

**ACTIONAID TANZANIA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

# **ACTIONAID TANZANIA**

## **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Organization information	1
List of abbreviations	2
Directors' report	3 - 8
Statement of Directors' responsibilities	9
Declaration of the Head of Finance	10
Independent auditors' report	11 - 13
Financial statements:	
Statement of comprehensive income	14
Statement of financial position	15
Statement of changes in general reserves	16
Statement of cash flows	17
Notes to the financial statements	18 - 38

# **ACTIONAID TANZANIA**

## **ORGANIZATION INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020**

### **PRINCIPAL PLACE OF ACTIVITIES**

ActionAid Tanzania  
Mikocheni B area  
Plot 79 Makuyuni Street,  
P. O. Box 21496  
Dar es Salaam, Tanzania

### **BANKERS**

Standard Chartered Bank  
International House Branch  
P. O. Box 9011  
Dar es Salaam, Tanzania

National Microfinance Bank  
Oyster Plaza Branch  
P.O. Box 9213  
Dar es salaam, Tanzania

### **LEGAL ADVISORS**

BM Attorneys  
1st Floor Canton Building  
P.O. Box 4681  
Dar es Salaam, Tanzania

### **AUDITORS**

PricewaterhouseCoopers  
Certified Public Accountants  
Pemba House,  
369 Toure Drive, Oyster Bay,  
P.O. Box 45,  
Dar es Salaam  
Tanzania

## **ACTIONAID TANZANIA**

### **LIST OF ABBREVIATIONS FOR THE YEAR ENDED 31 DECEMBER 2020**

AAI	ActionAid International
CP	Country Programme
DANIDA	Danish International Development Agency
DAS	Development Areas
EC	European Commission
GBP	Great Britain Pound
LRP	Local Rights Programme
MS	Mellemfolkelight Samvirke (ActionAid Denmark)
NORAD	Norwegian Agency for Development Cooperation
PRRP	Participatory Review and Reflection Process
SDC	Swiss Agency for Development and Cooperation

# **ACTIONAID TANZANIA**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **1. INTRODUCTION**

The Board members of ActionAid Tanzania submit their report and the audited financial statements for the year ended 31 December 2020, which has been prepared in accordance with the International Financial Reporting Standards.

### **2. INCORPORATION**

ActionAid Tanzania ("the Organisation") is an international non-governmental development agency which was established in Tanzania in 1998 under Tanzania Society Ordinance 1954 as ActionAid International Tanzania. As of 23<sup>rd</sup> February 2011, the Organisation changed its registration charter to Companies Act, 2002 and thus registered as a company limited by guarantee (the term 'limited' was waived afterwards) and accorded registration number 81643 by Business Registration and Licensing Agency (BRELA). After Change of the Companies Act in 2019, ActionAid Tanzania complied and re-registered with the registrar of NGOs under the new Act of 2019 and accorded the registration number 00/R2/00031 as a local NGO.

### **3. ORGANISATION MISSION AND VISION**

**Our Vision:** "A Tanzania without poverty and injustice in which every person enjoys his/her right to a life of dignity".

**Our Mission:** "To eradicate poverty, inequality and injustices by working with people living in poverty and exclusion and their institutions, partners and alliances, social movements and supporters."

### **4. PRINCIPAL ACTIVITY**

ActionAid Tanzania has been engaged in development activities with four program priorities namely:

- Address structural causes of violence against women, promote gender equality and secure economic justice to women and girls;
- Enhance civic participation and state accountability for democratic governance and redistribution of public resources for the delivery of quality, gender responsive public services;
- Strengthen resilient livelihoods and promote climate justice; and
- Advance the rights of young people.

It is a member of ActionAid International (AAI) federation which operates in more than 40 countries in Africa, Asia, Latin America, Europe and Australia. In Tanzania, it is registered as local NGO and operates at national level and 8 district-based Local Rights Programmes (LRPs) previously known as Development Areas (DAs) that are found in five administrative regions namely, Mtwara, Dodoma, Singida and Lindi in mainland Tanzania and Unguja and Pemba in Zanzibar.

### **5. MANAGEMENT OF THE ORGANISATION AND ADMINISTRATIVE MATTERS**

The Organisation is under the Oversight of the Board which is appointed by the General Assembly, and the day to day operations are headed by the Country Director together with Senior Management Team consisting of the heads of departments. The Organisation structure comprises of the following departments: -

- Finance
- Programmes & Policy (which supports & supervises the LRPs)
- Human Resources, Organizational Development & Support Services (which includes IT and administration).

The Organization is capable of handling all administrative matters.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**6. MANAGEMENT AND CORPORATE GOVERNANCE**

**The Management Team**

The Country Director oversees overall operations of the Organisation in Tanzania and reports to the Board Chair. He is assisted by the Senior Management Team which is comprised of Country Director, Head of Finance, Head of Human Resource, Organizational Development and Support Services, Head of Programs and Policy, Women's Right and Local Rights Programmes (LRPs) oversight Manager, and Staff's Women Forum Chairperson. The Management of the organization undertakes its tasks with integrity and in accordance with the organization's procedures, generally accepted corporate practices and adheres to internationally developed principles of good corporate governance.

The Senior Management Team meets regularly (monthly, quarterly, semi-annually and annually) to review and discuss on overall performance of the Organisation including reviewing programme performance, Management Accounts, HR and Organizational Development processes and perform other administration tasks and takes appropriate actions to ensure that activities are implemented in line with the Country Strategy Paper and annual plans. The Management team receives timely information from functional units so that it can maintain full and effective control over strategic, financial and operational matters and compliance issues related to the Organisation.

**7. RISK MANAGEMENT AND INTERNAL CONTROL**

Members of the Board accept final responsibility for the risk management and internal control systems of the Organisation. It is the task of the Board to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is 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 Organisation 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 2020 and is of the opinion that they met accepted criteria.

The Organisation has put in place defined procedures and financial controls to ensure reporting of complete and accurate accounting information. These systems cover for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant risk on the Organisation. Procedures are also in place to ensure that the Organisation's assets are subject to proper physical controls and that the Organisation remains structured to ensure appropriate segregation of duties.

- Monthly Management meetings done to monitor performance and to agree on measures of improvement;
- Developed annual risk matrix and revised and updated it every quarter;
- Participatory Review and Reflection Process (PRRP) conducted in which accountability is taken as two-way process with relevant stakeholders taking part in the process to ensure accountability to each other i.e. AATZ Management and community/beneficiaries and other stakeholders. This is an important tool towards enhancing internal and external accountability.

## ACTIONAID TANZANIA

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 8. GENDER PARITY

The Organisation 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, tribe, religion and disability.

As at 31 December 2020, the Organisation had the following mix of employees by gender.

Gender	31 Dec 2020	%	31 Dec 2019	%
Male	22	61	20	59
Female	14	39	14	41
<b>Total</b>	<b>36</b>	<b>100</b>	<b>34</b>	<b>100</b>

#### 9. MEMBERS OF THE BOARD

The Board members of the Organisation who held office during the year and to the date of this report, except where otherwise stated were:

Name	Position	Age	Qualification	Date appointed
Mary Nsemwa	Board Chairperson	60	-Master of Arts in Participation, Development and Social Change -Post Graduate Diploma in Rural Policy and Project Planning -Advanced Diploma in Economic Planning	Re-appointed 25 July, 2018
Harold Sungusia	Vice Board Chairperson	50	-Master of Laws -Post Graduate Diploma in Laws -Bachelor of Arts in Laws	25 July, 2018
Daniel Luhamo	Board Treasurer	68	- Certified Public Accountant (CPA) -Postgraduate Diploma in Accountancy -Advanced Diploma in Certified Accountancy	25 July, 2018
Flora Masoy	Board Member	70	-Diploma in Education	25 July, 2018
Deus Kibamba	Board Member	49	-Master of Arts in International Studies -Post Graduate Diploma in Governance, Democratization and Public Policy Analysis -Bachelor of Arts in (Political Science & Public Administration) Major in International Relations	25 July, 2018
Dr. Azaveli Lwaitama	Board Member	69	-PhD in Linguistics -Master of Science in Teaching English for Specific Purposes (TESP) -Bachelor of Arts in Education -Diploma in Education	25 July, 2018
Dr. Vicensia Shule	Board Member	43	-PhD in Theatre Studies -Master of Performing Arts (Theatre & Film) -Bachelor of Arts in Fine and Performing Arts	25 July, 2018
Safia Abrass	Board Member	43	- Master of Information Technology and Telecommunication (IT&T) - Post Graduate Diploma in Islamic Banking and Finance -Bachelor of Arts in Laws	25 July, 2018
Cherno Jallow	Board Member	80	Diploma in Journalism	03 June, 2020

## ACTIONAID TANZANIA

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 9. MEMBERS OF THE BOARD (CONTINUED)

As at 31 December 2020, there were no loans or advances outstanding from any member of the Board and the Management team.

All members of the Board (except Cherno Jallow who is a Gambian) are Tanzanians by nationality.

#### 10. DIRECTORS' INTEREST

The Board Members and the Senior Management Team do not have personal interest in the Organisation and the Organisation does not have shareholding.

#### 11. MEMBERS OF THE MANAGEMENT TEAM

Profile of the members of the Senior Management Team who served during the year and up to the date of this report are as follows:

Name	Position	Age	Qualification	Nationality	Date Joined	Date of Resignation
Yaekob Metena	Country Director	59	MA Social Science	Ethiopian	June, 2014	Feb, 2020
Bavon Christopher	Country Director	40	MBA, B. Com, ACPA-PP(T)	Tanzanian	March, 2020	Continuing
Jovina Nawenzake	Head of Programs and Policy	49	PGD in Leadership and Governance	Tanzanian	June, 2003	Continuing
Redimna Ginwas	Staff's Women Forum Chair person.	45	MA in M&E, MA in General Studies, LLB	Tanzanian	November, 2015	Apr, 2021
Daniel Mwakitalima	Head HROD and Support Services	51	MBA, B. Com	Tanzanian	December, 2016	Continuing
Amne Managwa	Women's Rights and LRP Oversight Manager	30	LLM, LLB	Tanzanian	November, 2008	Continuing
Raphael Kabeho	Acting Head of Finance	38	ADA, Business Administration-Accounts	Tanzanian	March 2020	Continuing

#### 12. ORGANISATION FUNDING

The Organisation's funding is derived from Regular Giving Income (sponsorship grants from individual supporters), individual donors, foundations, and institutional funding.

#### 13. RELATED PARTY TRANSACTIONS AND BALANCES

The related party transactions and balances are disclosed in Note 19 to the financial statements.

#### 14. SUBSEQUENT EVENTS

There were no events subsequent to year end that required adjustment to, or disclosure in, these financial statements per IAS 10 "Events after the reporting period."

## **ACTIONAID TANZANIA**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **15. RESULTS OF FINANCIAL ACTIVITIES**

During the year ended 31 December 2020, ActionAid Tanzania raised a total of TZS 6.8 billion, composed of income from Child Sponsorship amounting to TZS 2.7 billion, projects income of TZS 4 billion, other income of TZS 26.8 million and unrealized foreign exchange gains of TZS 59.8 million. Accordingly, there has been a decrease of 1% compared to the overall income in 2019 of TZS 6.9 million.

The income from Regular Giving increased by 1% (i.e. TZS 2.74 billion in 2020 and TZS 2.71 billion in 2019) when compared to the income of the corresponding period in 2019. Income from the regular sources generally constitutes 41% of the total income of the period.

During the year, partnership income (non-sponsorship income) was TZS 4 billion, which was 4% (i.e. TZS 4 billion in 2020 and TZS 4.1 billion in 2019) lower compared to that of 2019. The reason for the decrease has been contributed to COVID19 pandemic where some donors could not disburse funds timely as planned.

The total expenditure incurred for the year ended 31 December 2020 was TZS 6.8 billion which is lower by 6% compared to prior year in 2019 of TZS 7.2 billion. This is due to late disbursement from donors and effects of COVID19 resulted to failure in implementing of projects and programmes as planned.

The use of these funds in the year ended 31 December 2020 and the state of financial position as on that date is shown in the Statement of comprehensive income and the Statement of Financial Position was presented on page 14 and 15 respectively. There were sufficient funds to implement the 2020 work plans and the Organisation remained financially sustainable throughout the year. The Organisation has secured sufficient funding to cover its Annual Work Plan for 2021. Detailed results for the year are presented on page 14 of these financial statements.

#### **16. EMPLOYEES WELFARE**

##### **Staff Welfare**

Staff welfare is covered under the terms and conditions of employment contracts that outline various benefits and policies governing employment.

##### **Management and Employees Relationship**

The Board requires the Management to always maintain good relationship with employees. The Board has always acted appropriately on substantiated employee's complaints against the Management without undermining management's role, responsibilities, and mandates.

#### **17. SOLVENCY**

The Directors consider the Organisation to be solvent and the financial position of the Organisation is shown on page 15.

#### **18. GOING CONCERN CONSIDERATION**

The organisation is funded by individual supporters, foundations, individual and institutional donors. The financial statements have been prepared on the going concern on sustainability of the commitment of donors who continue to fund programme operations. Given the existing commitments and on-going engagements with certain donors together with strategies that are in place, the Directors are optimistic that funding will be availed to the organisation by supporters and donors to sustain operations for the foreseeable future.

#### **19. PERSONS WITH DISABILITIES**

The organisation has a policy of continued employment of people who become disabled while in the Organisation's service. The Organisation is also committed to recruit persons with disabilities for suitable positions.

## ACTIONAID TANZANIA

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 20. AUDITORS

PricewaterhouseCoopers have been appointed to be the auditor of ActionAid Tanzania for the year ended 31 December 2020. The auditors have expressed their willingness to continue in office and are eligible for re-appointment.

Approved by the Board of Directors and signed on its behalf by:



Mary Nsemwa  
Chairperson

Date: 12/08/2021

## **ACTIONAID TANZANIA**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors have the responsibilities to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Organization as at the end of the financial year and of its surplus or deficit for the year. It also requires the directors to ensure that the Organization keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Organization. They are also responsible for safeguarding the assets of the Organization 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). 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 Organization and of its surplus 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 Organization 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:



Mary Nsemwa  
Chairperson

Date: 12/08/2021

## **ACTIONAID TANZANIA**

### **DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2020**

The National Board of Accountant and Auditors (NBAA) according to the power conferred under the Auditor and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statement 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 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 the statement of Directors' responsibilities on an earlier page.

I, Bavon Christopher on behalf of the head of finance of ActionAid Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

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



Signed by: Bavon Christopher  
Position: Country Director  
NBAA Membership No. ACPA2438

Date: 25 August 2021

## *Independent auditor's report*

To the board members of ActionAid Tanzania

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of ActionAid Tanzania (the "Organisation") as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The financial statements of ActionAid Tanzania as set out on pages 14 to 38 comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in general reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### *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 Organization in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

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#### *Other information*

The directors are responsible for the other information. The other information comprises the Organisation Information, List of Acronyms and Abbreviations, Directors' Report, Statement of Directors' Responsibilities, and Declaration of the Head of Finance 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.

## *Independent auditor's report (Continued)*

To the board members of ActionAid Tanzania

### *Report on the audit of the financial statements (Continued)*

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#### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) 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 Organisation or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

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#### *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 organisation 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 Organisation to cease to continue as a going concern.

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.

*Independent auditor's report (Continued)*

To the board members of ActionAid Tanzania

*Report on the audit of the financial statements (Continued)*

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Delvina Libent, ACPA-PP

**For and on behalf of PricewaterhouseCoopers**

Certified Public Accountants

Dar es Salaam

Date 30 AUGUST 2021

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# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### STATEMENT OF COMPREHENSIVE INCOME

	Note	<u>2020</u> TZS'000	<u>2019</u> TZS'000
<b>INCOME</b>			
Grants from Action Aid International	6	2,747,796	2,714,703
Projects grant income	7	<u>4,000,350</u>	<u>4,183,990</u>
		6,748,146	6,898,693
Other income	8	26,871	12,838
Foreign currency exchange gain	12	<u>59,880</u>	<u>-</u>
		<u>6,834,897</u>	<u>6,911,531</u>
<b>EXPENDITURE</b>			
Direct programme expenditure	9	(5,163,575)	(5,114,463)
Country office cost	10	(1,171,913)	(1,325,207)
Other cost	11	(488,370)	(789,670)
Foreign currency exchange loss	12	<u>-</u>	<u>(25,216)</u>
		<u>(6,823,858)</u>	<u>(7,254,556)</u>
<b>Surplus/(deficit) for the year</b>		11,039	(343,025)
<b>Income tax expense</b>	13	<u>(450)</u>	<u>-</u>
<b>Net surplus/(deficit) for the year</b>		<u>10,589</u>	<u>(343,025)</u>


# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	<u>2020</u>	<u>2019</u>
		TZS'000	TZS'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	14	<u>38,312</u>	<u>96,786</u>
<b>Current assets</b>			
Other receivables	15	777,651	263,920
Amount due from related parties	19	1,176,061	1,270,155
Cash and bank balances	16	<u>455,861</u>	<u>467,841</u>
		<u>2,409,573</u>	<u>2,001,916</u>
<b>TOTAL ASSETS</b>		<u><u>2,447,885</u></u>	<u><u>2,098,702</u></u>
<b>GENERAL RESERVES AND LIABILITIES</b>			
Accumulated funds		<u>967,110</u>	<u>956,521</u>
<b>Non-current liabilities</b>			
Deferred revenue grant	18	<u>-</u>	<u>38,312</u>
<b>Current liabilities</b>			
Trade and other payables	17	552,589	399,879
Income tax payable	13	450	-
Deferred revenue grant	18	<u>927,736</u>	<u>703,990</u>
		<u>1,480,775</u>	<u>1,103,869</u>
<b>TOTAL ACCUMULATED FUNDS AND LIABILITIES</b>		<u><u>2,447,885</u></u>	<u><u>2,098,702</u></u>

The financial statements on pages 14 to 38 were approved for issue by the Board of Directors on 12 August 2021 and signed on its behalf by:

  
Mary Nsemwa  
Board Chairperson

  
Bavon Christopher  
Country Director

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### STATEMENT OF CHANGES IN GENERAL RESERVES

	Accumulated funds TZS'000	Total TZS'000
<b><u>Year Ended 31 December 2020</u></b>		
At start of the year	956,521	956,521
Surplus for the year	<u>10,589</u>	<u>10,589</u>
At end of the year	<u><u>967,110</u></u>	<u><u>967,110</u></u>
<b><u>Year Ended 31 December 2019</u></b>		
At start of the year	1,299,546	1,299,546
Loss for the year	<u>(343,025)</u>	<u>(343,025)</u>
At end of the year	<u><u>956,521</u></u>	<u><u>956,521</u></u>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### STATEMENT OF CASH FLOWS

	Note	<u>2020</u> TZS'000	<u>2019</u> TZS'000
Surplus/(deficit) for the year		11,039	(343,025)
<b>Adjustments for non-cash movements</b>			
Depreciation – Property and equipment	13	58,474	48,385
<b>Changes in working capital</b>			
(Increase)/ decrease in other receivables	14	(513,731)	269,252
Decrease in amount due from related parties	18	94,094	5,480
Increase/ (decrease) in trade and other payables	16	152,710	(208,007)
Increase/ (decrease) in deferred revenue grants	17	185,434	(534,630)
<b>Net cash flows from operating activities</b>		<u>(11,980)</u>	<u>(762,545)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	13	-	(145,169)
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>(145,169)</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<u>(11,980)</u>	<u>(907,714)</u>
<b>Movement in cash and cash equivalents</b>			
At start of the year		467,841	1,375,555
Net decrease		<u>(11,980)</u>	<u>(907,714)</u>
<b>Cash and cash equivalents at 31 December</b>	15	<u>455,861</u>	<u>467,841</u>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES

#### 1 GENERAL INFORMATION

ActionAid Tanzania ("the Organisation") is an international non-governmental development agency which was established in Tanzania in 1998 under Tanzania Society Ordinance 1954 as ActionAid International Tanzania. As of 23rd February 2011, the agency changed its registration charter to Companies Act, 2002 and thus registered as a company limited by guarantee (the term 'limited' was waived afterwards) and accorded registration number 81643 by Business Registration and Licensing Agency (BRELA). After Change of the Companies Act in 2019, ActionAid Tanzania complied and re-registered with the registrar of NGOs under the new Act of 2019 and accorded the registration number 00/R2/00031 as a local NGO.

#### 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of ActionAid ("the Organisation") have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in Tanzanian Shilling (TZS), which is the functional and reporting currency of the Organisation. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost.

#### 3 SUMMARY OF 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) Changes in accounting policy and disclosures

##### (i) New and amended standards adopted by the Organization

The following standards and interpretations became effective in the current year and were relevant to the Organization.

Title	Amendment
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	<p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"><li>• use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;</li><li>• clarify the explanation of the definition of material; and</li><li>• incorporate some of the guidance in IAS 1 about immaterial information.</li></ul> <p>The amended definition is:</p> <p><i>"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."</i></p>

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**
**NOTES (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Changes in accounting policy and disclosures (continued)****(ii) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Organisation**

A number of new standards and amendments to standards and interpretations have been issued but are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Organisation, except the following set out below:

<b>Title</b>	<b>Details</b>	<b>Effective Date</b>
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.	Annual periods beginning on or after 1 June 2020
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	Annual periods beginning on or after 1 January 2022

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**
**NOTES (CONTINUED)**

3

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Changes in accounting policy and disclosures (continued)****(ii) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Organization (continued)**

<b>Title</b>	<b>Details</b>	<b>Effective Date</b>
Annual improvements cycle 2018 -2020	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> <li>IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS;</li> <li>IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for de-recognition of a financial liability. Fees paid to third parties are excluded from this calculation;</li> <li>IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives; and</li> <li>IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.</li> </ul>	Annual periods beginning on or after 1 January 2022

**(b) Foreign currency translation****(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Tanzania shillings in thousands (TZS '000') which is the Organization'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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the revenue can be reliably measured.

Grant revenue from AAI UK is recognized on an accrual basis. Local income which constitutes income raised and received in Tanzania is also recognized on accrual basis.

Other Income constitutes income received directly by ActionAid Tanzania and is not restricted this is recognized as when received.

##### (c) Expenditure

These financial statements include expenditure incurred within Tanzania and overseas on behalf of the Organization.

ActionAid Tanzania recognizes its expenses once they are incurred or as soon as when services and goods have been delivered i.e on an accrual basis.

##### Allocation of Country office overhead

The ActionAid Tanzania country office overheads are shared with all programmes that are being run based on actual directly attributable overheads subject to the restriction imposed by Action Aid's Global Financial Management Framework on maximum allowable overheads.

##### (d) Property and equipment

Items of property and equipment are capitalized and carried forward in the financial statements only if their cost exceeds GBP 5,000 (or its TZS equivalent) - items costing GBP 5,000 or below are expensed in the year of purchase. Such items of property and equipment are then carried at cost less accumulated depreciation and accumulated impairment losses.

Equipment is stated at cost less accumulated depreciation and accumulated impairment in value.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is computed on a straight-line basis, except for Vehicles and Cycles which are charges on reducing balance method, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:	%
Building	10
Motor vehicles	33.33
Furniture and fittings	12.50

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the assets is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(f) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise of cash at banks and in hand and short-term deposits. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

##### **(e) Receivables**

Accounts receivable comprise of receivables from funders, advances to service providers, employees and other short-term receivables. If collection is expected in one year or less (or in the normal operating cycle of the business), they are classified as current asset. If not, they are presented as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

##### **(f) Accounts payables**

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). 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.

##### **(g) Deferred income**

Deferred income represents an obligation to conduct donor funded activities per contractual commitments made between donors/development partners and the organisation, where funds have been transferred for implementation of activities, but such activities have not yet occurred.

##### **(h) Pension and other post-employment benefits**

As required by the local regulation, the Organisation contributes every month 15% of each employee gross salary to approved pension schemes (pension Fund) with each employee contributing 5% to the fund. The contributions are to cater for employees' pension benefits upon their retirement, permanent disability, or termination. Organisation's contributions are included as resource expended in the year paid. Employees' contributions are not expenses of the Organisation but employees' themselves and therefore, not included in these financial statements.

##### **(i) Provisions**

Provisions are recognized when the organisation has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount can be made.

##### **(j) Leases**

The organisation assesses whether a contract contains a lease, at inception of the contract. For any short term leases, the Organisation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(k) Financial Instruments**

###### **Financial assets**

###### **Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Organisation determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Organisation commits to purchase or sell the asset.

The Organisation's financial assets include cash and short-term deposits, trade and other receivables, and loan and other receivables.

###### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follow:

###### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Organisation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive income.

The Organisation has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Organisation evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Organisation is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Organisation may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(k) Financial Instruments (continued)**

###### **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance cost

###### **De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

The Organisation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Organisation has transferred substantially all the risks and rewards of the asset, or (b) the Organisation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Organisation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Organisation's continuing involvement in the asset.

In that case, the Organisation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Organisation has retained continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Organisation could be required to repay.

###### **Impairment of financial assets**

The Organisation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial Organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(k) Financial Instruments (continued)**

###### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost the Organisation first assesses individually for financial assets that are individually significant whether objective evidence of impairment exists or collectively for financial assets that are not individually significant. If the Organisation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income

continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Organisation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

###### **Financial liabilities**

###### **Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, and loans and borrowings. The Organisation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Organisation's financial liabilities include trade and other payables, bank overdraft, and loans and borrowings.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(k) Financial Instruments (continued)**

###### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

###### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Organisation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The Organisation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

###### **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of Income and expenditure.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of Income and expenditure.

###### **De-recognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

###### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

# **ACTIONAID TANZANIA**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **NOTES (CONTINUED)**

#### **(I) Income Tax**

The current and deferred income tax charge is computed on the basis of reported profit before tax for the year under review and regulations of the United Republic of Tanzania, in which the Organisation is registered, using substantively enacted tax rates in Tanzania where the Organisation operates and generates taxable income i.e. current tax and deferred tax.

Current tax charge is the amount of income tax payable on the taxable profit for the year and any adjustments to the tax payables in respect of prior years. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset the current tax assets against the current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority.

#### **4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **Useful life of the asset**

The Organisation made significant estimates in determining the useful life of the assets and intangibles and related depreciation and amortisation rates.

##### **Provisions**

Provisions are made when the Organisation has a present obligation, as a result of past events where 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 for the amount of the obligation.

##### **Impairment of non-financial assets**

The Organisation assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT POLICIES

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

Financial risk management is carried out by the finance department under policies approved by the Governing Board Members. The Governing Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk and capital management risk.

#### Market risk

- Foreign exchange risk

The Organization enters into contracts denominated in foreign currencies in United States Dollar (USD) and British Pound (GBP) mainly for payments made. In addition, the organization has liabilities and assets denominated in foreign currencies. As a result, the foundation is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

Management's policy to manage foreign exchange risk is to maintain foreign currency bank accounts which act as a natural hedge for payment.

As at 31 December 2020, if the Tanzanian shilling weakened/strengthened by 10% against the US dollar with all other variables held constant, change in loss for the year would have been TZS 6.4 million lower/higher mainly as a result of foreign exchange gains/losses on translation of US dollar denominated payables, receivables and cash.

As at 31 December 2020, if the Tanzanian shilling weakened/strengthened by 10% against the EUR with all other variables held constant, change in loss for the year would have been TZS 1.6 Million higher/lower mainly as a result of foreign exchange gains/losses on translation of EUR denominated payables, receivables and cash.

As at 31 December 2020, if the Tanzanian shilling weakened/strengthened by 10% against the GBP with all other variables held constant, change in loss for the year would have been TZS 149.2 Million higher/lower mainly as a result of foreign exchange gains/losses on translation of GBP denominated payables, receivables and cash

#### Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. The amount that best represents the Organization's maximum exposure to credit risk at 31 December 2020 is made up as follows:

	<u>2020</u> TZS '000	<u>2019</u> TZS '000
Cash at bank (note 16)	455,826	467,841
Other receivables (excluding prepayments) (note 15)	706,130	-
	<u>1,161,956</u>	<u>467,841</u>

No collateral is held for any of the above assets.

## ACTIONAID TANZANIA

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT POLICIES

##### Liquidity risk

Liquidity risk is the risk that the Organization 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 development partners.

The table below analyses the Organization'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.

	<i>Less than 1 year TZS '000</i>	<i>Between 1 and 5 years TZS '000</i>
<b>At 31 December 2020</b>		
Trade and other payables (excluding statutory liabilities) - Note 17	426,032	-
Deferred revenue grants (note 18)	927,736	-
	<u>1,353,768</u>	<u>-</u>
<b>At 31 December 2019</b>		
Trade and other payables (excluding statutory liabilities)- Note 17	270,773	-
Deferred revenue grants (note 18)	742,302	-
	<u>1,013,075</u>	<u>-</u>

##### Capital risk management

The Organization's objectives when managing capital is to safeguard its ability to continue as a going concern in order to; (i) ensure a continued support and reinvestment into the business operations in case of either shortage of funding or any expansion of the business activities; and (ii) to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2020, the organization had no borrowings.

**ACTIONAID TANZANIA****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****NOTES (CONTINUED)**

	<b><u>2020</u></b> <b>TZS'000</b>	<b><u>2019</u></b> <b>TZS'000</b>
<b>6. GRANTS FROM ACTION AID INTERNATIONAL</b>		
Child Sponsorship	<u>2,747,796</u>	<u>2,714,703</u>
<b>7. PROJECTS GRANT INCOME</b>		
African Governance Architecture	342,525	232,230
Public Financing for Agriculture	278,863	348,861
Strengthening Social Accountability & Oversight Capacity for Rights-based Public Resources Management in Health and Agriculture	576,324	329,483
Singida Nutrition and agroecology project	-	26,082
Shared Resource's for Joint solution	98,484	146,968
Stop Violence Against Girls in School (SVAGS) in Tanzania	-	183,283
Prevention of Violence Against School Children	167,495	221,393
Breaking the Barriers and Gender Responsive and Public Services	559,908	846,647
Female Genital Mutilation	-	42,878
Youth Empowerment and Influence in Tanzania	1,847,028	1,806,165
Fit for future	20,921	-
Zero violence project	21,607	-
Violence against women and girls in Unguja	87,195	-
	<u>4,000,350</u>	<u>4,183,990</u>
<b>8. OTHER INCOME</b>		
Miscellaneous income	<u>26,871</u>	<u>12,838</u>
<b>9. DIRECT PROGRAMME EXPENDITURE</b>		
Grants and support to community and partner organisations	1,152,520	1,240,660
Project costs	4,011,055	3,873,803
	<u>5,163,575</u>	<u>5,114,463</u>
Grants and inputs	1,152,520	4,050,914
Staff costs	1,039,759	850,985
Consultancy	7,303	23,012
Travel expenditure	2,209,699	112,534
Office expenditure	72,639	5,761
Other expenditure	681,655	71,257
	<u>5,163,575</u>	<u>5,114,463</u>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

	<u>2020</u> TZS'000	<u>2019</u> TZS'000
<b>10. COUNTRY OFFICE COSTS</b>		
Directorate	194,139	208,604
Finance	239,792	324,250
Communication	43,517	51,690
Human Resources	148,744	152,456
Impact assessment and DA support	148,254	82,164
Information Systems	74,187	60,927
Office Administration	323,280	445,116
	<u>1,171,913</u>	<u>1,325,207</u>
Grants and inputs	-	725
Staff costs	674,892	806,571
Consultancy	89,624	3,869
Depreciation	58,474	48,385
Travel expenditure	46,956	175,843
Office expenditure	114,953	169,523
Other expenditure	187,014	120,291
	<u>1,171,913</u>	<u>1,325,207</u>
<b>11. OTHER COSTS</b>		
Audit and professional fees	30,000	16,251
Governance costs	246,754	228,055
Fundraising costs	211,616	545,364
	<u>488,370</u>	<u>789,670</u>
Grants and inputs	-	28,655
Staff costs	181,460	222,788
Consultancy	80,888	18,520
Travel expenditure	137,975	127,370
Other expenditure	88,047	392,337
	<u>488,370</u>	<u>789,670</u>
<b>12. FOREIGN EXCHANGE INCOME/ LOSS</b>		

Foreign exchange gains during the year 2020 was TZS 59,880,111.49 versus foreign exchange loss during year 2019 of TZS 25,216,462.63 which results from translation of foreign denomination cash and cash equivalent balances. These include foreign cash balance held in AATZ Bank accounts and cash held by ActionAid International Secretariats on AATZ's behalf which is denominated in GBP.

**ACTIONAID TANZANIA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES (CONTINUED)**

	<u>2020</u> TZS'000	<u>2019</u> TZS'000
<b>13. INCOME TAX</b>		
Current tax	450	-
Deferred tax	-	-
	<u>450</u>	<u>-</u>
<b>(a) Reconciliation of Income tax expense</b>		
Net surplus before income tax	<u>11,039</u>	<u>-</u>
Current tax on surplus before tax at the statutory tax rate	3,312	-
<b>Adjusted for:</b>		
Non-deductible expenses- permanent differences at 30%	2,309	-
Penalties	450	-
Under / (over) provision of tax for earlier years	(7,565)	-
Deferred tax asset not recognised	<u>1,944</u>	<u>-</u>
<b>Income tax expense</b>	<u>450</u>	<u>-</u>

As at 31 December 2020 there is a potential deferred income tax asset of TZS1,944 Million (2019: Nil) mainly arising from provisions. This asset has not been recognised; the organization income is mainly from donated income which does not generate any profit. As the result the directors are certain that the organization will not generate taxable profits in the near future to allow the temporary differences to be utilised.

**ACTIONAID TANZANIA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES (CONTINUED)**

**14. PROPERTY AND EQUIPMENT**

	<b>Vehicles and cycles TZS'000</b>	<b>Other equipment TZS'000</b>	<b>Total TZS'000</b>
<b>Cost</b>			
At 1 January 2020	498,302	54,173	552,475
Addition	-	-	-
Disposal	-	-	-
<b>At 31 December 2020</b>	<b>498,302</b>	<b>54,173</b>	<b>552,475</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	401,516	54,173	455,689
Charge for the year	58,474	-	58,474
Disposal	-	-	-
<b>At 31 December 2020</b>	<b>459,990</b>	<b>54,173</b>	<b>514,163</b>
<b>Carrying amount</b>			
<b>31 December 2020</b>	<b>38,312</b>	<b>-</b>	<b>38,312</b>
<b>Cost</b>			
At 1 January 2019	353,133	54,173	407,306
Addition	145,169	-	145,169
Disposal	-	-	-
<b>At 31 December 2019</b>	<b>498,302</b>	<b>54,173</b>	<b>552,475</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	353,133	54,173	407,306
Charge for the year	48,383	-	48,383
Disposal	-	-	-
<b>At 31 December 2019</b>	<b>401,516</b>	<b>54,173</b>	<b>455,689</b>
<b>Carrying amount</b>			
<b>31 December 2019</b>	<b>96,786</b>	<b>-</b>	<b>96,786</b>

**ACTIONAID TANZANIA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES (CONTINUED)**

	<u>2020</u> TZS'000	<u>2019</u> TZS'000
<b>15. OTHER RECEIVABLES</b>		
Staff debtors	45,994	6,361
Advances to Partners	234,717	174,238
Prepayments	71,521	83,321
Program receivables (Note 18)	425,419	-
	<u>777,651</u>	<u>263,920</u>
<b>16. CASH AND BANK BALANCES</b>		
Cash in hand	35	-
Cash at bank	455,826	467,841
	<u>455,861</u>	<u>467,841</u>
<b>17. TRADE AND OTHER PAYABLES</b>		
Trade payables	28,003	18,333
Statutory liabilities	126,557	129,106
Accruals	398,029	252,440
	<u>552,589</u>	<u>399,879</u>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

#### 18 DEFERRED REVENUE GRANT

Deferred revenue grant- Non current  
Deferred revenue grant-Current  
Program receivables (Note 15)

As at 31 December

<u>2020</u>	<u>2019</u>
TZS'000	TZS'000
-	38,312
927,736	703,990
(425,419)	-
<u>502,317</u>	<u>742,302</u>

Project Name	At start of year	Funds received	Released to Expenses	Adjustments	Refunds	At end of year
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>2020</b>						
African Governance Architecture	-	-	(342,525)	(52,203)	-	(394,728)
Public Financing for Agriculture	197,519	313,177	(278,863)	-	-	231,833
Strengthening Social Accountability & Oversight	-	559,565	(576,324)	-	-	(16,759)
Capacity for Rights-based Public Resources						
Management in Health and Agriculture	16,452	105,564	(98,484)	-	-	23,532
Shared Resources for Joint solution	55,353	180,321	(167,495)	-	-	68,179
Prevention of Violence Against School Children						
Breaking the Barriers & Gender responsive public services	213,477	541,792	(559,908)	-	-	195,361
Female Genital Mutilation	83,674	-	-	-	(46,021)	37,653
Youth Empowerment and Influence in Tanzania	81,423	1,892,355	(1,847,028)	-	-	126,750
Fit for future	94,404	-	(20,921)	-	-	73,483
Zero violence against women and girls project	-	192,552	(21,607)	-	-	170,945
Violence against women and girls in Unguja	-	73,263	(87,195)	-	-	(13,932)
<b>Total</b>	<b>742,302</b>	<b>3,858,589</b>	<b>(4,000,350)</b>	<b>(52,203)</b>	<b>(46,021)</b>	<b>502,317</b>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

#### 18 DEFERRED REVENUE GRANT (CONTINUED)

Project Name	At start of year	Funds received	Released to Expenses	At end of year
	TZS'000	TZS'000	TZS'000	TZS'000
2019				
Public Financing for Agriculture	120,958	425,422	(348,861)	197,519
Strengthening Social Accountability & Oversight Capacity for Rights-based				
Public Resources Management in Health and Agriculture	63,965	251,334	(315,299)	-
Shared Resources for Joint solution	65,368	98,052	(146,968)	16,452
Stop Violence Against Girls in School (SVAGS) in Tanzania	183,283	-	(183,283)	-
Prevention of Violence Against School Children	-	276,746	(221,393)	55,353
Breaking the Barriers & Gender responsive public services	282,158	777,966	(846,647)	213,477
Female Genital Mutilation	126,552	-	(42,878)	83,674
Youth Empowerment and Influence in Tanzania	434,647	1,678,834	(2,032,058)	81,423
Fit for future	-	94,404	-	94,404
<b>Total</b>	<b>1,276,931</b>	<b>3,602,758</b>	<b>(4,137,387)</b>	<b>742,302</b>

**ACTIONAID TANZANIA****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****NOTES (CONTINUED)****19. RELATED PARTY TRANSACTIONS AND BALANCES****a) Key management remuneration**

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

	<b><u>2020</u></b> <b>TZS'000</b>	<b><u>2019</u></b> <b>TZS'000</b>
Short-term employee benefits	<b>524,625</b>	427,769
Post-employment benefit	<b>75,990</b>	54,534
<b>Total compensation paid to key management personnel</b>	<b><u>600,615</u></b>	<b><u>482,303</u></b>

**b) Related party balances****Amount due from related parts**

AA Kenya	<b>6,709</b>	6,708
AA Zimbabwe	<b>5,531</b>	5,532
AA International Secretariat	-	31,344
AA Sweden	<b>396</b>	2,955
Accrued Income	<b>40,282</b>	106,669
Action Aid International-Income Held	<b>1,123,143</b>	1,116,947
	<b><u>1,176,061</u></b>	<b><u>1,270,155</u></b>

# ACTIONAID TANZANIA

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTES (CONTINUED)

#### 20. COMMITMENTS AND CONTINGENCIES

##### *Operating lease commitments*

The Organisation has not entered into commercial leases as of year-end.

The Organisation has entered into operating lease agreements on office rent. Leased office is contracted for a period of one-year renewable. At the reporting date, the Organisation has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<u>2020</u> TZS'000	<u>2019</u> TZS'000
Within one year	62,946	69,985
Between two and three years	-	-
More than five years	-	-
	<u>62,946</u>	<u>69,985</u>

##### *Capital commitments*

At 31 December 2020 the Organisation had no capital commitments.

##### *Legal claim contingencies*

There is no legal claim in favour of or against the Organisation as at year end.

##### *Contingent liabilities and assets*

There are no known material contingencies at 31 December 2020.

#### 21. EVENTS AFTER REPORTING PERIOD

As widely reported COVID-19 pandemic continues to affect countries and businesses globally. Risks to businesses arising from the pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. Government of the United Republic of Tanzania, business communities and societies in general are taking appropriate preventive and remedial measures to combat the pandemic.

At the time of issuing these financial statements the members of the board have assessed that, whereas concerted preventive measures have been instituted to mitigate the possible negative impact of the pandemic to the organisation's operations, it was impracticable to determine, quantify and disclose the extent of the possible future direct or indirect impact of the pandemic to the organisation's operations. It is reasonably possible that certain assumptions, estimates and judgements used in preparation of the financial statements may be affected in the future by the possible negative impact and hence the carrying amounts of assets and liabilities reported in these financial statements.

There were no other events after the reporting period which require adjustment or disclosure in the financial statements.