MARIE STOPES TANZANIA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

ORGANIZATION INFORMATION

BOARD OF DIRECTORS	**Name**	**Position**
	Margaret Ringo	Chairperson
	Simon Cooke	Chief Executive Officer
	Adeline Kimambo	Director
	Nils Gade	Director
	Donna Cummings	Director
CHIEF OFFICERS	Anil Tambay	Country Director
	Mark Irunde	Finance Director up to March 2019
	Aveline Tenga	Finance Director from October 2019

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Plot number 421/422, Mwenge
Kijitonyama Area
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 2019, 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	56	Lawyer	30-Jun-06	Appointed
Simon Cooke	CEO	British	52	CEO	05-Mar-15	Appointed
Adeline Kimambo	Director	Tanzanian	70	Medical Doctor	31-Mar-05	Appointed
Mariam Mwinyi	Director	Tanzanian	50	Health Economist	27-Sep-19	Resigned
Nils Gade	Director	German	59	Economist	17-May-16	Appointed
Donna Cummings	Director	British	46	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

	2019 TZS '000	2018 TZS '000
Deficit for the year	(1,220,432)	(2,913,609)

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 2019, 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 and
- Sales and Marketing

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 2019, and is of the opinion that they met the expected criteria.

SOLVENCY

The state of affairs of the Organization as at 31 December 2019 is set out on page 11 to the financial statements.

As at 31 December 2019, the Organization had net current liabilities of TShs 5,173,272,192 (2018: TShs 5,069,719,000). 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/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 2019 the Organization had 380 employees, out of which 196 were female and 184 were male (2018: 183 female and 189 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 2019, which require disclosure in or adjustments to the financial statements.

AUDITORS

Nexia SJ Tanzania was appointed during the year and 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 2020 will be tabled in the Annual General Meeting.

BY ORDER OF THE BOARD

Margaret Ringo
Chairperson

31/03/2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required in terms of the Tanzania Non governmental 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 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 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 2020 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 ....31.../..03./.. 2020 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 2019 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	: 31 MARCH 2020

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 2019, 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 2019 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 1,220,432,316 during the year ended 31 December 2019 and the funds' accumulated deficit amounted to TZS 1,847,124,316 and as of that date the net current liability exceeded the net assets by TZS 5,173,272,192. 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.

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.

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

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;

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

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration number: ACPA 718
Dar es Salaam
Ref: NSJ/05/2020

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	2019 TZS'000	2018 TZS'000
Income			
Grant income	2.	39,417,404	38,416,652
Service income	3.	3,557,935	3,179,395
Other income	4.	120,308	28,920
		43,095,647	**41,624,967**
Expenditure			
Direct expenses	5.	24,360,487	27,110,661
Service delivery expenses	7.	18,423,527	16,270,213
Finance costs	8.	76,584	73,932
Depreciation	17 & 19	1,426,295	1,061,231
Amortisation	18.	29,187	22,539
		44,316,080	**44,538,576**
Deficit for the year		**(1,220,432)**	**(2,913,609)**

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	2019 TZS'000	2018 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	17.	3,210,975	4,413,840
Right-of-use assets	19.	554,173	-
Intangible assets	18.	-	29,187
Total non-current assets		3,765,148	4,443,027
Current assets			
Inventories	9.	1,453,063	1,965,719
Trade and other receivables	10.	1,239,059	1,360,542
Deferred revenue grant-local donors	12.(b)	-	803,753
Cash and bank balances	14.	2,162,398	1,708,599
Total current assets		4,854,520	5,838,613
Total Assets		**8,619,668**	**10,281,640**
FUNDS AND LIABILITIES			
Funds			
General fund - deficit		(1,847,124)	(626,692)
Non-current liabilities			
Lease liabilities	16.	439,000	-
Current liabilities			
Trade and other payables	15.	2,514,792	3,036,921
Deferred revenue grant -local donors	12.(b)	1,013,505	-
Deferred revenue grant related parties	12.(a)	5,036,875	5,430,979
Deferred capital grants	12.(d)	1,462,605	2,440,122
Deferred grants-others	12.(e)	15	310
Total current liabilities		**10,027,793**	**10,908,332**
Total members' funds and liabilities		**8,619,668**	**10,281,640**

The financial statements on pages 10 to 30 were authorised and approved for issue by the Board of Directors on ....31...03...........2020 and were signed on its behalf by:

Margaret Ringo
Chairperson

AKimambo
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 fund TZS'000
Year ended 31 December 2019	
At start of year	(626,692)
Deficit for the year	(1,220,432)
At end of year	**(1,847,124)**
Year ended 31 December 2018	
At start of year	2,286,917
Deficit for the year	(2,913,609)
At end of year	**(626,692)**

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	2019 TZS'000	2018 TZS'000
Operating activities			
Cash generated from operating activities	20.	689,398	1,597,914
Net cash generated from operating activities		**689,398**	**1,597,914**
Investing activities			
Purchase of property, plant and equipment	17.	(268,848)	(1,383,856)
Proceeds from disposal of plant and equipment		33,250	-
Net cash used in investing activities		**(235,598)**	**(1,383,856)**
Increase in cash and cash equivalents		**453,800**	**214,058**
Movement in cash and cash equivalents			
At start of year		1,708,599	1,494,541
Increase		453,800	214,058
At end of year	14.	**2,162,398**	**1,708,599**

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 expenses. The financial position of the Organization is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 21.

Based on the financial performance and position of the organization, continuous support from Donors, 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 Act 2002. The statement of comprehensive income 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.

Adoption of new and revised standards

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the adoption of new standards and interpretations which were effective for annual periods beginning on or after 1 January 2019.

The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2019

IFRS 16 Leases (issued in January 2016)

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

New and revised standards that have been issued but are not yet effective

The Organization has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st January 2019, and the Directors do not plan to apply any of them until they become effective

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 profit or loss. In determining whether an impairment loss should be recognized in profit or loss, 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 Tanzanian 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 are related to refurbishment on leased clinic and office premises. The cost is amortized to profit or loss 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 comprehensive income 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 and 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 received 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, all 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 2019 the organization had a deficit of TShs 1,220,432,316 (2018: TShs 2,913,609,000) and as at 31 December 2019 the organization had a fund deficit balance of TShs 1,847,124,316 (2018: TShs 626,692,000) and net current liabilities of TShs 5,173,272,192 (2018: TShs 5,069,719,000). 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.

2. Grant income

	2019 TZS'000	2018 TZS'000
Deferred revenue grants released (MSI - Note 12 (a))	24,033,761	28,407,801
Deferred revenue grants released (Local donors - Note 12 (b))	14,136,333	3,782,805
Deferred revenue grants released (Grant in kind - Note 12 (c))	-	6,226,046
Deferred capital grants released (Grant in kind - Note 12 (d))	1,247,311	-
	39,417,404	**38,416,652**

3. Service income

Consultation	831,269	882,805
Lab tests	1,409,084	749,991
Sale of drugs	607,882	865,828
Other service income	709,700	680,771
	3,557,935	**3,179,395**

4. Other income

Sundry income-forex gain on fund transfer	120,308	11,054
Unclaimed liabilities	-	2,251
Refund from vehicle insurer	-	15,615
	120,308	**28,920**

5. Employment costs

Salary and wages	9,573,796	10,628,186
Employers contribution to pension funds	864,125	907,083
Workers compensation	88,901	92,894
Leave allowance & other benefits	1,471,784	1,036,593
Bonus payments	511,637	493,115
Redundancy, cessation, severance payments	257,678	413,722
General training costs	1,016,993	1,351,731
General recruitment costs	159,327	212,671
Consultancy costs	28,747	157,616
Other staff costs	248,766	6,919
	14,221,755	**15,300,530**

6. Direct expenses

Employee cost (Note 5)	14,221,755	15,300,530
Per diems and other travel costs (Local and International)	6,426,570	5,818,761
Motor vehicle fuel costs	524,735	471,297
Auditors' remuneration	43,205	44,977
Operating lease rentals	349,175	375,921
Motor vehicle repairs and maintenance	812,833	875,351
Subtotal	**22,378,273**	**22,886,837**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Direct expenses (Continued)	**2019 TZS'000**	**2018 TZS '000**
Office stationery and consumables	233,479	202,642
IT costs	297,110	394,076
Security expenses	169,014	173,266
Postage and communication	131,786	193,140
Electricity expenses	85,002	114,132
Vehicle and hire costs	306,846	533,798
Provision for bad debt	44,099	47,894
Bad debts written off	51,587	-
Region office support costs	177,094	39,260
Cleaning and housekeeping	32,757	97,682
IT support and maintenance	25,774	86,079
Legal and professional fees	39,170	1,177,392
Research monitoring and evaluation	89,089	620,811
Other operating expenses	129,974	543,652
Loss on disposal of plant and equipment	169,435	-
Total	**24,360,487**	**27,110,661**

7. Service delivery expenses

Equipment, supplies and other operating costs	15,951,594	13,541,097
Other activity costs	2,221,176	1,942,420
Marketing and communications	250,757	786,696
	18,423,527	**16,270,213**

8. Finance costs

Bank charges	76,564	73,688
Other financial costs	20	244
	76,584	**73,932**

9. Inventories

Drugs and medical supplies	1,453,063	1,965,719

10. Trade and other receivables

Trade receivables	1,004,476	984,731
Less: Impairment of trade receivables	(76,474)	(87,220)
Net trade receivables	928,002	897,511
Prepayments	131,929	368,855
Staff advances	83,659	20,997
Deposits	95,470	73,179
	1,239,059	**1,360,542**

Movement in impairment of trade receivables

At start of year	87,220	58,411
Prior year overprovision reversed	(3,257)	-
Increase in provision	44,099	28,809
Write off	(51,587)	-
At end of year	**76,474**	**87,220**

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

72% (2018: 82%) 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.

12. Deferred revenue grants	2019 TZS'000	2018 TZS'000
(a) Related parties		
At the beginning of the year	5,430,979	5,722,742
Adjustment	(161,862)	(14,032)
Cash received during the year (Note 13 (a))	22,839,956	25,554,821
Revenue grants recognised during the year (Note 2)	(24,033,761)	(27,365,488)
Net payments on made by MST (Note 13(b))	961,563	1,532,936
At the end of the year (Note 13 (f))	**5,036,875**	**5,430,979**
(b) Local Donors		
At the beginning of the year	(803,753)	(4,106,308)
Donated vehicles received during the year	107,932	-
Stock in kind received during the year (Note 12 (c))	12,392,322	1,397,199
Adjustment	(143,716)	-
Excess physical Stock adjustment	138,016	-
Revenue grants received during the year	3,459,037	6,068,497
Revenue grants recognised during the year (Note 2)	(14,136,333)	(5,473,809)
Net cash receipt on behalf of MSI	-	1,310,668
At the end of the year	**1,013,505**	**(803,753)**
(c) Grant in kind - stock		
At the beginning of the year	-	765,924
Adjustment	-	231
Stock received during the year	12,392,322	6,857,907
Revenue recognised during the year (Note 2)	-	(6,226,863)
Reclassification to local donors (Note 12(b))	(12,392,322)	(1,397,199)
Net stock inflows		-
At the end of the year	-	-
(d) Deferred Capital grant		
At the beginning of the year	2,440,122	1,956,863
Grant capital recognised during the year	269,794	-
Adjustment	-	(118,950)
Revenue recognised during the year (related parties) (Note 2)	(1,247,311)	602,209
At the end of the year	**1,462,604**	**2,440,122**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Deferred revenue grants (Continued)

(e) Deferred grant-others

	2019 TZS'000	2018 TZS'000
At the beginning of the year	310	5,296
Capital revenue recognised during the year	805	73,934
Other outflows	(1,100)	(78,920)
At the end of the year	15	310

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.

	2019 TZS'000	2018 TZS'000
(a) **Cash received from MSI** (Note 12 (a))	22,839,956	25,554,821
(b) **Net payments made by of MSI** (Note 12 (a))		
Marie Stopes International	961,563	1,506,363
Marie Stopes South Africa	-	26,573
	961,563	**1,532,936**
(c) **Grant income recognized-MSI** (Note 12 (a))	24,033,761	27,365,488

(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

	2019 TZS'000	2018 TZS'000
Key management compensation	1,161,734	1,214,646
(e) **Due from related parties**		
Marie Stopes South Africa	3,378	3,378
(f) **Due to related parties**		
Marie Stopes International UK	(5,040,253)	(5,434,357)
Net due to related parties (Note 12(a))	**(5,036,875)**	**(5,430,979)**

14. Cash and bank balances

Cash on hand	3,803	2,591
Cash at bank	2,158,595	1,706,008
	2,162,398	**1,708,599**

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:

	2019 TZS'000	2018 TZS'000
Tanzania Shillings	1,150,209	1,589,907
US Dollars	1,012,189	118,692
	2,162,398	**1,708,599**

15. Trade and other payables

	2019 TZS'000	2018 TZS'000
Trade payables	675,301	1,164,366
Accruals	631,178	144,776
Other payables	1,208,314	1,727,779
	2,514,792	**3,036,921**

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

	2019 TZS'000	2018 TZS'000
Non-current	439,000	-
	439,000	-

In 2018 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 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**
Additions	-	-	-	245,924	-	22,924	**268,848**
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**
At end of year	**727,581**	**139,382**	**1,183,459**	**4,893,755**	**631,014**	**533,879**	**8,109,068**
Net book value	**1,400,312**	**194,215**	**253,929**	**1,292,288**	**19,281**	**50,950**	**3,210,975**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Property, plant and equipment (continued)

Year ended 31 December 2018

	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	2,026,750	287,012	1,437,388	5,234,116	650,295	561,904	**10,197,465**
Additions	120,190	46,585	-	1,217,081	-	-	**1,383,856**
Adjustments	(19,047)	-	-	-	-	-	**(19,047)**
At end of year	**2,127,893**	**333,597**	**1,437,388**	**6,451,197**	**650,295**	**561,904**	**11,562,274**
Depreciation							
At start of year	527,841	50,069	875,031	3,548,666	595,029	490,567	**6,087,203**
Charge for the year	183,125	50,761	165,414	616,220	21,185	24,526	**1,061,231**
At end of year	**710,966**	**100,830**	**1,040,445**	**4,164,886**	**616,214**	**515,093**	**7,148,434**
Net book value	**1,416,927**	**232,767**	**396,943**	**2,286,311**	**34,081**	**46,811**	**4,413,840**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets-Computer software	2019 TZS'000	2018 TZS'000
Cost		
At start and end of year	108,139	108,139
Amortization		
At start of year	78,952	56,413
Charge for the year	29,187	22,539
At end of year	**108,139**	**78,952**
Net book value	**-**	**29,187**

19. Right-of use assets		
At start of year	-	-
Transfer from prepaid operating lease rentals	116,636	-
Additions	594,806	-
Depreciation charge	(157,270)	-
At end of year	**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.

20. Cash generated from operations	2019 TZS'000	2018 TZS'000
Reconciliation of deficit for the year to cash generated from operations:		
Deficit for the year	(1,220,432)	(2,913,609)
Adjustments for:		
Depreciation on property, plant and equipment (Note 17)	1,269,026	1,061,231
Amortisation of intangible assets (Note 18)	29,187	22,539
Loss on disposal of plant and equipment	169,437	-
Effect on reclassification and adjustment	-	19,047
Changes in working capital:		
- inventories	512,658	(1,074,040)
- trade and other receivables	121,483	1,556,499
- right-of-use assets	(554,173)	-
- deferred grant stock	-	(765,924)
- deferred revenue grant -related parties	(394,104)	(291,763)
- deferred capital grants	(977,517)	483,259
- deferred grant others	(295)	(4,986)
- revenue grant payable-local donors	1,817,258	3,302,555
- trade and other payables	(522,129)	203,106
- leases liabilities	439,000	-
Cash generated from operations	**689,398**	**1,597,914**

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 2019 without taking account of any collateral obtained was:

	2019 TZS'000	2018 TZS'000
Trade receivables - (excluding prepayment and deposits)	1,011,661	918,508
Cash at bank	2,158,595	1,706,008
	3,170,256	**2,624,516**

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 2019 showing the remaining contractual maturities:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<2 months TZS'000	2-3 months TZS'000	>3 months TZS'000	Total TZS'000
Financial assets				
Trade receivables - gross	350,639	332,866	320,971	1,004,476
Cash and bank balances	2,162,398	-	-	2,162,398
Total	**2,513,037**	**332,866**	**320,971**	**3,166,873**
Financial liabilities				
Trade payables	(476,398)	(201,110)	2,206	(675,301)
Total	**(476,398)**	**(201,110)**	**2,206**	**(675,301)**
Net liquidity gap	**2,036,639**	**131,756**	**323,178**	**2,491,572**

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 2019 and 2018 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:

	2019 TZS'000	2018 TZS'000
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	170,064	202,878
Later than 5 years	268,937	414,540
	439,001	**617,418**

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.