZS'000	Office Fixtures and Equipment TZS'000	Computer s and Accessori es TZS'000	Total TZS'000
As at 1 st July, 2021	32,979,617	3,023,422	695,242	966,266	135,350	240,861	165,314	38,206,072
Additions - Monetary		196,161				22,817	29,050	248,028
Additions - Non-Monetary		1,580	106,150					107,730
Transfer		(72,485)						(72,485)
At 30 th June, 2022	32,979,617	3,148,678	801,392	966,266	135,350	263,678	194,364	38,489,345
Accumulated Depreciation:								
As at 1 st July, 2021	0	247,479	156,992	300,601	51,566	60,044	45,657	862,339
Charge for the Year	0	35,218	29,826	126,335	13,241	36,766	33,275	274,661
Asset Impairment								
As at 30 th June, 2022	0	282,697	186,818	426,936	64,807	96,810	78,932	1,137,000
Net Book Value:								
As at 30 th June, 2022	32,979,617	2,865,981	614,573	539,330	70,543	166,868	115,432	37,352,345

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

For the Year Ended 30 June 2021

	Land TZS'000	Buildings TZS'000	Plant & Machinery TZS'000	Motor Vehicles TZS'000	Motor Cycles TZS'000	Office Fixtures and Equipment TZS'000	Computers and Accessories TZS'000	Total TZS'000
Cost / Valuation:								
As at 1 st July, 2020	32,979,617	3,023,422	695,242	1,237,186		236,156	123,294	38,294,917
Additions - Monetary	0	0	0	0		4,705	47,100	51,805
Assets Impairment	0	0	0	(135,570)		0	0	(135,570)
At 30 th June, 2021	32,979,617	3,023,422	695,242	1,101,616		240,861	170,394	38,211,152
Transfer				(135,350)	135,350			0
Impairment	0	0	0	0	0	0	(5,080)	(5,080)
Restated Balance 30 th June, 2021	32,979,617	3,023,422	695,242	966,266	135,350	240,861	165,314	38,206,072
Accumulated Depreciation:								
As at 1 st July, 2020	0	205,430	195,106	381,920		156,694	87,364	1,026,514
Charge for the Year	0	42,049	28,602	81,183		8,321	6,694	166,849
Asset Impairment	0	0	0	(61,398)		0	0	(61,398)
As at 30 th June, 2021	0	247,479	223,708	401,705		165,015	94,058	1,131,965
Transfers	0	0	0	(51,566)	51,566	0	0	0
Adjustments	0	0	(66,715)	(49,538)	0	(104,971)	(48,401)	(269,625)
Restated Balance 30 th June, 2021	0	247,479	156,993	300,601	51,566	60,044	45,657	862,340
Net Book Value:								
As at 30 th June, 2021	32,979,617	2,775,943	471,534	699,911	0	75,846	76,336	37,079,187
Restated Balance 30 th June, 2021	32,979,617	2,775,943	538,249	665,665	83,784	180,817	119,657	37,343,732

Impairment of TZS 135,570,000 represent the cost of Board's Motor Vehicle written-off after an accident.

3 INTANGIBLE ASSETS

The intangible assets category and its movement is shown below: -

Cost / Valuation:	Cotton Classification System TZS'000	Sage Pastel TZS'000	Fixed Assets Register TZS'000	Total TZS'000
As at 1 st July, 2021	21,000	5,263	6,265	32,528
As at 30 th June, 2022	21,000	5,263	6,265	32,528
Amortization:				
As at 1 st July, 2021	16,538	3,582	4,934	25,054
Adjustments	5,513	1,828	1,645	8,986
Restated Balance 30 th June, 2021	11,025	1,754	3,289	16,068
Charge for the Year	1,837	658	548	3,043
As at 30 th June, 2022	12,862	2,412	3,837	19,111
Net Book Value As at 30 th June, 2022	8,138	2,851	2,428	13,417
Net Book Value As at 30 th June, 2021	4,462	1,681	1,331	7,474
Restated Balance 30 th June, 2021	9,975	3,509	2,976	16,460

4 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. Depreciation on investment property started in 2018/19 and it was applied retrospectively following the change in TCB accounting policy from valuation to cost model.

	2021/22 TZS'000	2020/21 TZS'000
Balance as at 1 July	28,558,761	28,558,761
Additions	115,778	0
Transfer from PPE	72,486	0
Balance as at 30 June	28,747,025	28,558,761
Accumulated Depreciation:		
As at 1 July	2,494,676	2,130,023
Charge for the Year	399,264	395,734
As at 30 June	2,893,940	2,525,757
	0	31,081
Restated Balance 30 June	2,893,940	2,494,676

Net Book Value		
As at 30 June	<u>25,853,085</u>	<u>26,033,004</u>
Restated Net Book Value 30 June	<u>25,853,085</u>	<u>26,064,085</u>

5 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.

	30.06.2022 TZS'000	30.06.2021 TZS'000
Trade Receivables	2,460,816	2,838,994
Staff Receivables	121,968	116,044
Staff Advances	39,383	36,619
Prepayments	49,945	54,410
Sub -Total	<u>2,672,112</u>	<u>3,046,067</u>
Less: Provision for Bad and Doubtful Debts	<u>(972,312)</u>	<u>(873,202)</u>
TOTAL	<u>1,699,800</u>	<u>2,172,865</u>

The Movement for debtor's provision allowances is shown below: -

Balance as at 1 July	873,202	789,975
Provision Adjustment	25,016	17,581
Bad debts for Write-off	0	0
Charge for the Year	<u>74,094</u>	<u>65,646</u>
Balance as at 30 June	<u>972,312</u>	<u>873,202</u>

6 CASH AND CASH EQUIVALENTS

As at 30 June 2022 a CDTF Levy of TZS 854.36 million was collected by TCB through Government Electronic Payment Gateway (GePG) System and it was included in BOT Bank account at the end of the accounting period.

The Bank and Cash balances at 30th June, 2022 were as follows: -

S/N	Bank Account	2021/22 TZS '000	2020/21 TZS '000
1.	NBC-Local Account	82,027	65,214
2.	NBC Samora	232	56,355
3.	TIB Bank Notice Account	1,036	1,036
4.	CRDB Bank Ltd. Mbeya Account	7,746	5,090
5.	CRDB Bank Ltd.-Azikiwe Account	100	102
6.	CRDB Bank Ltd - Forex Account	231	231

7. CRDB- Cotton Price Subsidization	100	34,355
8. CRDB Bank Collection Account	104,560	2,799
9. CRDB Bank Ltd. Mwanza Account	100	102
10. BOT Bank Account	873,088	1,108,127
11. TIB Forex A/C	1,739	0
12. BOT Expenditure A/C	5,000	2,293
Total	<u>1,075,959</u>	<u>1,275,704</u>

7 INVENTORY

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

	2021/22 TZS'000	2020/21 TZS'000
Balance as at 1 July 2021	10,833	11,969
Stationery Received	15,487	18,650
Stationery Expenses	<u>(15,329)</u>	<u>(19,786)</u>
Balance as at 30 June 2022	<u>10,991</u>	<u>10,833</u>

8 CASH GENERATED FROM OPERATIONS

	NOTE	2021/22 TZS '000	2020/21 TZS '000
Net Surplus/Deficit for the Year		(384,692)	(164,391)
Adjustments for:			
Depreciation (PPE)	3	274,661	(102,777)
Depreciation Investment Property	5	399,264	364,653
Amortization of Intangible Assets	4	3,043	(5,940)
Net Assets impairment		(1,580)	79,252
Transfer PPE to Investment Property		72,486	0
Capital Grant Adjustment		(106,150)	0
		<u>641,724</u>	<u>335,187</u>
Surplus/(Deficit) before working capital changes		<u>257,032</u>	<u>170,796</u>
(Increase)/Decrease in Inventories		(158)	1,136
(Increase)/Decrease in Receivables		471,867	(848,069)
Increase/(Decrease) in Deferred Revenue		(22,935)	275,467
Increase/(Decrease) in Payables		362,543	2,008,831
Increase/(Decrease) in Provisions		0	(17,045)
Net Working Capital Adjusted Items		<u>811,317</u>	<u>1,420,320</u>
Net Cash from Operating Activities		<u>1,068,349</u>	<u>1,591,116</u>

9 CAPITAL FUND

The figure for the TCB Capital Fund represents excess of assets over liabilities taken over from the defunct Tanzania Cotton Lint and Seed Board as at 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 30.06.2022 is analysed hereunder: -

	2021/22 TZS'000	2020/21 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	5,272,063	5,272,063
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>158,374</u>	<u>158,374</u>
Total (Net)	<u>5,113,689</u>	<u>5,113,689</u>

10 BANK LOAN

The Board has an agreement with TIB for a loan facility of TZS 5.67 billion to renovate its investment properties located at Kurasini. The terms of the loan facility are 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.

TANZANIA COTTON BOARD

During the year, the Bank approved our request to restructure the loan as follows.

- The new loan instalment is TZS 460 million payable semi-annually effective from November 2021,
- The interest rate reduced from 18% to 13%

The loan balance at 30 June 2022 was as follows:

	30.06.2022 TZS'000	30.06.2021 TZS'000
Balance as at 1 July,	4,157,776	3,761,998
Interest Expense	622,552	808,171
Loan Repayment	(833,000)	(412,393)
Balance as at 30 June,	<u>3,947,328</u>	<u>4,157,776</u>

Out of TZS 3.9 billion of outstanding bank loan, TZS 1.73 billion is current obligation (payable within next twelve months) and TZS 2.22 billion is noncurrent liability.

	2021/22 TZS'000	2020/21 TZS'000
Bank Loan-Current Liability	1,729,893	2,336,120
Bank Loan- Non Current Liability	2,217,435	1,821,656
Balance as at 30 th June	<u>3,947,328</u>	<u>4,157,776</u>

11 DEFICIT AND ACCUMULATED SURPLUS

The Board maintain accumulated surplus account for its operations. During the year under review, the Board recorded a deficit of TZS 384 million. The deficit recorded was mainly caused by interest expense for the loan borrowed from TIB Bank. However, after a request from the Board the bank agreed to reduce the interest rate from 18% to 13% starting from 30 November 2021. The accumulated surplus as at 30 June 2022 was TZS 54.03 billion as compared to 54.41 billion as at 30 June 2021.

	2021/22 TZS'000	2020/21 TZS'000
Opening Balance as at 1 st July	54,410,765	54,570,076
Depreciation Adjustment	0	0
Other Adjustment	0	0
	<u>54,410,765</u>	<u>54,570,076</u>
Surplus/(Deficit) for the Year	(384,692)	(469,003)
Balance as at 30 th June	54,026,073	54,101,073
Prior Year Adjustments:		
Depreciation Adjustment	0	309,690
Other Adjustment	0	2
Restated Balance as at 30 th June	<u>54,026,073</u>	<u>54,410,765</u>

Reconciliation Statement of Deficit Balance as at 30 June 2021

Surplus/(Deficit) for the Year	(469,003)
Adjustments:	
Depreciation Adjustment Note 26	309,691
Adjustment Overstated Payables by Purchase of Laptop Note 27	<u>(5,080)</u>
Restated Deficit for the Year	<u>164,392</u>

12 PAYABLES

The Board collected CDTF Levy of 854.36 million through Government Electronic Payment Gateway (GePG) System and it was included in BOT Bank collection account as at 30th June, 2022.

Business payables were overstated by TZS 5, 080,000 for Lap top Computers as on 30th June 2021. The amount was reversed in 2021/22 and the business payable opening balance was restated accordingly.

	30.06.2022	30.06.2021	30.06.2021 Adjustments	30.06.2021 Restated
	TZS'000	TZS'000		TZS'000
Business Payables	407,811	570,616	(5,080)	565,536
Payables to Gatsby Africa (GA)	0	22,117		22,117
Payable to CDTF	1,097,777	1,254,749		1,254,749
Accrued Expenses	83,205	8,654		8,654
VAT Payable	15,062	70,044		70,044
Government subvention to farmers	23,138	59,308		59,308
Other Creditors	<u>304,168</u>	<u>210,761</u>		<u>210,761</u>
	<u>1,931,161</u>	<u>2,196,249</u>	<u>(5,080)</u>	<u>2,191,169</u>

13 PROVISIONS

	2021/22 TZS'000	2020/21 TZS'000
Opening balance as at 1 July	32,000	49,045
Annual Audit Fees	32,000	32,000
Audit Fee Paid	<u>(32,000)</u>	<u>(49,045)</u>
Closing Balance as at 30 June	<u>32,000</u>	<u>32,000</u>

14 DEFERRED REVENUE

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. Moreover, VAT for invoices billed to customers for next accounting period were deferred in the statement of financial position.

	2021/22 TZS'000	2020/21 TZS'000
Deferred Revenue Leased Properties: -		
Deferred Revenue-Rent	499,451	593,909
Deferred Tax	453,869	382,346
Rent / Tax Deferred Revenue at 30 June	<u>953,320</u>	<u>976,255</u>

15 RENTAL INCOME

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 4) per square meter. These rates became effective from 2014/15. During the year TCB recognized rental income of TZS 3.02 billion compared to TZS 2.88 billion in previous year.

	2021/22 TZS'000	2020/2021 TZS'000
Rental Revenue	3,022,476	2,876,949
TOTAL	<u>3,022,476</u>	<u>2,876,949</u>

16 CONTRIBUTION FROM DONORS

During the year, the Board received HVI machine and IT equipment valued at TZS 106 million from TBS as donor's contribution to support TCB classification Laboratory in Shinyanga .The machine and its accessories was recorded by the Board as capital revenue grant and it was recognized at cost less accumulated depreciation and accumulated impairment loss.

	2021/22 TZS'000	2020/21 TZS'000
Donors Fund:-		
Balance as at 1 st July,	22,117	25,578
Adjustments on GA Contributions	(22,117)	37,600
Donors Asset Contribution	106,150	0
Released to P & L	0	-41,061
Assets Released to P&L	<u>(106,150)</u>	<u>0</u>
Payable to GA (Note 13)	<u>0</u>	<u>22,117</u>

17 REGULATORY REVENUE

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.

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. Moreover, VAT for invoices billed to customers for next accounting period were deferred in the statement of financial position.

	2021/22 TZS'000	2020/21 TZS'000
Deferred Revenue Leased Properties: -		
Deferred Revenue-Rent	499,451	593,909
Deferred Tax	<u>453,869</u>	<u>382,346</u>
Rent / Tax Deferred Revenue at 30 June	<u>953,320</u>	<u>976,255</u>

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	2021/22 TZS'000	2020/2021 TZS'000
Rental Revenue	3,022,476	2,876,949
TOTAL	<u>3,022,476</u>	<u>2,876,949</u>

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	2021/22 TZS'000	2020/21 TZS'000
Donors Fund:-		
Balance as at 1 st July,	22,117	25,578
Adjustments on GA Contributions	(22,117)	37,600
Donors Asset Contribution	<u>106,150</u>	<u>0</u>
Released to P & L	0	-41,061
Assets Released to P&L	<u>(106,150)</u>	<u>0</u>
Payable to GA (Note 13)	<u>0</u>	<u>22,117</u>

17 REGULATORY REVENUE

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 the year the Board collected TZS 50.350 million in terms of fines as regulatory revenue for non-compliance to the Cotton Industry Act.

	2021/22	2020/21
	TZS'000	TZS'000
Regulatory Revenue	<u>50,350</u>	<u>11,500</u>
TOTAL	<u>50,350</u>	<u>11,500</u>

18 OTHER REVENUE

During the year the Board recognized other revenue of TZS 219 million from various sources as follows: -

	2021/22	2020/21
	TZS'000	TZS'000
Classification Fees	0	123,159
Cotton Sample Revenue	204,834	68,993
Seed Cotton Revenue	3,311	21,028
Premium Received	0	60,125
Refund for Motor Vehicle Repair	0	848
Stakeholders Contribution	4,868	0
Transport	0	700
Gain on Foreign Exchange	3,614	1,791
Miscellaneous Revenue	<u>2,902</u>	<u>1,427</u>
TOTAL	<u>219,529</u>	<u>278,071</u>

The Miscellaneous revenue comprised of revenue received by the Board apart from its normal operations.

19 EMPLOYEES COSTS

	2021/22	2020/21
	TZS'000	TZS'000
Salaries on Government Payroll	1,209,575	906,455
Salaries on Contract Employment	89,285	72,535
Allowance for Senior Officers	143,552	47,270
Integrity Committee Meeting	300	17,903
Acting Allowances	14,451	33,372
Gratuity	3,823	0
Housing Allowance	73,600	48,747
Terminal Benefits	9,197	10,140
Pension Contributions	183,347	148,900
Transfer /Severance Allowances	21,642	54,210
Training Expenses	127,474	122,550
Staff Benevolent Expenses	31,975	18,860
Staff Amenities	186,884	129,750
Medical Expenses	52,162	45,108
Travelling Expenses - Local Leave	16,477	14,256

Workers Meeting Expenses	1,013	5,033
Workers Compensation Fund	60,614	0
Travelling Expenses - Workers Council	8,854	30,856
Staff Recruitment Expenses	50,350	2,520
Workers Day Expenses	139	26,365
TOTAL	2,284,714	1,734,830

20 ADMINISTRATIVE EXPENSES

	2021/22 TZS'000	2020/21 TZS'000
Legal and Professional Charges	650	6,845
Printing and Stationery	15,620	23,662
Newspapers and Periodicals	475	462
Postage, Telephone, and Telegrams	62,164	48,708
Internet Services	38,756	29,173
Donations	9,000	1,500
Fumigation	0	600
Fines and Penalties	29,560	0
Office Hospitality	18,794	11,930
Water and Sewage	12,567	14,419
Directors Expenses	0	25,421
Audit Fees	32,000	32,000
Audit Expenses	18,117	21,086
Electricity Charges	44,601	36,846
Insurance	56,406	56,022
Sanitation Expenses	64,425	55,567
Tender Meeting Expenses	1,701	150
Management Meeting Expenses	750	60
Fuel	70,827	133,189
Motor Vehicle - Repairs & Maintenance	19,876	10,475
Extra Duty Allowance	52,139	64,968
Property Management Service Fee	87,607	59,708
Government Contribution Expenses	0	20,000
Debt Collection Fees	3,224	7,002
Budget Preparation Expenses	0	2,703
Traveling Expenses - On duty	212,496	246,138
Security Services	158,058	82,784
TOTAL	1,009,813	991,418

21 PROMOTION EXPENSES

	2021/22 TZS'000	2020/21 TZS'000
Subscriptions	9,300	0
Advertising Expenses	7,255	1,667
Buying Posts Inspection Costs	26,364	26,025
Ginnery Inspection Costs	3,180	11,927
Cotton Classification Costs	0	53,991
Inspectors Meeting Costs	0	1,712
Monitoring Services	6,740	31,770
Fuels	48,821	15,477

Motor Vehicle - Repairs & Maintenance	8,389	856
Stakeholders Meeting Expenses	3,609	460
TOTAL	113,658	143,885

22 REPAIRS AND MAINTENANCE

Repairs of Office Buildings	66,926	68,430
Repairs of Warehouses	64,047	8,764
Repairs of Staff Houses	26,960	1,699
Repair of Generator	210	0
Repairs of Furniture and Equipment	5,798	4,629
Repairs & Maintenance - Computers	8,869	3,867
Repairs of Other Vehicles	64,421	159,207
Repairs & Maintenance -HVI Machine	0	820
TOTAL	237,231	247,416

23 FINANCIAL EXPENSES

The bank charges for maintaining bank accounts were charged in the statement of financial performance as financial expenses.

	2021/22 TZS'000	2020/21 TZS'000
Financial Expenses	12,969	9,128
TOTAL	12,969	9,128

24 TAXES AND LEVIES

Withholding Tax on Rent	170,819	74,313
Land Rent	8,726	19,040
Property Tax	0	5,176
TOTAL	179,545	98,529

25 DEPRECIATION AND AMORTIZATION EXPENSES

It is the policy of the management to review useful lives of assets in each accounting period for IPSAS Compliancy. Material changes on depreciation charged in previous periods were applied retrospectively and comparative figures were restated for correction of errors.

	2021/22 TZS'000	2020/21 TZS'000	2020/21 adjustments TZS'000	2020/21 TZS'000 Restated
Depreciation-Buildings	35,218	42,049	0	42,049
Depreciation-Plant & Machinery	29,826	28,602	(66,715)	(38,113)
Depreciation-Motor Vehicles	126,335	81,183	(49,538)	31,645
Depreciation-Motor Cycles	13,241	0	0	0
Depreciation-Equipment	36,766	8,321	(104,971)	(96,650)
Depreciation-Computers	33,275	6,694	(48,401)	(41,707)
Depreciation-Investment Property	399,264	395,734	(31,081)	364,653
Amortization-Software	3,043	3,043	(8,984)	(5,941)

Total	<u>676,968</u>	<u>565,626</u>	<u>(309,690)</u>	<u>255,936</u>
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26 ASSETS IMPAIRMENT

One Laptop computer and two processors with value of TZS 5,080,000 impaired in 2020/21 and the error was corrected during the year to adjust the opening balance.

	2021/22 TZS'000	2020/21 TZS'000	2020/21 adjustments TZS'000	2020/21 TZS'000
Motor Vehicles	0	74,172	0	Restated 74,172
Computer and Accessories	<u>0</u>	<u>0</u>	<u>5,080</u>	<u>5,080</u>
Total	<u>0</u>	<u>74,172</u>	<u>5,080</u>	<u>79,252</u>

27 CAPITAL COMMITMENTS

TCB had undertaken major rehabilitation of its warehouses located at Kurasini in Dar es Salaam 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 the year under review, 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 the loan instalments of TZS.460 million semi-annually at interest rate of 13%. The balance of the loan as at 30 June 2022 was TZS 3.9 billion.

28 CONTINGENT ASSETS

- (i) District land and Housing Tribunal for Musoma, Land Application No. 171 of 2019 between Sondobhi Fire Protection & General Dealers versus Tanzania Cotton Board and Majembe Auction Mart whereby Sondobhi Fire Protection & General Dealers opened this case after the Board instructed Majembe Auction Mart to collect rental arrears from Sondobhi Fire Protection & General Dealers of TZS 3,351,160. 00 including rental arrears and other Debt Collector's charges. The parties settled the matter on 4 March 2022. It was agreed that TZS 3,586,160.00 shall be paid by the Applicant in two instalments, TZS 2,000,000 to be paid by 23 March 2022 and TZS 1,586,160.00 shall be paid by 30 August 2022. Sondobhi Fire Protection & General Dealers has paid TZS 770,000 as at 30 June 2022.
- (ii) District land and Housing Tribunal for Shinyanga, Land Application No. 18 of 2019 between City Commercial Business Co. Ltd versus Tanzania Cotton Board and Majembe Auction Mart whereby the case opened after the Board instructed Majembe Auction Mart to collect rental arrears from City Commercial Business Co. Ltd amounting to TZS 5,511,780 including rental arrears and Broker charges.

Consent judgement was entered on 18 September 2020, and it was agreed that City Commercial Business Co. Ltd should surrender the rental premises on 22 September 2020 and pay TZS 2,166,480 to TCB in three instalment starting on 30 October, 2020. But the customer managed to pay only TZS 200,000 out of TZS 2,166,480 as at 30 June 2022.

- (iii) The High Court of United Republic of Tanzania (Land Division) At Dar es Salaam Misc. Land Application No. 207 of 2021, between Maarifa Institute Versus Tanzania Cotton Board, Greenlight Auction Mart Ltd & The Attorney General whereby Maarifa Institute opened a case after the Board instructed Greenlight Auction Mart Ltd to collect outstanding rental arrears to the tune of Tanzanian shillings 58,173,770.50. The Parties agreed to settle the matter out of court on 5th August, 2021 that Maarifa Institute should pay TCB the outstanding debt amounting to TZS 72,320,334.07 as of 30 July 2021 in 10 equal instalments at a monthly rate of TZS 7,250,000 starting from August, 2021. Maarifa Institute shall continue also to pay current monthly rental fee USD 2,000 or TZS equivalent depending on the prevailing exchange rate. The customer managed to pay only TZS 43,750,000 out of TZS 72,320,334.07 as at 30 June 2022.

29 CONTINGENT LIABILITIES

As at the year end, the Board had the following contingent liabilities which were caused by Government decisions in the effort of supporting the Cotton Industry: -

In August 2009, the Board received Government Cotton Price Subsidy to the tune of TZS 20 billion in financial year 2009/10 to assist farmers on cotton prices fluctuations as a result of the impact caused by the global financial crisis. This decision came in the middle of the cotton buying season and some farmers had already sold their cotton at a price of TZS 360 which was agreed in the cotton stakeholder meeting held in June 2009. The fund was issued by the Government as compensations to farmers at an additional price of TZS 80 per Kilogram for the estimated cotton production of 250,000 metric tons. After receiving Government subsidy, the Board directed all ginners to purchase cotton from farmers at TZS 440 per kg which includes the Government subsidy of TZS 80 per kg and the Board will refund the subsidy money to the Ginners on the basis of verified total cotton deliveries by each ginner. The data for cotton deliveries were collected by both the Cotton and Ginnery inspectors of the Board and verified at TCB Zonal office in Mwanza.

However, the actual cotton production at the end of the season 2021/2022 was 267,021 metric tons which was more than estimated cotton production by 17,021 metric tons. This is equivalent to a short fall of TZS 1.36 billion which the Government was supposed to release as additional funds to farmers. Through cotton Ginners the Board had disbursed a total sum of TZS 19.48 billion as subsidies to farmers but the Cotton Ginners paid 21.36 billion to farmers in understanding that the government will release more funds to cover the excess cotton production of 17,021 metric tons. The farmers received TZS 80 per kg

as government subsidy upon presentation of receipts for cotton sold at a price of TZS 360 per kg. At the end of the 2009/10 buying season, the Ginners remained with TZS 467 million of subsidy money whereby farmers failed to produce receipts as supporting evidence while TZS 252 million was refunded by the Board to the Government in 2017/18 as unspent money. As at 30 June 2020, a liability of TZS 1.4 billion was reported as contingent liability claimed by Ginners from the Government on excess cotton production for the financial year 2009/10. The payment will be subject to Government decision to give more money to cover this excess cotton production. Moreover, the Board directed the Ginners to refund the amount due to farmers retained by them but their response for refunding the money is not good because the Government is obliged to pay Ginners TZS 1.4 billion.

The amount claimed by each Ginner as at 30 June 2022 is as follows:-

Ginners	Total Deliveries(Tons)	Price per Kg	Values- TZS'000	Less Total Payments- TZS'000	Amount Payable by Government	Less Amount due to Farmers- TZS'000	Amount due to ginners- TZS'000
AHAM INVESTMENT	6,901	80	552,080	511,602	40,478	1,859	38,619
BADUGU GINNING	6,015	80	481,200	447,498	33,702	0	33,702
ALLIANCE GINNERIES	17,034	80	1,362,720	1,267,294	95,426	0	95,426
AFRISIAN GINNING LTD	25,148	80	2,011,840	1,730,771	281,069	166,572	114,497
AL ADAWI	682	80	54,560	50,649	3,911	90	3,821
BIORE TANZANIA LTD	4,082	80	326,560	303,696	22,864	0	22,864
KAHAMA OIL MILL LTD	16,236	80	1,298,880	1,205,936	92,944	-2,026	94,970
BIRCHAND OIL MILL	10,552	80	844,160	761,442	82,718	23,600	59,118
BIOSUSTAIN (T) LTD	602	80	48,160	44,777	3,383	0	3,383
BOFA	89	80	7,120	6,604	516	0	516
COPCOT COTTON	1,794	80	143,520	133,449	10,071	0	10,071
CHESANO GINNING	2,815	80	225,200	209,436	15,764	0	15,764
FRESHO INVESTMENT	13,286	80	1,062,880	972,598	90,282	33,710	56,572
GAKI INVESTMENTS LTD	16,347	80	1,307,760	1,158,368	149,392	69,752	79,640
HASSANALI WALJI INV.	2,035	80	162,800	151,745	11,055	397	10,658
ICK COTTON LTD	5,502	80	440,160	409,365	30,795	0	30,795
INTERGRATED COTTON	1,606	80	128,480	119,478	9,002	0	9,002
JAMBO OIL MILL	16,774	80	1,341,920	1,225,882	116,038	22,094	93,944

Ginners	Total Deliveries(Tons)	Price per Kg	Values- TZS'000	Less Total Payments- TZS'000	Amount Payable by Government	Less Amount due to Farmers- TZS'000	Amount due to ginners- TZS'000
KAHAMA COTTON	19,506	80	1,560,480	1,425,642	134,838	25,598	109,240
KBL ENTERPRISES	2,169	80	173,520	161,343	12,177	0	12,177
MSK SOLUTIONS LTD	3,397	80	271,760	252,766	18,994	0	18,994
NYANZA COTTON	5,316	80	425,280	395,526	29,754	0	29,754
NIDA TEXTILE MILLS	8,214	80	657,120	568,113	89,007	43,021	45,986
NGS INVESTMENT	10,953	80	876,240	780,437	95,803	45,786	50,017
NSAGALI COMPANY	3,057	80	244,560	243,137	1,423	180	1,243
NCU (1984)	3,709	80	296,720	275,949	20,771	0	20,771
OLAM TANZANIA	22,799	80	1,823,920	1,680,822	143,098	15,434	127,664
ROKO INVESTMENT	3,061	80	244,880	225,039	19,841	2,598	17,243
S&C GINNING	17,153	80	1,372,240	1,260,953	111,287	15,200	96,087
S.M HOLDING	4,683	80	374,640	348,445	26,195	0	26,195
SHIRECU (1984)	3,995	80	319,600	297,253	22,347	0	22,347
VITRESS OIL MILL	4,023	80	321,840	299,348	22,492	0	22,492
VEARRIAN (T) LTD	7,266	80	581,280	540,586	40,694	0	40,694
ORIODOY	172	80	13,760	12,830	930	0	930
COTTON BOARD(TCB)	48	80	3,840	3,654	186	0	186
Total	267,021		21,361,680	19,482,433	1,879,247	463,865	1,415,382

NB: Kahama Oil Mills refunded TZS 2.026 million to the Board in 2017/18.

30 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, Food and Cooperatives, 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, Food Security and Cooperatives.

The Government through Ministry of Finance and Planning paid Personnel Emoluments directly to TCB employees' bank accounts. The total Government funds received by the Board during the year are detailed below:

Government Subvention-Recurrent	2021/22	2020/21
	TZS'000	TZS'000
PE Deductions	25,039	80,965
PE Paid Direct to Employees	<u>1,403,311</u>	<u>981,273</u>
Total Government Subvention-Recurrent	1,428,350	1,062,238
Deductions paid to Workers Union	<u>16,470</u>	<u>0</u>
	<u>1,444,820</u>	<u>1,062,238</u>
Other Government Receipts		
Government Grant to Farmers	<u>0</u>	<u>3,824,691</u>
Total Government Grant to Farmers	<u>0</u>	<u>3,824,691</u>

The funds for Government subventions are recognized in the Statement of cash flows as well as the statement of financial performance. The government subventions of TZS 1.4

billion was reported in the statement of financial performance as revenue from non-exchange transactions.

Other Government receipts represent funds received by the Board during the year under review from the Ministry of Agriculture which were then disbursed to various District Executive Councils to pay cotton farmers.

(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 seeds cotton levy TZS 854.36 million through Government Electronic Payment Gateway (GePG) as at 30th June, 2022.

On 22 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 Fund. The overall objective of cotton research is to increase productivity and profitability through development of varieties and other production technologies. Nevertheless, the funds for research activities are disbursed directly to the Cotton Research Stations at Ilonga and Ukiriguru.

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:

	2021/22 TZS'000	2020/21 TZS'000
Short term benefits:		
Basic Salaries	403,619	404,940
Allowances	<u>81,900</u>	<u>98,991</u>
	485,519	503,931
Long term benefits:		
Pension	<u>60,543</u>	<u>59,488</u>
TOTAL	<u>546,062</u>	<u>563,419</u>

(4) Directors

In the year under review, TCB operations were managed by the Permanent secretary of the Ministry of Agriculture following tenure expiry of the Board on 4 October 2020.

31 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 (IPSAS 24.39).

REASONS FOR MAJOR VARIATIONS ON STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2022

Particulars	Final Budget TZS'000	Actual on Comparable basis TZS'000	Variances TZS'000	Reasons for major variations
Government Subvention	1,228,456	1,444,820	216,364	Eight employees transferred from Local Government to the Board
Rental Revenue Received	4,195,540	2,936,760	(1,258,779)	The outbreak of COVID-19 epidemic has affected business operations of our customers. This has also caused Low demand for warehouses in real estate market.
Donors Contributions	1,498,847	0	(1,498,847)	There was no project financed by donors because of COVID-19 outbreak.
Employee costs	(1,228,456)	(779,572)	448,884	The Government did not release employment permits for new staff.
Administrative expenses	(1,032,091)	(880,682)	151,409	Cash flow problems to finance administrative expenditures.
Regulatory expenses	(1,112,903)	(146,401)	966,502	Most of the Regulatory functions are funded by CDTF because of Cash flow problems to finance TCB mandatory activities.
Acquisition of Property, Plant and Equipment	(403,440)	(248,028)	155,412	Cash flow problems as the Government did not release funds to finance for acquisition of property, plant and equipment.
Improved Investment Properties	253,600	(188,264)	(65,336)	Cash flow problems as the Government did not release funds to finance improvement of TCB investment property.
Loan Repayment	(1,995,875)	(833,000)	1,162,875	Cash flow challenges caused by COVID-19 epidemic and there were Low demand for warehouses in real estate market. However, the Board requested the Bank to restructure the loan by 50% of Loan installment and the Bank approved the same in November 2021 whereby the Board now is required to pay loan installment of Tsh.460 million instead of Tsh.700 million Semiannually.

The amount of Government Subvention disclosed on cash flow statement is only TZS 25 million which is the actual amount received relating to employees salary deductions. Other amount of Government Subvention relating to employees salary TZS 1.40 billion was paid directly by Ministry of Finance to employees' bank accounts.

32 RECONCILIATION STATEMENT OF COMPARISON OF BUDGET AND THE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

2021/22
TZS'000

Surplus as per Statement of Budget	687,770
Add: Accrued revenue	171,912
Less: Accrued Expenses	(1,244,374)
Deficit as per Statement of performance as at 30.06.2022	<u>(384,692)</u>

33 ACTUAL AMOUNT IN THE CASH FLOWS STATEMENT:

	2021/22	2020/21
	TZS	TZS
(i) Classification fee		
Fee per financial performance	0	123,159
Collected classification fee	0	123,159
(i)(a) Other revenue received		
Sales of Cotton Lint Samples	204,834	68,369
Sales of seed cotton by products	13,411	21,028
Bad debt recovery	0	1,597
Stakeholders contributions	4,766	3,431
TOTAL	<u>223,011</u>	<u>94,425</u>
(ii) Rental Revenue		
Balance of Customer as at 1 st July	2,838,994	1,847,369
Invoice for rental revenue	2,987,145	3,422,889
Uncollected revenue	<u>(2,889,379)</u>	<u>2,838,994</u>
Cash collection from customers	<u>2,936,760</u>	<u>2,431,264</u>
Operating expenses		
(iii) Payment to Suppliers		
Balance as at 1 st July 2021 (Note 13)	565,536	627,263
Invoice for 2021/22	719,334	574,316
Balance as at 2020/22 (Note 13)	<u>(407,811)</u>	<u>(570,616)</u>
Cash paid to suppliers	<u>877,059</u>	<u>630,963</u>
(iii)(a) Tax paid		
Tax paid	286,738	231,624
	<u>286,738</u>	<u>231,624</u>
(iv) Administration		
Legal charges	300	5,808
Printing and stationery	4,167	5,404
Newspapers and periodicals	55	212
Postage and Telephone	3,869	0

TANZANIA COTTON BOARD

Internet services	429	2,087
Electricity charges	4,927	6,992
Water and sewage	4,224	5,628
Sanitation services	12,273	15,482
Insurance charges	56,406	56,022
Recruitment costs	0	2,520
Land rent	8,195	19,040
Property tax	0	5,076
Office Hospitality	11,463	8,447
Directors-Other expenses	0	7,240
Annual Audit Fees	0	2,424
Audit Expenses	17,160	15,727
Fuels	4,855	1,309
Motor vehicle Repairs and Maintenance	0	10,455
Extra duty	49,244	64,660
Debt Collection Fees	3,224	7,002
Budget Preparation Expenses	0	2,703
Community Activities Contributions	10,200	1,500
Fumigation	0	600
Transfer Expenses	0	37,945
Property Management Services Fee	1,937	1,155
Government Contribution Expenses	0	20,000
Tender Meeting Expenses	950	150
Management Meeting Expenses	0	60
Directors Travelling	0	100
Property Office	0	11,004
Property Warehouses	0	1,850
Property Residences	0	1,699
Furniture and Equipment	0	1,129
Computers and Peripherals	0	3,675
Repair& Maintenance Motor vehicles	0	8,525
Travelling on Duty	201,405	0
Staff Imprest	442,949	0
Staff Advance	42,450	0
Total Administration Expenses	880,682	333,630
Regulatory Services		
Printing and Stationery	0	120
Buying Posts Inspection Costs	6,439	2,080
Ginnery Inspection Costs	3,180	3,970
Cotton Classing Costs	13,330	18,307
Inspection Meeting Costs	0	200
Cotton Quality Seminar Costs	0	1,345
Monitoring Services	6,740	4,110
Fuels	40	161
Motor vehicle-repair and maintenance	12,970	856
Stakeholders Meeting Expenses	960	460
Extra Duty	930	0
Staff Imprest	0	415,732
Office Repair	16,953	0
Warehouse Repair	19,452	0
Residential Repair	62,711	0
Generator Repair	210	0

Equipment Repair	1,185	0
Computer Repair	1,301	0
Total Regulatory Services Expenses	146,401	447,341
Operating Expenses(Administration + Regulatory Services)	1,027,083	780,971

34 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.

35 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.