

TWaweza East Africa

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

TWaweza EAST AFRICA

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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TWaweza East Africa

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

COMPANY INFORMATION

Principal place of business

Mafinga Street, Plot No.127
Kinondoni
PO Box 38342
Dar es Salaam
Tanzania

Principal bankers

Stanbic Bank (T) Ltd
PO Box 75647
Dar es Salaam
Tanzania

Auditors

PricewaterhouseCoopers
Certified Public Accountants
PO Box 45
369 Toure Drive,
Oysterbay
Dar es Salaam
Tanzania

TWaweza EAST AFRICA

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- 1** The Directors of Twaweza East Africa submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of Twaweza East Africa (the Company).

2 INCORPORATION

Twaweza East Africa was incorporated in Tanzania under the Companies Act, No.12 of 2002 as a Company Limited by Guarantee not having share capital and hence not expected to make any dividend payment. The Company has a dispensation issued by Business Registrations and Licensing Agency not to use the word "Limited" in its reports and other communications.

The Company obtained a certificate of compliance to operate in Kenya and Uganda as per the laws of each country. Prior to being an independent legal entity, this initiative to promote citizen involvement and public accountability in East Africa was hosted by Hivos Tanzania Limited up to 31 December, 2014. Thereafter Twaweza signed an oversight and guidance agreement with Hivos Netherlands which authorizes them to monitor Twaweza activities until 30 April, 2019.

3 PRINCIPAL ACTIVITIES

The principal activity of Twaweza East Africa is to enable citizens to exercise agency, promote governments to be more open and responsive, and improve basic learning for children in Tanzania, Kenya and Uganda.

4 RESULTS FOR THE YEAR

The financial results for the year are set out on page 12 of the financial statements.

5 CORPORATE GOVERNANCE

The Board consists of seven directors. The Board takes overall responsibility for the company, including the responsibility for identifying key risk areas, considering and monitoring decisions, considering significant financial matters and reviewing the performance of management plans and budgets. The Board of Directors is also responsible for ensuring that comprehensive system of internal control policies and procedures is operative and for a compliance with sound corporate governance principles.

TWaweza East Africa

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

6 COMPOSITION OF BOARD OF DIRECTORS

The directors of Twaweza East Africa at the date of this report, all of whom have served since 1 January 2017 are:

| Name | Position | Qualification | Nationality | Remarks |
|-------------------------|-----------------|--|--------------------|-----------------------------|
| Dipak Naker | Chairman | Co-founder and Co-director, Raising Voices, Uganda | British | |
| Rakesh Rajani | Director | Director, Civic Engagement and Government, Ford Foundation, USA | Tanzanian | |
| Smita Singh | Director | Founding Director of the Global Development Program, William and Hewlett Foundation, USA | American | |
| Leonard Mususa | Director | Chairman of the Board of Directors of Mwananchi Communications Limited, Tanzania | Tanzanian | |
| Robert Kabushenga | Director | Chief Executive Officer, New Vision Group, Uganda | Ugandan | |
| Wanjiru Kamau-Rutenberg | Director | Director, African Women in Agricultural Research and Development (AWARD) | Kenyan | |
| Nicolette Naylor | Director | Ford Foundation Representative in Southern Africa | South African | Appointed on 1 January 2017 |

7 FUTURE DEVELOPMENT PLANS

We shall consolidate the findings, lessons and insights we have gained through our careful execution of the first three years of the 2015-18 strategy into a series of focused and carefully monitored activities designed to achieve measurable effects by December 2018. We look forward to contributing to specific policy improvements in basic education that put learning at the core of budgeting, deployment and assessment. We are eager to demonstrate the value of more transparent, inclusive and accountable government to both national and subnational authorities, as well as citizens. We want to play a part in expanding the boundaries of civic space and to encourage citizens to act with confidence to shape our collective lives for the better.

8 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control system of the Company. 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 safeguard of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse condition; and
- Responsible behaviors towards all stakeholders.

TWaweza EAST AFRICA

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

8 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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 Company system is 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 2017 and is of the opinion that they met accepted criteria.

9 SOLVENCY

The Board of Directors confirms that applicable International Financial Reporting Standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

10 ADMINISTRATION POLICIES AND FINANCIAL REGULATIONS

Twaweza has formal Financial and Administration regulations approved by the Board of Directors. These provide a solid basis for accountability and high standards within the Company.

11 EMPLOYEE WELFARE

Medical Assistance

All members of staff and their dependants are covered with a medical insurance with AAR Medical Insurance Company.

Training

Twaweza organizes regular learning sessions aimed at enhancing staff skills and widening the understanding relevance of Twaweza's work as well as for personal development. In addition the company pays contribution to school fees for employees' children.

Employment opportunities

Twaweza is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Employees Benefit Plan

The Company pays contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

TWaweza EAST AFRICA

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

12 GENDER PARITY

The company is committed to ensuring gender parity. As at 31 December 2017, Twaweza had 55 (2016: 55) employees, out of which 31 (2016: 32) or 56% (2016: 58%) were female and 24 (2016: 23) or 44% (2016: 42%) were male.

13 RELATED PARTY TRANSACTIONS

The details of related party transactions and balances are disclosed in Note 16 of the financial statement.

14 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year. Moreover, donations were made to public institutions and charitable organizations during the year (2016: Nil).

15 AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment.

Approved by the board of directors and signed by:



Dipak Naker
Chairman, Board of Directors

3/5/2018
Date

TWaweza East Africa


STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2017

The Companies Act, No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its net income for the year. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its net income in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:



Mr. Dipak Naker
Chairman, Board of Directors

3/5/2018
Date



Mr Aidan Eyakuze
Executive Director

3.5.2018
Date

TWaweza East Africa

DECLARATION OF THE HEAD OF FINANCE OF TWaweza East Africa FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 /Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's financial 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, Richard Modest being the Head of Finance of Twaweza East Africa hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December, 2017 have been prepared in compliance with International Financial Reporting Standards and Companies Act, No 12 of 2002.

I thus confirm that the financial statements of Twaweza East Africa for the year ended 31 December 2017 give a true and fair view of the financial position as on that date and that they have been prepared based on properly maintained financial records.

Signed by: RICHARD MODEST, (Signature)

Position: MANAGER, FINANCE

NBAA Membership No.: ACPA 2238

Date: 3/05/2018

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TWaweza EAST AFRICA

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Twaweza East Africa (the Company) as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No.12 of 2002.

What we have audited

The financial statements of Twaweza East Africa are set out on pages 12 to 33 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in general reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Emphasis of matter

We draw attention to Note 2 (k) in the financial statements, which indicates that the Company considers itself exempt from income taxes based on the criteria in the income Tax Regulations which accord this status to a company that performs charitable activities. However, according to section 64(8) of the Income Tax Act, the entity is considered to be a charitable organization, after receiving a ruling issued by the Commissioner of Income Tax stating that it is a charitable organization or religious organization.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED) TO THE MEMBERS OF TWaweza EAST AFRICA

Emphasis of matter (continued)

The Company submitted an application for the charitable status to the Commissioner of Income Tax on 14 March 2017. On 20 January 2018, the Commissioner of Income Tax issued a ruling that the Company is not formed and functioning solely for the charitable purposes as stipulated under Section 64(8) of the income Tax Act, and it does not meet the charitable organisation status criteria. On 9 February 2018, the Company wrote a letter to Commissioner of Income Tax asking for a meeting before they file a notice of objection to the ruling issued. Up to the date of this report, the Commissioner is yet to respond to the letter from the company.

Based on the nature of the Company's operations and its source of income, there is no material potential liability relating to current and deferred income tax expenses. Therefore, our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Company information, Directors' report, Statement of Directors' responsibilities, Declaration of the Head of Finance of Twaweza East Africa and analysis of detailed budget versus actual expenditure for the year ended 31 December 2017, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No.12 of 2002, and for such internal control as the directors determine 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, the directors are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED) TO THE MEMBERS OF TWaweza EAST AFRICA

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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

**REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF TWaweza EAST AFRICA**

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No.12 of 2002 and for no other purposes.

As required by the Companies Act, No.12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Delvina Libent, ACPA-PP

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date 9 May 2018

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

STATEMENT OF COMPREHENSIVE INCOME

| | <u>Note</u> | <u>2017</u> USD | <u>2016</u> USD |
|---|-------------|--------------------|--------------------|
| INCOME | | | |
| Grants | 5 | 6,663,028 | 8,061,418 |
| Release of capital grant | 12 | 69,242 | 76,384 |
| Other income | 6 | <u>54,826</u> | <u>41,412</u> |
| | | 6,787,096 | 8,179,214 |
| Program and Operating costs | 7 | <u>(6,732,270)</u> | <u>(8,137,802)</u> |
| Net income before income tax | | 54,826 | 41,412 |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Net and comprehensive income for the year transferred to General Reserve | | <u>54,826</u> | <u>41,412</u> |

TWAVEZA EAST AFRICA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | <u>Note</u> | <u>2017</u> USD | <u>2016</u> USD |
|---------------------------------------|-------------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Grants funds receivable | 13 | 4,841,411 | 5,326,130 |
| Property and equipment | 9 | 92,551 | 133,010 |
| | | <u>4,933,962</u> | <u>5,459,140</u> |
| Current assets | | | |
| Grant funds receivable | 13 | 8,730,148 | 8,129,495 |
| Other receivables | 10 | 195,440 | 205,568 |
| Cash and bank balances | 11 | 929,640 | 1,407,429 |
| | | <u>9,855,228</u> | <u>9,742,492</u> |
| TOTAL ASSETS | | <u>14,789,190</u> | <u>15,201,632</u> |
| RESERVES AND LIABILITIES | | | |
| RESERVES | | | |
| General reserve | | 738,896 | 684,070 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income grants | 15 | 4,841,411 | 5,326,130 |
| Deferred capital grant | 12 | 92,551 | 133,010 |
| | | <u>4,933,962</u> | <u>5,459,140</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 1,421,794 | 1,568,519 |
| Deferred income grants | 15 | 7,694,538 | 7,489,903 |
| | | <u>9,116,332</u> | <u>9,058,422</u> |
| TOTAL RESERVES AND LIABILITIES | | <u>14,789,190</u> | <u>15,201,632</u> |

The financial statements on page 12 to 33 were approved for issue by the Board of Directors on 3.5.2018 and signed on its behalf by:


Aidan Eyakuze
Executive Director, Twaweza East Africa


Dipak Naker
Board Chairman, Twaweza East Africa

TWAWEZA EAST AFRICA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

STATEMENT OF CHANGES IN GENERAL RESERVE

General Reserve

USD

Year ended 31 December 2017

| | |
|------------------------------------|-----------------------|
| At start of the year | 684,070 |
| Comprehensive reserve for the year | <u>54,826</u> |
| At the end of year | <u><u>738,896</u></u> |

Year ended 31 December 2016

| | |
|------------------------------------|-----------------------|
| At start of the year | 642,658 |
| Comprehensive reserve for the year | <u>41,412</u> |
| At the end of year | <u><u>684,070</u></u> |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

STATEMENT OF CASH FLOWS

| | <u>Note</u> | <u>2017</u> USD | <u>2016</u> USD |
|---|-------------|--------------------|--------------------|
| Cash flow from operating activities | | | |
| Net income for the year | | 54,826 | 41,412 |
| Adjusted for: | | | |
| Depreciation charge | 9 | 69,159 | 76,384 |
| Capital grants released | 12 | (69,242) | (76,384) |
| Net book value of equipment disposed/ written-off | 9 | (83) | - |
| | | 54,826 | 41,412 |
| Changes in working capital: | | | |
| Increase in grants funds receivables | | (115,934) | (3,489,068) |
| (Decrease)/ increase in deferred income | | (280,084) | 3,358,330 |
| Decrease/(increase) in other receivables | 10 | 10,128 | (70,922) |
| Decrease in other payables | 14 | (146,725) | (2,047,927) |
| Cash absorbed in operations | | (477,789) | (2,208,175) |
| Cash flows from investing activities | | | |
| Plant and equipment acquired | 9 | (28,783) | (57,474) |
| Receipt of capital grant | 9 | 28,783 | 57,474 |
| Cash inflow from investing activities | | - | - |
| Net (decrease) in cash and cash equivalent | | (477,789) | (2,208,175) |
| At start of the year | | 1,407,429 | 3,615,604 |
| (Decrease) | | (477,789) | (2,208,175) |
| At the end of year | 11 | 929,640 | 1,407,429 |

TWaweza EAST AFRICA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES

1 COMPANY INFORMATION

Twaweza East Africa is incorporated in Tanzania under the Companies Act, No.12 of 2002 as a company limited by guarantee without share capital with certificate No. 113764 of 15 December 2014.

The address of its registered office is described in page 1 of these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, No. 12 of 2002. 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.

b) Changes in accounting policy and disclosures

i) New standards, amendments and interpretations adopted

The following new amendments to standards effective for accounting period beginning on or after 1 January 2017 have been adopted by the Company:

Amendment to IAS 7. The amendment to IAS 7 Cash flow statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosure can be improved. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of these amendments did not have any effect on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not relevant to the Company.

TWAWEZA EAST AFRICA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Changes in accounting policy and disclosures (continued)

ii) New standards and interpretations that are not yet effective and have not been early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the company. None of these is expected to have a significant effect on the financial statements of the company, except those set out below:

- IFRS 15 -Revenue from contracts with customers (financial years beginning on or after 1 January 2018);
- IFRS 9 - Financial Instruments (2009 & 2010) (financial years beginning on or after 1 January 2018);
- IFRS 16 - Leases (financial years beginning on or after 1 January 2019);
- IFRIC 22, 'Foreign currency transactions and advance consideration'(financial years beginning on or after 1 January 2018); and
- IFRIC 23, 'Uncertainty over income tax treatments' (financial years beginning on or after 1 January 2019).

The company has yet to assess the impact of the above amendments/new standards. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

c) General reserves

General reserves represent unrestricted funds that are available for use at the discretion of the directors in furtherance of the objects of the Company.

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars which is the Company's functional and presentation currency.

(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 yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

TWaweza East Africa

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Income recognition

Income comprises grants income from current grants, release of capital grants and other income from Twaweza East Africa staff participating in various technical meetings and forums.

Funding arrangements

Twaweza East Africa operates two forms of funding arrangement:

- i) Funding arrangements with donors through Hivos Netherlands whereby donors' grants are received through Hivos Netherlands. Grants revenue is recognized only when conditions for spending have been fully met.
- iii) Funding arrangements with bilateral donors whereby funds are directly received in Twaweza East Africa bank accounts maintained in Tanzania. Grants revenue is recognized only when conditions for spending have been fully met.

Donor funds used to acquire property and equipment are allocated to a deferred capital grants account. The deferred capital grants are amortized to statement of comprehensive income on a systematic basis to match the depreciation charge on the assets on a straight-line basis.

f) Property and equipment

Property and equipment are initially recognized at cost. Subsequently, property and equipment are stated at historical cost less depreciation.

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

Assets are depreciated starting in the month they are put into use. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| Asset class | Rate (%) |
|---------------------------|-----------------|
| Motor vehicles | 25.0% |
| Computers and accessories | 33.3% |
| Furniture and fittings | 12.5% |
| Equipment | 25.0% |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the statement of comprehensive income within other income.

g) Financial assets

(i) Classification

All financial assets of the company are in the category of receivables.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets except for maturities greater than 12 months, otherwise they are classified as non-current. The company's receivables comprise staff debtors and cash and cash equivalents in the statement of financial position.

ii) Recognition and measurement

Receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the donors or a group of donors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

TWaweza EAST AFRICA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets (continued)

(iv) Impairment (continued)

For receivable category the amount of the loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

h) Other receivables

Other receivables consist of funds deposited to vendors and employees in the normal course of the business. Advances and prepaid expenses are recognized upon payment and derecognized when service has been rendered.

i) Grants receivable

Grants receivable comprise contractual commitments from donors and development partners. Grant receivables are initially recognized at contracted value and subsequently measured at amortized cost based on actual amounts receivable from donors less provision for impairment.

j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

k) Income tax

The Board of Directors consider the organization to be exempt from income taxes based on the criteria in the Income Tax Regulations which accord this status to a company that performs charitable activities and whose net income is within the required limits or, if higher, is to be utilized for future charitable activities. The Income Tax Regulations require further an approval from the Commissioner of Income tax for the entity to be granted a charitable organization status. This application was made by the Company to the Commissioner for Domestic Revenue on 14 March 2017 and the ruling was issued on 20 January 2018 whereby the commissioner declared that Twaweza is not eligible for charitable organization status.

On 9 February 2018, Twaweza East Africa write a letter to Commissioner of Income Tax asking for the meeting before they filed a notice of objection to the ruling. Up to the date of this report, the entity has yet to receive the response. However, the management are still confident that an approval will be granted in due course.

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Deferred capital grants

Donations received to acquire property and equipment are capitalized and credited to deferred capital grant account. Deferred capital grant account is amortized in the statement of comprehensive income over the estimated useful lives of the assets concerned.

m) Deferred income grants

Deferred income grant represents an obligation to conduct donor funded activities per contractual commitments made between donors/development partners and the Company.

The deferred income grants amount recorded on the recipient's statement of financial position generally represents the total amount of grants per funding agreements to match with the grant funds receivable, less the amount amortized for services performed to date.

n) Employee benefits

Retirement benefit obligation

The Company has a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The company's contributions to the defined contribution schemes are charged in statement of comprehensive income in the year in which they relate. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company has no further payment obligations once the contributions have been paid. The Company and all its employees contribute to the NSSF, LAPF, PSPF, PPF and Jubilee which are defined contribution scheme.

o) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are presented as current liabilities unless payment is not due within twelve months after year end. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

p) Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which these are separately identifiable cash flows (cash-generating units).

TWaweza East Africa

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, namely: market risk, credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. Foreign currency risk is managed by contracting suppliers in local currency so as to protect Company from the volatility associated with foreign currency depreciation. The Company also maintain cash balances in US Dollars which has been strong over time and conversion to foreign currencies (i.e. Tanzania Shillings, Kenyan Shillings and Ugandan Shillings) is made on need basis.

(a) Market risk

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from grants receivable/received, purchases, assets and liabilities denominated in currencies other than the functional currency of the Company, primarily with respect to Tanzania shillings, Uganda shillings and Kenya shillings.

Company financial assets are denominated in Tanzania shillings, Kenyan shillings and Ugandan shillings. As a result, the Company is exposed to exchange rate fluctuations that have impact on cash flows. Exposure to foreign currency risk is mitigated by the fact that the Company maintain certain part of its grants in United States Dollar. The effect of the foreign currency risk is not significant and therefore management does not hedge against foreign currency risk. This exposure does not result in significant risk as foreign currency assets and liabilities are normally recovered and settled within a fairly short time.

As at 31 December 2017, if the US Dollar weakened/strengthened by 10% against the Tanzanian shillings with all other variables held constant, change in net income for the year would have been USD 9,088 higher/lower mainly as a result of foreign exchange gains/losses on translation of Tanzania Shillings denominated payables, receivables and cash.

As at 31 December 2017, if the US dollar weakened/strengthened by 10% against the Ugandan shillings with all other variables held constant, change in net income for the year would have been USD 1,253 higher/lower mainly as a result of foreign exchange gains'/losses on translation of Ugandan Shillings denominated payables, receivables and cash.

As at 31 December 2017, if the US dollar weakened/strengthened by 10% against the Kenyan shillings with all other variables held constant, change in net income for the year would have been USD 452 higher/lower mainly as a result of foreign exchange gains'/losses on translation of Kenyan Shillings denominated payables, receivables and cash.

TWaweza East Africa**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****NOTES (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2017 is made up as follows:

| | <u>2017</u> USD | <u>2016</u> USD |
|--|----------------------------------|----------------------------------|
| Cash and bank balances | 929,640 | 1,407,429 |
| Staff debtors | <u>5,493</u> | <u>4,945</u> |
| No collateral is held for any of the above assets. | <u>935,133</u> | <u>1,412,374</u> |

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from various donors and/ (or) development partners.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

| | Less than <u>1 year</u> TZS '000 |
|-----------------------------|---|
| At 31 December 2017 | |
| Trade payables and accruals | <u>1,095,905</u> |
| At 31 December 2016 | |
| Trade payables and accruals | <u>1,173,443</u> |

TWaweza EAST AFRICA**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****NOTES (CONTINUED)****4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of grant receivable

The Company reviews its grant receivable balances to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements using estimates based on historical loss experience for its donors/development partners. It is on this basis that management have determined the risk of recoverability based on days outstanding.

5 REVENUE GRANTS

| | 2017 USD | 2016 USD |
|---|---------------------------|---------------------------|
| Amount released from deferred income grants (Note 15) | <u>6,663,028</u> | <u>8,061,418</u> |

6 OTHER INCOME

| | | |
|--|----------------------|---------------|
| Contribution from Hivos on office use | 5,400 | 5,925 |
| Contribution from TMF on Executive Director's participation in their board meetings | 1,072 | 1,282 |
| Contribution from Massachusetts Institute of Technology | 14,400 | 21,600 |
| Receipt from Chandaria Industries on sale of old newspapers | - | 87 |
| Receipt of transport contribution from Tanzania Broadcasting Corporation | - | 18 |
| Contribution from Overseas Development Institute (ODI) on use of Sauti platform | 7,500 | 7,500 |
| Contribution from Foundation for Civil Society for Executive Director's participation in their meeting | 223 | - |
| Contribution from Bridgespan Group's for Twaweza's participation in Indirect Cost Analysis exercise | - | 5,000 |
| Contribution from George town University on use of Sauti platform | 24,304 | - |
| Contribution from Tides Depository on Executive Director's participation in an OGP meeting | <u>1,927</u> | - |
| | <u>54,826</u> | <u>41,412</u> |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

| 7 PROGRAM AND OPERATING COSTS | 2017 USD | 2016 USD |
|---|---------------------|---------------------|
| Freedom of information act | 28,621 | 9,211 |
| Open data by Government | 9,967 | 123,651 |
| Independent monitoring (Inc. Sauti) | 681,251 | 457,959 |
| Intermediaries and demand | 36,756 | 10,375 |
| Responsive governments | 124,519 | 211,180 |
| Learning outcomes (incl. Uwezo) | 1,121,090 | 727,893 |
| Learning outcomes (Direct costs – Refugee settlement in Uganda) | 95,232 | - |
| Ambitious curriculum | 43,791 | 122,228 |
| Motivated teachers (incl. Kiufunza) | 243,141 | 1,632,821 |
| School management | 93,625 | 117,575 |
| Learning, monitoring and evaluation | 337,339 | 515,268 |
| Generic outputs from units | 18,245 | 155,208 |
| Media costs key partnership | 228,503 | - |
| SDG Monitoring | 872 | - |
| Bank charges on cash receipt | 13 | - |
| Governance and management* | 3,669,305 | 4,054,433 |
| | 6,732,270 | 8,137,802 |

***Governance and management costs includes the following:**

| | | |
|---|------------------|------------------|
| Management and Strategic support | 140,929 | 286,931 |
| Program staff costs (Note 8a) | 2,422,911 | 2,537,430 |
| Support Staff costs (Note 8b) | 593,734 | 677,726 |
| Staff recruitment | 15,110 | 17,208 |
| Office running costs | 82,209 | 109,537 |
| Office rent (3 offices) | 159,229 | 167,004 |
| Communications/ Internet/ Utilities | 146,026 | 153,736 |
| Travel and Transport | 30,209 | 29,794 |
| Exchange movement on conversion between bank accounts | 9,706 | (1,317) |
| Fixed assets written off | 83 | - |
| Depreciation of property and equipment | 69,159 | 76,384 |
| | 3,669,305 | 4,054,433 |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

8 EMPLOYEE BENEFIT COSTS

| | <u>2017</u> USD | <u>2016</u> USD |
|-------------------------------|--------------------|--------------------|
| a) Program employee | | |
| Salaries | 1,810,354 | 1,843,144 |
| Skills and Development Levy | 40,749 | 37,806 |
| Social Security Contributions | 182,986 | 186,180 |
| Health and group insurance | 143,148 | 131,402 |
| Other staff benefits | 214,627 | 235,156 |
| Staff leave | 440 | 53,952 |
| Workers Compensation Fund | 8,939 | 8,731 |
| Severance pay | 21,668 | 41,059 |
| | <u>2,422,911</u> | <u>2,537,430</u> |
| b) Support employees | | |
| Salaries | 446,435 | 478,344 |
| Skills and Development Levy | 16,774 | 19,127 |
| Social Security Contributions | 45,103 | 48,375 |
| Health and group insurance | 40,582 | 50,865 |
| Other staff benefits | 36,311 | 55,510 |
| Staff leave | 96 | 13,766 |
| Workers Compensation Fund | 3,686 | 3,236 |
| Severance pay | 4,747 | 8,503 |
| | <u>593,734</u> | <u>677,726</u> |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

9 PROPERTY AND EQUIPMENT

| | Leasehold improvement USD | Motor vehicles USD | Computer and accessories USD | Furniture & fittings USD | Equipment USD | Total USD |
|--------------------------|--|-----------------------------------|---|---|--------------------------|----------------------|
| At 1 January 2017 | | | | | | |
| Cost | 25,868 | 86,051 | 187,977 | 94,082 | 250,754 | 644,732 |
| Accumulated depreciation | (25,868) | (86,051) | (172,313) | (61,837) | (165,653) | (511,722) |

Net book value

| | | | | | |
|---|---|---------------|---------------|---------------|----------------|
| - | - | 15,664 | 32,245 | 85,101 | 133,010 |
|---|---|---------------|---------------|---------------|----------------|

Year ended 31 December 2017

| | | | | | | |
|---|---|---|---------------|---------------|---------------|---------------|
| At start of the year | - | - | 15,664 | 32,245 | 85,101 | 133,010 |
| Additions | - | - | 25,948 | - | 2,835 | 28,783 |
| Depreciation charge | - | - | (18,663) | (9,019) | (41,477) | (69,159) |
| Asset write off - Cost | - | - | (9,017) | (640) | (13,462) | (23,119) |
| Asset write off - Accumulated depreciation. | - | - | 9,017 | 557 | 13,462 | 23,036 |
| Closing net book value | - | - | 22,949 | 23,143 | 46,459 | 92,551 |

At 31 December 2017

| | | | | | | |
|--------------------------|----------|----------|-----------|----------|-----------|-----------|
| Cost | 25,868 | 86,051 | 204,908 | 93,442 | 240,127 | 650,396 |
| Accumulated depreciation | (25,868) | (86,051) | (181,959) | (70,299) | (193,668) | (557,845) |

Net book value

| | | | | | |
|---|---|---------------|---------------|---------------|---------------|
| - | - | 22,949 | 23,143 | 46,459 | 92,551 |
|---|---|---------------|---------------|---------------|---------------|

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

9 PROPERTY AND EQUIPMENT (CONTINUED)

At 1 January 2016

Cost
Accumulated depreciation

Net book value

Year ended 31 December 2016

At start of the year
Additions
Depreciation charge

Closing net book value

At 31 December 2016

Cost
Accumulated depreciation

Net book value

| | Leasehold improvement USD | Motor vehicles USD | Computer and accessories USD | Furniture & fittings USD | Equipment USD | Total USD |
|------------------------------------|---------------------------------|--------------------------|---------------------------------------|-----------------------------------|------------------|----------------|
| Cost | 25,868 | 86,051 | 184,500 | 93,327 | 197,512 | 587,258 |
| Accumulated depreciation | (25,868) | (86,051) | (154,811) | (51,196) | (117,412) | (435,338) |
| Net book value | - | - | 29,689 | 42,131 | 80,100 | 151,920 |
| Year ended 31 December 2016 | | | | | | |
| At start of the year | - | - | 29,689 | 42,131 | 80,100 | 151,920 |
| Additions | - | - | 3,477 | 755 | 53,242 | 57,474 |
| Depreciation charge | - | - | (17,502) | (10,641) | (48,241) | (76,384) |
| Closing net book value | - | - | 15,664 | 32,245 | 85,101 | 133,010 |
| At 31 December 2016 | | | | | | |
| Cost | 25,868 | 86,051 | 187,977 | 94,082 | 250,754 | 644,732 |
| Accumulated depreciation | (25,868) | (86,051) | (172,313) | (61,837) | (165,653) | (511,722) |
| Net book value | - | - | 15,664 | 32,245 | 85,101 | 133,010 |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

| 10 OTHER RECEIVABLES | <u>2017</u> USD | <u>2016</u> USD |
|-----------------------------|----------------------------|----------------------------|
| Prepayments | 181,126 | 170,075 |
| Other receivables | 8,821 | 30,548 |
| Staff debtors | <u>5,493</u> | <u>4,945</u> |
| | <u>195,440</u> | <u>205,568</u> |

The carrying amounts of accounts receivable are denominated in the following currencies

| | <u>2017</u> USD | <u>2016</u> USD |
|-----------------------|----------------------------|----------------------------|
| United States dollars | 163,396 | 35,493 |
| Kenyan shillings | 28,980 | 170,075 |
| Ugandan Shillings | 2,172 | - |
| Tanzanian Shillings | <u>892</u> | <u>-</u> |
| | <u>195,440</u> | <u>205,568</u> |

11 CASH AND BANK BALANCES

| | | |
|---------------------|-----------------------|------------------|
| Bank balances | 928,854 | 1,405,872 |
| Petty cash balances | <u>786</u> | <u>1,557</u> |
| | <u>929,640</u> | <u>1,407,429</u> |

12 DEFERRED CAPITAL GRANTS

| | | |
|--|----------------------|----------------|
| At start of year | 133,010 | 151,920 |
| Grants received during the year (note 9 assets addition) | 28,783 | 57,474 |
| Amortization charge (note 9 on depreciation) | (69,159) | (76,384) |
| Write off (note 9) | <u>(83)</u> | <u>-</u> |
| At end of year | <u>92,551</u> | <u>133,010</u> |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

13 GRANT FUNDS RECEIVABLE

| | Opening balance USD | Contracted grants during the year USD | Cash received during the year USD | Cash transfers from a donor to an intermediary party USD | Gain/(loss) during the year USD | Current grant receivable USD | Non- current Grant receivable USD |
|------------------------------------|---------------------------|---|--|--|--|---------------------------------------|---|
| Year ended 31 December 2017 | | | | | | | |
| DFID Tanzania | 2,690,978 | 3,853,805 | (1,965,225) | - | (528,684) | 2,025,437 | 2,025,437 |
| Hewlett Foundation | 1,500,000 | - | - | (1,500,000) | - | - | - |
| Hivos Netherlands | 750,000 | - | (750,000) | 1,500,000 | - | 1,500,000 | - |
| American Jewish World Service | 1,000,000 | - | - | - | - | 1,000,000 | - |
| SIDA Tanzania | 3,664,436 | - | (1,945,692) | - | 236,395 | 1,955,139 | - |
| DANIDA Tanzania | 3,850,211 | - | (452,465) | - | 467,825 | 1,449,589 | 2,415,982 |
| Wellspring Philanthropic Fund | - | 2,000,000 | (800,025) | - | - | 799,983 | 399,992 |
| DFID Uganda | - | 180,838 | (182,386) | - | 1,548 | - | - |
| Ford Foundation | - | 200,000 | (200,000) | - | - | - | - |
| | 13,455,625 | 6,234,643 | (6,295,793) | - | 177,084 | 8,730,148 | 4,841,411 |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

13 GRANT FUNDS RECEIVABLE (CONTINUED)

| | Opening balance | Contracted grants during the year USD | Cash received during the year USD | Cash transfers from a donor to an intermediary party USD | Gain/(loss) during the year USD | Current grant receivable USD | Non-Current grant receivable USD |
|-------------------------------|--------------------|---|---|--|--|---------------------------------------|---|
| Year ended 31 December 2016 | | | | | | | |
| DFID Tanzania | 5,433,371 | - | (2,742,393) | - | - | 2,690,978 | - |
| Hewlett Foundation | 4,500,000 | - | (3,000,000) | - | - | 1,500,000 | - |
| Hivos Netherlands | 33,186 | - | (33,186) | 750,000 | - | 750,000 | - |
| American Jewish World Service | - | 1,750,000 | - | (750,000) | - | 500,000 | 500,000 |
| SIDA Tanzania | - | 5,445,726 | (1,781,290) | - | - | 1,832,218 | 1,832,218 |
| DANIDA Tanzania | - | 4,281,496 | (431,285) | - | - | 856,299 | 2,993,912 |
| Total | 9,966,557 | 11,477,222 | (7,988,154) | - | - | 8,129,495 | 5,326,130 |

TWaweza East Africa

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES (CONTINUED)

| 14 | TRADE AND OTHER PAYABLES | 2017 USD | 2016 USD |
|-----------|--|---------------------|---------------------|
| | Trade payables | 113,291 | 9,884 |
| | Accruals | 982,614 | 1,163,559 |
| | Statutory liabilities | 325,889 | 395,076 |
| | | <u>1,421,794</u> | <u>1,568,519</u> |
| 15 | DEFERRED INCOME GRANTS | | |
| | Opening balance at 1 January | 12,816,033 | 9,457,703 |
| | DFID Tanzania | 3,853,805 | - |
| | American Jewish World Service | - | 1,750,000 |
| | SIDA Tanzania | - | 5,445,726 |
| | DANIDA Tanzania | - | 4,281,496 |
| | Ford Foundation | 200,000 | - |
| | DFID Uganda | 180,838 | - |
| | Wellspring Philanthropic Fund | 2,000,000 | - |
| | Gain/ (Loss) | 177,084 | - |
| | Sub-total | <u>19,227,760</u> | <u>20,934,925</u> |
| | Recognized : | | |
| | Capital grant (Note 12) | (28,783) | (57,474) |
| | Revenue grant (Note 5) | <u>(6,663,028)</u> | <u>(8,061,418)</u> |
| | Grant funds payable at year end | <u>12,535,949</u> | <u>12,816,033</u> |
| | Classification | | |
| | Non-current liability | 4,841,411 | 5,326,130 |
| | Current liability | <u>7,694,538</u> | <u>7,489,903</u> |
| | | <u>12,535,949</u> | <u>12,816,033</u> |

TWaweza EAST AFRICA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

16 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by participating in its financial or operational policy decisions.

Transactions with related parties are consummated on terms substantially equivalent to those that prevail in an arm's length transaction.

Remuneration paid to key management personnel who were on contractual terms is as set out below:

| Key management remuneration | <u>2017</u> USD | <u>2016</u> USD |
|--|----------------------------|----------------------------|
| Salaries and other short-term benefits | <u>621,292</u> | <u>692,116</u> |

Key management personnel are described as those personnel having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of that entity.

17 EVENTS AFTER REPORTING DATE

The Management is not aware of any events that have occurred date between the financial reporting period and when the financial statements are authorized for issue to be disclosed.

18 COMMITMENTS AND CONTINGENCIES

Contingencies:

There are no contingencies at the year end.

Commitments:

Twaweza East Africa's general contractual approach is to account and pay after delivery of work and scrutiny of reports. In 2017 a number of payments were not made due to partial delivery or inadequate provision of evidence/reporting. Operating costs do not include contractual commitments made but not paid out because the delivery of work and scrutiny of reports was outstanding as at year end. The total outstanding value of signed direct program contracts not yet paid on 31 December 2017 was **USD 738,982** (2016: USD 853,083).

19 ULTIMATE PARENT COMPANY

The Company is limited by guarantee and hence the Directors of the Company have the ownership and fiduciary responsibility over the Company's affairs, assets and liabilities.

TWaweza East Africa

ANALYSIS OF DETAILED BUDGET VERSUS ACTUAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2017

| Description | Tanzania | | Uganda | | Kenya | | Region | | Combined | | % Variance |
|---|------------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|------------------|--------------------|-------------|
| | Annual Budget | Actual Expenditure | Annual Budget | Actual Expenditure | Annual Budget | Actual Expenditure | Annual Budget | Actual Expenditure | Annual Budget | Actual Expenditure | |
| Open Government | | | | | | | | | | | |
| Problem O1: Freedom of Information act | 27,200 | 23,776 | 3,000 | 4,845 | - | - | - | - | 30,200 | 28,621 | 95% |
| Problem O2: Data collected by gov | 34,180 | 9,000 | - | - | - | - | 5,000 | 967 | 39,180 | 9,967 | 25% |
| Problem O3: Independent monitoring (incl S&W) | 241,200 | 239,800 | 317,280 | 300,255 | 154,179 | 141,197 | 8,500 | - | 721,159 | 681,252 | 94% |
| Problem O4: Intermediaries & demand | 66,750 | 36,756 | - | - | - | - | - | - | 66,750 | 36,756 | 55% |
| Problem O5: Responsive government | 109,350 | 68,426 | 31,868 | 17,936 | 41,000 | 38,157 | - | - | 182,218 | 124,519 | 68% |
| Staff costs - Open Government | 32,977 | 29,333 | 28,183 | 26,788 | 42,671 | 44,041 | 227,276 | 204,193 | 331,107 | 304,355 | 92% |
| Total Open Government | 511,657 | 407,091 | 380,331 | 349,824 | 237,850 | 223,395 | 240,776 | 205,160 | 1,370,614 | 1,185,470 | 86% |
| Education | | | | | | | | | | | |
| Problem E1: Learning outcomes (incl Uwezo) | 1,129,995 | 916,485 | 74,703 | 47,106 | 108,010 | 132,890 | 31,760 | 24,610 | 1,344,468 | 1,121,091 | 83% |
| Learning Outcomes on refugee settlement | - | - | 129,988 | 95,232 | - | - | - | - | 129,988 | 95,232 | 73% |
| Problem E2: Ambitious curriculum | 26,258 | 19,117 | 19,100 | 17,891 | 17,150 | 2,243 | 6,800 | 4,540 | 69,308 | 43,791 | 63% |
| Problem E3: Motivated teachers | 258,445 | 243,141 | 1,000 | - | - | - | 800 | - | 260,245 | 243,141 | 93% |
| Problem E4: School management | 74,550 | 7,128 | 30,000 | 30,791 | 59,700 | 55,706 | - | - | 164,250 | 93,625 | 57% |
| Staff costs - Education | 245,136 | 279,094 | 304,121 | 322,415 | 246,447 | 252,730 | 367,910 | 298,891 | 1,163,614 | 1,153,130 | 99% |
| Total Education | 1,734,384 | 1,464,965 | 558,912 | 513,435 | 431,307 | 443,569 | 407,270 | 328,041 | 3,131,873 | 2,750,010 | 88% |
| Media costs | | | | | | | | | | | |
| Media costs key partnerships in OG and Education | 95,000 | 88,503 | 12,545 | - | - | - | - | - | 107,545 | 88,503 | 82% |
| Staff costs PPE for Open Government and Education | 128,647 | 135,822 | 101,671 | 107,521 | - | - | 151,449 | 195,323 | 381,767 | 438,666 | 115% |
| Total media partnerships and PPE | 223,647 | 224,325 | 114,216 | 107,521 | - | - | 151,449 | 195,323 | 489,312 | 527,169 | 108% |
| Special initiative: SDG Monitoring | 245,000 | 872 | - | - | - | - | - | - | 245,000 | 872 | 0% |

TWaweza East Africa

ANALYSIS OF DETAILED BUDGET VERSUS ACTUAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2017

| Description | Tanzania | | | Uganda | | | Kenya | | | Region | | | Combined | | % Variance |
|---|------------------|--------------------|--|------------------|--------------------|--|----------------|--------------------|--|------------------|--------------------|--|------------------|--------------------|-------------|
| | Annual Budget | Actual Expenditure | | Annual Budget | Actual Expenditure | | Annual Budget | Actual Expenditure | | Annual Budget | Actual Expenditure | | Annual Budget | Actual Expenditure | |
| LME | | | | | | | | | | | | | | | |
| LME Success 1: Monitoring | 109,217 | 69,453 | | 33,400 | 22,088 | | 44,300 | 35,217 | | 5,100 | 5,684 | | 192,017 | 132,442 | 69% |
| LME Success 2: Evaluation | 176,000 | 150,961 | | 5,000 | 5,000 | | - | - | | - | - | | 181,000 | 153,961 | 86% |
| LME Success 3: Learning | 32,700 | 29,377 | | 700 | - | | 700 | 143 | | 19,000 | 19,416 | | 53,100 | 48,936 | 92% |
| Staff costs - LME | 109,923 | 27,805 | | - | - | | 72,274 | 74,591 | | 185,602 | 272,165 | | 367,799 | 374,561 | 102% |
| Total LME | 427,840 | 277,596 | | 39,100 | 27,088 | | 117,274 | 109,951 | | 209,702 | 297,265 | | 793,916 | 711,900 | 90% |
| Generic outputs from Units | | | | | | | | | | | | | | | |
| | | | | 10,500 | 8,620 | | - | - | | 10,050 | 9,625 | | 20,550 | 18,245 | 89% |
| Operations and finance | | | | | | | | | | | | | | | |
| Operations and finance | 292,240 | 224,992 | | 108,378 | 88,361 | | 110,459 | 97,001 | | 63,010 | 60,928 | | 574,087 | 471,282 | 82% |
| Staff costs - Ops and Fin | 190,958 | 206,490 | | 79,309 | 82,814 | | 34,774 | 22,678 | | 237,592 | 281,752 | | 542,633 | 593,734 | 109% |
| Total Ops and Finance | 483,198 | 431,482 | | 187,687 | 171,175 | | 145,233 | 119,679 | | 300,602 | 342,670 | | 1,116,720 | 1,065,016 | 95% |
| Government and Management | | | | | | | | | | | | | | | |
| G1: Planning and reporting | - | - | | - | - | | - | - | | 12,000 | 12,950 | | 12,000 | 12,950 | 108% |
| G2: Management and strategic support | - | - | | - | - | | - | - | | 22,000 | 20,511 | | 22,000 | 20,511 | 93% |
| G3: Compliance | - | - | | - | - | | - | - | | 27,000 | 35,473 | | 27,000 | 35,473 | 131% |
| G4: Governance | - | - | | - | - | | - | - | | 22,000 | 71,995 | | 22,000 | 71,995 | 327% |
| Staff costs - GovMan | 48,988 | 38,166 | | - | - | | - | - | | 128,688 | 114,032 | | 177,676 | 152,198 | 86% |
| Total Government and management | 48,988 | 38,166 | | - | - | | - | - | | 211,688 | 254,961 | | 260,676 | 293,127 | 112% |
| Contingencies | 150,000 | 140,000 | | - | - | | - | - | | - | - | | 150,000 | 140,000 | 93% |
| Grand total | 3,824,714 | 2,984,497 | | 1,290,746 | 1,177,663 | | 931,664 | 896,594 | | 1,531,537 | 1,633,045 | | 7,578,661 | 6,691,810 | 88% |
| Less: Assets purchased during the year | | | | | | | | | | | | | | 28,782 | |
| Add: Depreciation | | | | | | | | | | | | | | 6,663,028 | |
| Add: Net book value of assets written off | | | | | | | | | | | | | | 69,159 | |
| Total expenditure (per financial statements) | | | | | | | | | | | | | | 83 | |
| | | | | | | | | | | | | | | 6,732,270 | |