

MARIE STOPES TANZANIA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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ORGANIZATION INFORMATION

BOARD OF DIRECTORS	Name	Position
	Margaret Ringo	Chairperson
	Simon Cooke	Chief Executive Officer
	Adeline Kimambo	Director
	Nils Gade	Director
	Banchiamlack Dessalegn	Director
	Donna Cummings	Director
CHIEF OFFICERS	Anil Tambay	Country Director
	Aveline Tenga	Finance Director
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Plot number 421/422, Mwenge	
	P.O. Box 7072	
	Dar es Salaam, Tanzania	
INDEPENDENT AUDITOR	Nexia SJ Tanzania	
	Certified Public Accountants	
	1st Floor, Oyster Plaza, Haile Selassie Road	
	P.O Box 12729	
	Dar es Salaam Tanzania.	
ORGANIZATION SECRETARY AND LEGAL ADVISOR	ENSafrica Tanzania	
	6th Floor, International House	
	cnr. Shaaban Robert Street and Garden Avenue	
	P. O. Box 7495	
	Dar es Salaam, Tanzania	
PRINCIPAL BANKERS	KCB Bank	
	P. O. Box 804	
	Dar es Salaam, Tanzania	
	National Bank of Commerce Limited	
	P. O. Box 157	
	Zanzibar	
	National Microfinance Bank PLC	
	P. O. Box 9213	
	Dar es Salaam, Tanzania	
	CRDB Bank PLC	
	P. O. Box 268	
	Dar es Salaam, Tanzania	

REPORT OF THE DIRECTORS

The directors present this report and the audited financial statement for the financial year ended 31 December 2020, which disclose the state of affairs of the Organization.

INCORPORATION

Marie Stopes Tanzania was registered under the Companies Act 2002 on 4th May 1995 as an Organization limited by guarantee and not having a share capital. On 16 August 2019 the Organization was registered under the Non-Governmental Organizations Act, 2002 and awarded a certificate of registration number I-NGO/R2/000382.

MISSION AND VISION STATEMENT

Marie Stopes Tanzania's mission is "children by choice not chance".

Marie Stopes Tanzania, collaborating with the Government of Tanzania and other stakeholders, envisions a country with improved poverty status through access to affordable and sustainable integrated health services for all Tanzanians.

PRINCIPAL ACTIVITIES

The principal activities of the Organization are those of provision of healthcare services. It works in partnership with Marie Stopes International (MSI). Its operations rely mainly on charitable grants from donors based locally and internationally.

Marie Stopes Tanzania is a results-orientated Social Business, which uses modern management and marketing techniques to provide family planning, reproductive and sexual healthcare and allied services. MST's goal is to meet the needs of the underserved and dramatically improve access to and use of family planning and other reproductive health services. MST is part of Marie Stopes International's (MSI) Global Partnership, which operates in 37 countries worldwide.

DIRECTORS

The directors who held office during the year and at the date of this report are as follows:

Name	Position	Nationality	Age	Profession	Date of appointment /Resignation	Appointed /Resigned
Margaret Ringo	Chairperson	Tanzanian	57	Lawyer	30-Jun-06	Appointed
Simon Cooke	CEO	British	53	CEO	05-Mar-15	Appointed
Adeline Kimambo	Director	Tanzanian	71	Medical Doctor	31-Mar-05	Appointed
Banchiamlak Dessalegn	Director	American	40	Regional Director, East & Southern Africa	31-Mar-20	Appointed
Nils Gade	Director	German	60	Economist	31-Mar-20	Resigned
Donna Cummings	Director	British	47	Financial Specialist	06-May-19	Appointed

DIRECTORS' INTEREST IN THE Organization

None of the directors has a direct interest to the Organization.

RESULTS FOR THE YEAR

The Organization's financial performance is set out on page 10 under statement of income and expenditure

	2020 TZS '000	2019 TZS '000
Deficit for the year	(22,385)	(1,220,432)

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

The Board of Directors of Marie Stopes Tanzania has two local directors, one of whom is the Chairperson, and the other three directors represent Marie Stopes International. The Chairperson has the casting vote. The Board of Directors has a minimum of one annual meeting with additional meetings to deal with special resolutions. During the year ended 31 December 2020, the Board of Directors held two meetings.

MANAGEMENT

The Management of the Organization is under the Country Director and is organized in the following departments.

- Human Resources and Administration
- Finance
- Health Service

FUTURE DEVELOPMENT PLANS

Marie Stopes Tanzania will continue to implement its mission – Children by Choice, not Chance. This will be achieved through scaling up delivery of high quality client – centered contraception and Post - Abortion Care services to as many women as possible, especially those who need it most. Addressing unmet needs for family planning will prevent unwanted pregnancies and will avert newborn and maternal deaths.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors accepts final responsibility for the risk management and internal control systems of the organization. It is the task of management to ensure that adequate internal, financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the organization's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders including beneficiaries.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the organizations systems are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2020, and is of the opinion that they met the expected criteria.

SOLVENCY

The state of affairs of the Organization as at 31 December 2020 is set out on page 11 to the financial statements.

As at 31 December 2020, the Organization had net current liabilities of TShs 4,548,645,809 (2019: TShs 5,173,272,192). The directors are of the opinion that the Organization is a going concern, as Marie Stopes International (MSI) has confirmed their willingness to continue providing necessary financial and operational support to the Organization for the foreseeable future.

REPORT OF THE DIRECTORS (CONTINUED)

EMPLOYEE WELFARE

Management and employee relationship

The relationship between employees and management continued to be good. Complaints if any were resolved through discussions and Employee morale is good.

Training

Human resource identification, recruitment and development continue under the established comprehensive resource management programme. Employees were given both external and in-house practical training at all levels.

GENDER PARITY

As at 31 December 2020 the Organization had 334 employees, out of which 181 were female and 153 were male (2019: 196 female and 184 male).

RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in note 13 of these financial statements.

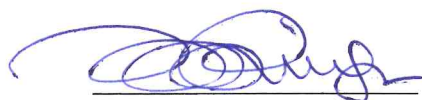
SUBSEQUENT EVENTS

No material events were occurred subsequent to 31 December 2020, which require disclosure in or adjustments to the financial statements.


AUDITORS

The company's auditor Nexia SJ Tanzania have expressed their willingness to continue in office in accordance with section 170 of Companies Act 2002 and are eligible for re-appointment. A resolution preparing the re-appointment as auditors of the Organization for the year ended 31 December 2021 will be tabled in the Annual General Meeting.

BY ORDER OF THE BOARD



Margaret Ringo
Chairperson

 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required in terms of the Tanzania Non governmental Organisation Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Organization as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Tanzania Non Governmental Organization Act of 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Tanzania Non Governmental Organization Act of 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Organization and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Organization and all employees are required to maintain the highest ethical standards in ensuring the Organization's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Organization is on identifying, assessing, managing and monitoring all known forms of risk across the Organization. While operating risk cannot be fully eliminated, the Organization endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

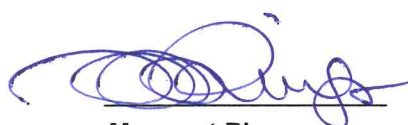
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent Non Compliance with laws and regulation (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance

The Directors have reviewed the Organization's cash flow forecast for the year to 31 December 2021 and, in the light of this review, continued support from donors and the current financial position, they are satisfied that the Organization will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Organization's financial statements. The financial statements have been examined by the Organization's external auditors and their report is presented on pages 7 to 9

The financial statements set out on pages 10 to 30, which have been prepared on the going concern basis, were authorised and approved by the board on 2021 and signed on its behalf by:



Margaret Ringo
Chairperson



Adeline Kimambo
Director

DECLARATION OF THE HEAD OF FINANCE OF MARIE STOPES TANZANIA

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 Head of Finance/Accounting 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, **Aveline Tenga** being the Head of Finance of Marie Stopes Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 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 Marie Stopes Tanzania as on that date and that they have been prepared based on properly maintained financial records.

Signed by : Aveline Tenga

Position : Finance Director

NBAA Membership No. : GA 1957

Signature :

Date :


30-03-2021.

**INDEPENDENT AUDITOR'S REPORT
TO MEMBERS OF MARIE STOPES TANZANIA****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Marie Stopes Tanzania, which comprise the statement of financial position as at 31 December 2020, and the statement of income and expenditure, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Tanzania Non-Governmental Organization Act 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Organization incurred a deficit of TZS 22,385,349 during the year ended 31 December 2020 and the funds' accumulated deficit amounted to TZS 1,869,511,465 and as of that date the net current liability exceeded the net assets by TZS 4,548,645,809. As stated in Note1, this condition indicates that a material uncertainty exists that may cast significant doubt on the Organisation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Other information consists of the information included in the report of the directors, statement of directors' responsibilities and the declaration of the head of finance, other than the financial statements and report of the independent auditor thereon. Director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO MEMBERS OF MARIE STOPES TANZANIA****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 IFRSs and the requirements of the Tanzania Non-Governmental Organization Act 2002, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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.


A further description of our responsibilities for the audit of the financial statements is included in Appendix 1 of this auditor's report. This description, which is located at page 9, forms part of our independent auditor's report.

Report on Other Legal and Regulatory Requirements


This report, including the opinion, has been prepared for, and only for, the Organization's members as a body and for no other purpose.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit; and

In our opinion proper books of account have been kept by the Organization, so far as appears from our examination of those books;



Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729,
Dar es Salaam, Tanzania.



Sujata Jaffer
Engagement Partner
NBAA registration number: ACPA 718
Dar es Salaam
Ref: NSJ/08/2021

Date: 31/03/2020

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**TO MEMBERS OF MARIE STOPES TANZANIA****Appendix 1**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in the manner that achieves fair presentation.

We 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 we identify during our audit.

STATEMENT OF INCOME AND EXPENDITURE

	Notes	2020 TZS'000	2019 TZS'000
Income			
Grant income	2.	38,950,325	39,417,404
Service income	3.	3,299,942	3,557,935
Other income	4.	15,071	120,308
		42,265,339	43,095,646
Expenditure			
Direct expenses	6.	24,550,427	24,360,487
Service delivery expenses	7.	16,955,282	18,423,527
Finance costs	8.	83,195	76,584
Depreciation	17 & 19	696,253	1,426,295
Amortisation	18.	2,568	29,187
		42,287,724	44,316,080
Deficit for the year		(22,385)	(1,220,434)

The significant accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of these financial statements.

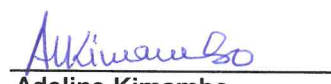
Report of the independent auditor – pages 7 to 9

STATEMENT OF FINANCIAL POSITION

	Notes	2020 TZS'000	2019 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	17.	2,527,995	3,210,975
Right-of-use assets	19.	331,882	554,173
Intangible assets	18.	59,073	-
Total non-current assets		2,918,950	3,765,148
Current assets			
Inventories	9.	1,797,994	1,453,063
Trade and other receivables	10.	2,041,922	1,239,059
Cash and bank balances	14.	2,021,024	2,162,398
Total current assets		5,860,940	4,854,520
Total Assets		8,779,890	8,619,668
FUNDS AND LIABILITIES			
Funds			
General fund - deficit		(1,869,511)	(1,847,124)
Non-current liabilities			
Lease liabilities	16.	239,815	439,000
Current liabilities			
Trade and other payables	15.	2,768,697	2,514,792
Deferred revenue grant- local donors	12.(b)	1,473,139	1,013,505
Deferred revenue grant related parties	12.(a)	5,147,225	5,036,875
Deferred capital grants	12.(d)	1,019,826	1,462,605
Deferred grants- others	12.(e)	700	15
Total current liabilities		10,409,586	10,027,793
Total members' funds and liabilities		8,779,890	8,619,668

The financial statements on pages 10 to 30 were authorised and approved for issue by the Board of Directors on2021 and were signed on its behalf by:


Margaret Ringo
Chairperson


Adeline Kimambo
Director

The significant accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of these financial statements.

Report of the independent auditor – pages 7 to 9

STATEMENT OF CHANGES IN FUNDS

	General TZS'000
Year ended 31 December 2020	
At start of year	(1,847,126)
Deficit for the year	<u>(22,385)</u>
At end of year	<u>(1,869,511)</u>
Year ended 31 December 2019	
At start of year	(626,692)
Deficit for the year	<u>(1,220,434)</u>
At end of year	<u>(1,847,126)</u>

The significant accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of these financial statements.

Report of the independent auditor – pages 7 to 9

STATEMENT OF CASH FLOWS

	Notes	2020 TZS'000	2019 TZS'000
Operating activities			
Cash (used in) / generated from operating activities	20.	(72,148)	689,398
Net cash (used in) / generated from operating activities		(72,148)	689,398
Investing activities			
Purchase of equipment	17.	(22,657)	(268,848)
Purchase of intangible assets	18	(61,641)	-
Proceeds from disposal of motor vehicle		15,071	33,250
Net cash (used in) investing activities		(69,227)	(235,598)
(Decrease)/ increase in cash and cash equivalents		(141,375)	453,800
Movement in cash and cash equivalents			
At start of year		2,162,399	1,708,599
(Decrease)/ increase		(141,375)	453,800
At end of year	14.	2,021,024	2,162,399

The significant accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of these financial statements.

Report of the independent auditor – pages 7 to 9

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the Organization is set out in the Director's report and in the statement of income and expenditure. The financial position of the Organization is set out in the statement of financial position.

Based on the financial performance and position of the organization, continuous support from Donors and Marie Stopes International and its risk management policies, the directors are of the opinion that the Organization is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Tanzanian Non-Governmental Organization Act 2002. The statement of income and expenditure represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

b) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Key sources of estimation uncertainty (Continued)

(i) Useful lives of property, plant and equipment

Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

(ii) Impairment provisions

Management carries out a regular review of the status of inventories, trade receivables and other financial assets to determine whether there is any indication that these assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then recognised in the statement of income and expenditure. In determining whether an impairment loss should be recognized in the statement of income and expenditure, management determines whether there is objective evidence that the assets are impaired and that the fair values have declined.

Management estimates of the required provisions are based on critical evaluation of the economic circumstances involved, historical experience and other factors that are considered to be relevant.

(iii) Operating lease commitments

The Organization has entered into leases over its office premises. Management has determined that the Organization has not obtained substantially all the risks and rewards of ownership of these premises; therefore the leases have been classified as operating leases and accounted for accordingly.

(iv) Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the performance of services set out in IFRS 15.

(v) Taxes

The Organization is subjected to several taxes and levies by various government and quasi-government regulatory bodies. As a rule of thumb, the Organization recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Organization are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Tanzania Shillings.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements are recognised in the statement of comprehensive income in the year in which they arise.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for performance of services, in the ordinary course of business and is stated net of estimated customer returns, rebates and other similar allowances.

The Organization recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Organization's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The Organization bases its estimates on historical results, taking into consideration the type of transaction and specifics of each arrangement.

Grant income

Grant income is recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period to match the grant on a systematic basis to costs that it is intended to compensate. Where the grant relates to an asset, income is recognised when the grant proceeds are receivable.

Clinic income

Clinic income is recognised at the time the service is rendered.

Other income

Other income is recognised when earned.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash in hand, deposits held on call net of Organization borrowings, all of which have a maturity of less than 3 months and are available for use by the Organization unless otherwise stated.

f) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Organization and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Leasehold improvement costs is related to refurbishment on leased clinic and office premises. The cost is amortized to statement of income and expenditure for the year using straight line method over the remaining lease period or the expected economic useful life of the refurbished costs whichever is shorter.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment (Continued)

Depreciation is calculated on a straight line basis, to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

Class	Rate
Land and buildings	2.5%
Leasehold improvements	Lease hold period
Medical equipment	20%
Motor vehicles	25%
Office furniture and equipment	20%
IT equipment	25%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining surplus/(deficit) for the year.

g) Intangible assets

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 4 years.

h) Employee benefits

Employee entitlements

Employee entitlements to gratuity and long term service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

Retirement benefit obligations

The Organization and its employees contribute to the National Social Security Fund (NSSF), Zanzibar Social Security Fund (ZSSF) and Public Services Social Security Fund (PSSSF) (previously known as Public Services Pension Fund (PSPF)). The Organization's contributions to this defined contribution scheme are charged to the statement of income and expenditure in the year to which they relate.

Workers Compensation Fund (WCF)

Workers Compensation Fund (WCF) is a social security scheme established by the government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment.

Private entities are statutorily required to contribute 1% of monthly employees' earnings (wage bill) to the Fund. Monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. The contributions are part of Organization's costs and are not deducted from salaries of the employees.

Once the payment has been effected by the Organization to the Fund, there is no further obligation to the Organization for any claim from the employee out of the occupational injuries suffered by them.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are determined on a first-in-first-out (FIFO) basis and comprise all costs attributable to bringing the inventories to their current location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j) Impairment of non-financial assets and intangible assets other than goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset or cash-generating unit (CGU) to which the asset has been allocated is tested for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

k) Taxation

In 2011, the Organization was granted charitable status from Tanzania Revenue Authority. For tax purpose charitable status granted the Organization an additional 25% tax deduction on grant income. Based on the nature of the Organization's operations and its source of income, there is no material potential liability relating to current and deferred income tax expenses.

l) Financial instruments

Financial instruments are recognised on the Organization's statement of financial position when the Organization becomes a party to the contractual provisions of the instruments.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates included in these annual financial statements, the Organization only had loans and receivables on its statement of financial position.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Organization derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Organization neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Organization recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Organization retains substantially all the risks and rewards of ownership of a transferred financial asset, the Organization continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

At the end of the reporting period, the Organization did not have equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. At the end of the reporting period, the Organization had only other financial liabilities in its statement of financial position.

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Organization derecognizes financial liabilities when, and only when, the Organization's obligations are discharged, cancelled or they expire.

Offsetting financial instruments

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, and related financial effects are offset.

m) Provisions and contingencies

Provisions are recognised when:

- the Organization has a present obligation as a result of a past event;
it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of provision is the present value of the expenditure expected to be required to settle the obligation.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Provisions and contingencies (Continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when and only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

n) Leases

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the organization recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the organization is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the organization's incremental borrowing rate is used.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuer's, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the organization at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

Any contingent rents are expensed in the period they are incurred.

o) Deferred revenue grants

Deferred revenue grants represent the revenues received from donors but not utilized at the end of reporting period.

p) Deferred grant capital

Deferred grant stock represent the assets received from donors but not utilized at the end of reporting period.

q) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of financial statements

The organization is a charitable entity registered in Tanzania and works in partnership with Marie Stopes International (MSI). The organization relies largely on charitable donations from donors based locally and internationally to finance its operations. During the year ended 31 December 2020 the organization had a deficit of TShs 22,385,349 (2019: TShs 1,220,434,116) and as at 31 December 2020 the organization had a fund deficit balance of TShs 1,869,511,465 (2019: TShs 1,847,124,316) and net current liabilities of TShs 4,548,645,809 (2019: TShs 5,173,272,192). However the directors are of the opinion that the organization is a going concern, as Marie Stopes International (MSI) has confirmed their willingness to provide necessary financial and operational support to the organization in the foreseeable future. Therefore the financial statements have been prepared on a going concern basis.

	2020 TZS'000	2019 TZS'000
2. Grant income		
Deferred revenue grants released (MSI - Note 12 (a))	23,536,190	24,033,76
Deferred revenue grants released (Local donors - Note 12 (b))	14,971,357	14,136,33
Deferred revenue grants released (Grant in kind - Note 12 (c))	-	-
Deferred capital grants released (Grant in kind - Note 12 (d))	442,779	1,247,31
	38,950,325	39,417,40
3. Service income		
Consultation	715,503	831,26
Lab tests	1,182,877	1,409,08
Sale of drugs	1,673,320	607,88
Other service income	(271,758)	709,70
	3,299,942	3,557,93
4. Other income		
Sundry income-forex gain on fund transfer	-	120,30
Profit on disposal of motor vehicle	15,071	-
	15,071	120,30
5. Employment costs		
Salary and wages	9,677,175	9,573,79
Employers contribution to pension funds	881,694	864,12
Workers compensation	534,414	88,90
Leave allowance & other benefits	1,307,753	1,471,78
Bonus payments	929,975	511,63
Redundancy, cessation, severance payments	429,401	257,67
General training costs	622,648	1,016,99
General recruitment costs	151,646	159,32
Consultancy costs	63,531	28,74
Other staff costs	18,874	248,76
	14,617,109	14,221,75
6. Direct expenses		
Employee cost (Note 5)	14,617,109	14,221,75
Per diems and other travel costs (Local and International)	5,848,203	6,426,57
Motor vehicle fuel costs	522,338	524,73
Auditors' remuneration	55,977	43,20
Operating lease rentals	387,373	349,17
Motor vehicle repairs and maintenance	958,897	812,83
Subtotal	22,389,898	22,378,273

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Direct expenses (Continued)	2020 TZS'000	2019 TZS'000
Office stationery and consumables	383,044	233,479
IT costs	367,295	297,110
Security expenses	163,154	169,014
Postage and communication	195,045	131,786
Electricity & water	127,439	85,002
Vehicle and hire costs	45,197	306,846
Provision for bad debt	159,714	44,099
Bad debts written off	(1,778)	51,587
Region office support costs	(3,628)	177,094
Cleaning and housekeeping	40,162	32,757
IT support and maintenance	-	25,774
Legal and professional fees	72,590	39,170
Research monitoring and evaluation	143,099	89,089
Other operating expenses	431,737	129,974
Loss on disposal of plant and equipment	-	169,435
Loss on forex fund transfer	37,459	-
Total	24,550,427	24,360,487
7. Service delivery expenses		
Equipment, supplies and other operating costs	14,465,519	15,951,594
Other activity costs	2,297,037	2,221,176
Marketing and communications	192,726	250,757
	16,955,282	18,423,527
8. Finance costs		
Bank charges	83,048	76,564
Other financial costs	147	20
	83,195	76,584
9. Inventories		
Drugs and medical supplies	1,797,994	1,453,063
10. Trade and other receivables		
Trade receivables	1,281,744	1,004,476
Less: Impairment of trade receivables	(181,227)	(76,474)
Net trade receivables	1,100,517	928,002
Other Sundry receivables	41,656	-
Prepayments	729,313	131,929
Staff advances	92,855	83,659
Deposits	77,580	95,470
	2,041,922	1,239,059
Movement in impairment of trade receivables		
At start of year	76,474	87,220
Prior year overprovision reversed	-	(3,257)
Increase in provision	159,714	44,099
Write off	(54,962)	(51,587)
At end of year	181,227	76,474

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

81% (2019: 72%) of the outstanding trade receivables are held by five customers. This represents a significant concentration of credit risk. The directors have made a provision for the portion of the receivable whose recovery is in doubt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Trade and other receivables (continued)

The carrying amounts of the Organization's trade and other receivables are denominated in the Tanzanian Shillings.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Organization does not hold any collateral as security.

11. Taxation

The Organization was granted a charitable entity status in 2011 and is not subject to income tax in accordance with section 64 of the Income Tax Act, 2004.

	2020 TZS'000	2019 TZS'000
12. Deferred revenue grants		
(a) Related parties		
At the beginning of the year	5,036,876	5,430,979
Adjustment	-	(161,862)
Cash received during the year (Note 13 (a))	14,456,685	22,839,956
Revenue grants recognised during the year (Note 2) & 13 (c)	(23,536,190)	(24,033,761)
Net payments made by MSI (Note 13 (b))	9,193,651	961,563
Adjustment	(3,797)	-
At the end of the year (Note 13 (g))	<u>5,147,225</u>	<u>5,036,876</u>
(b) Local donors		
At the beginning of the year	1,013,505	(803,753)
Donated vehicles received during the year	-	107,932
Stock in kind received during the year (Note 12 (c))	11,898,174	12,392,322
Adjustment	23,823	(143,716)
Excess physical stock adjustment	-	138,016
Revenue grants received during the year	3,528,941	3,459,037
Revenue grants recognised during the year (Note 2)	(14,971,357)	(14,136,333)
Net cash receipt on behalf of MSI	(19,948)	-
At the end of the year	<u>1,473,139</u>	<u>1,013,505</u>
(c) Grant in kind- stock		
At the beginning of the year	-	-
Stock received during the year	11,898,174	12,392,322
Reclassification to local donors (Note 12(b))	(11,898,174)	(12,392,322)
At the end of the year	<u>-</u>	<u>-</u>
(d) Deferred capital grant		
At the beginning of the year	1,462,605	2,440,122
Grant capital recognised during the year	84,297	269,794
Adjustment	(84,297)	-
Revenue recognised during the year (related parties) (Note 2)	(442,779)	(1,247,311)
At the end of the year	<u>1,019,826</u>	<u>1,462,605</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Deferred revenue grants (Continued)

(e) Deferred grant-others

	2020 TZS'000	2019 TZS'000
At the beginning of the year	15	310
Capital revenue recognised during the year	685	805
Other outflows	-	(1,100)
At the end of the year	<u>700</u>	<u>15</u>

13. Related party transactions and balances

The Organization is closely related with other organizations that are under Marie Stopes International (MSI). Marie Stopes Tanzania (MST) obtains funds from Marie Stopes International (MSI) to implement its objectives of providing access to affordable and sustainable integrated health services for all Tanzania's centers and outreaches. Below is the summary of transactions with related parties.

	2020 TZS'000	2019 TZS'000
(a) Cash received from MSI (Note 12 (a))	<u>14,456,685</u>	<u>22,839,956</u>
(b) Net payments made by of MSI (Note 12 (a))		
Marie Stopes International	<u>9,193,651</u>	<u>961,563</u>
(c) Grant income recognized-MSI (Note 12 (a))	<u>23,536,190</u>	<u>24,033,761</u>
(d) Key management compensation		
Key management includes the Board of Directors (Executive and non-executive) and members of the Organization management. The compensation paid or payable to key management personnel is as shown below		
Key management compensation	<u>1,031,381</u>	<u>1,161,734</u>
(e) Due from related parties		
Marie Stopes South Africa	<u>3,378</u>	<u>3,378</u>
(f) Due to related parties		
Marie Stopes International UK	<u>(5,154,399)</u>	<u>(5,040,253)</u>
(g) Due to related parties		
Marie Stopes International Bangladesh	<u>3,797</u>	<u>-</u>
Net due to related parties (Note 12(a))	<u>(5,147,225)</u>	<u>(5,036,875)</u>

14. Cash and bank balances

Cash on hand	3,094	3,803
Cash at bank	<u>2,017,930</u>	<u>2,158,595</u>
	<u>2,021,024</u>	<u>2,162,398</u>

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Cash and bank balances (Continued)

The Organization is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the Organization's cash and cash equivalents are denominated in the following currencies:

	2020 TZS'000	2019 TZS'000
Tanzania Shillings	685,361	1,150,241
US Dollars	1,335,663	1,012,345
	2,021,024	2,162,586

15. Trade and other payables

Trade payables	754,754	675,341
Accruals	478,848	631,145
Other payables	1,535,095	1,208,345
	2,768,697	2,514,791

In the opinion of the directors, the carrying amounts of the trade and other payables approximate to their fair value.

The carrying amounts of the Organization's trade and other payables are denominated in Tanzania Shillings and the maturity analysis based on ageing of trade payables is 1 to 3 months.

16. Lease liabilities

Non-current	239,815	439,045
	239,815	439,045

In 2019 the Organization recognised lease assets and lease liabilities only for those leases that were classified as finance leases under the accounting policy at that time. The assets were included under property, plant and equipment and no liability was recorded during that period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Property, plant and equipment

Year ended 31 December 2020

	Land and buildings	Leasehold improvements	Medical equipment	Motor vehicles	Office furniture and equipment	IT equipment	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost							
At start of year	2,127,893	333,597	1,437,388	6,186,043	650,295	584,828	11,320,044
Additions	-	-	-	-	-	22,657	22,657
Disposals	-	-	-	(414,357)	-	-	(414,357)
At end of year	2,127,893	333,597	1,437,388	5,771,686	650,295	607,485	10,928,344
Depreciation							
At start of year	727,581	139,382	1,183,459	4,893,755	631,013	533,879	8,109,068
Disposals	-	-	-	(417,218)	-	-	(417,218)
Adjustments	-	-	-	-	2,864	-	2,864
Charge for the year	50,751	36,906	111,719	472,604	12,172	21,481	705,633
At end of year	778,332	176,288	1,295,177	4,949,141	646,050	555,359	8,400,347
Net book value	1,349,561	157,309	142,211	822,545	4,245	52,126	2,527,995

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Property, plant and equipment (continued)

Year ended 31 December 2019

	Land and buildings	Leasehold improvements	Medical equipment	Motor vehicles	Office furniture and equipment	IT equipment	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost							
At start of year	2,127,893	333,597	1,437,388	6,451,197	650,295	561,904	11,562,274
Reclassifications	-	-	-	-	-	-	-
Additions	-	-	-	245,924	-	22,924	268,848
Adjustments	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-
Disposals	-	-	-	(511,078)	-	-	(511,078)
At end of year	2,127,893	333,597	1,437,388	6,186,043	650,295	584,828	11,320,044
Depreciation							
At start of year	710,966	100,830	1,040,445	4,164,886	616,214	515,093	7,148,434
Disposals	-	-	-	(308,392)	-	-	(308,392)
Charge for the year	16,615	38,552	143,014	1,037,261	14,799	18,786	1,269,026
Eliminated on disposal	-	-	-	-	-	-	-
At end of year	727,581	139,382	1,183,459	4,893,755	631,013	533,879	8,109,068
Net book value	1,400,312	194,215	253,929	1,292,288	19,282	50,950	3,210,977

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020	2019
	TZS'000	TZS'000
18. Intangible assets-Computer software		
Cost		
At start and end of year	108,139	108,139
Additions	61,641	-
	169,780	108,139
Amortization		
At start of year	108,139	78,952
Charge for the year	2,568	29,187
At end of year	110,707	108,139
Net book value	59,073	-
19. Right-of use assets		
At start of year	554,173	-
Transfer from prepaid operating lease rentals	92,067	116,636
(Reduction)/Additions	(304,978)	594,806
Depreciation charge	(9,380)	(157,270)
At end of year	331,882	554,173

Under the previous accounting policy prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period. The carrying amount of prepaid operating lease rentals of TZS 116,636,296 at 1st January 2019 has been reclassified as right-of-use assets.

	2020	2019
	TZS'000	TZS'000
20. Cash (used in) / generated from operations		
Reconciliation of surplus/ (deficit) for the year to cash generated from operations:		
Surplus/ (Deficit) for the year	(22,385)	(1,220,432)
Adjustments for:		
Depreciation on property, plant and equipment (Note 17)	705,633	1,269,026
Amortisation of intangible assets (Note 18)	2,568	29,187
Profit on disposal of plant and equipment	(15,071)	169,437
Changes in working capital:		
- inventories	(344,929)	512,658
- trade and other receivables	(802,863)	121,483
- right-of-use assets	222,291	(554,173)
- deferred revenue grant -related parties	110,350	(394,104)
- deferred capital grants	(442,779)	(977,517)
- deferred grant others	685	(295)
- revenue grant payable-local donors	459,634	1,817,258
- trade and other payables	253,904	(522,129)
- leases liabilities	(199,185)	439,000
Cash (used in)/generated from operations	(72,148)	689,398

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Financial risk management objectives and policies

The Organization's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. The Organization's overall risk management programme seeks to minimize potential adverse effect on the Organization's financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions, and services offered. The Organization, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and stake holders understand their roles and obligations.

A description of the significant risk factors is given below together with risk management policies applicable.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions

The amount that best represents the Organization's maximum exposure to credit risk at 31 December 2020 without taking account of any collateral obtained was:

	2020 TZS'000	2019 TZS'000
Trade receivables - (excluding prepayment and deposits)	1,193,373	1,011,661
Cash at bank	2,017,930	2,158,595
	3,211,303	3,170,256

The debtors under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debts that are past due are not impaired and continue to be paid. The finance department is actively following these debts.

The debts that are impaired have been fully provided for. However, management is actively following up recovery of the impaired debts.

In determining the recoverability of a trade receivable, the Organization considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognised. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognised.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Organization manages liquidity risk by monitoring forecast cash flows and ensuring that adequate financing facilities are maintained.

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of confirmed funding from donors.

Management ensures that it plans and contacts donors on a timely basis to ensure smooth flow of funds.

Maturity analysis for financial assets and liabilities as at 31 December 2020 showing the remaining contractual maturities:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	3 months TZS'000	2-3 months TZS'000	>3 months TZS'000	Total TZS'000
Financial assets				
Trade receivables - gross	145,325	201,578	934,841	1,281,744
Cash and bank balances	2,021,024	-	-	2,021,024
Total	2,166,349	201,578	934,841	3,302,767
Financial liabilities				
Trade payables	(524,811)	(144,958)	(84,984)	(754,753)
Total	(524,811)	(144,958)	(84,984)	(754,753)
Net liquidity gap	1,641,538	56,620	849,857	2,548,014

Market risk

(i) Foreign exchange risk

The Board of Directors determine that the Organization's exposure to foreign currency would not be material as most of income and expenditure are in Tanzania Shillings which is also the presentation currency.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

(ii) Interest rate risk

The Organization did not have interest bearing financial assets and liability as at 31 December 2020 and 2019 that would exposes it to the interest risk.

23. Commitments

Right of use-assets

The Organization leases various outlets and warehouses under non-cancellable operating lease. The lease terms are between 1 and 10 years and the majority of the lease agreements are renewable at the end of the lease period at the market rates

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2020 TZS'000	2019 TZS'000
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	187,597	170,064
Later than 5 years	52,217	268,937
	239,814	439,001

24. Contingent liabilities

As at the reporting date, the directors are not aware of any contingent liability that has to be disclosed in these financial statements.

25 Subsequent events

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organisation, COVID-19 may impact various parts of its 2020 operations and financial results, including organisation's activities. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.