

TWAVEZA EAST AFRICA
ANNUAL REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2020

TWAVEZA EAST AFRICA

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

TABLE OF CONTENTS	Page
Organization information	1
Directors' report	2 - 5
Statement of directors' responsibilities	6
Declaration of the head of finance of Twaweza East Africa	7
Independent auditor's report	8 - 9
Financial statements:	
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in general reserve	12
Statement of cash flows	13
Notes to the financial statement	14 - 34
Appendix -Analysis of detailed budget versus actual expenditure	

TWaweza East Africa

Organization Information

Principal place of business	15 Uganda Avenue, off Karume Road Oysterbay P.O Box 38342 Dar es Salaam Tanzania
Principal bankers	Stanbic Bank (T) Ltd PO Box 75647 Dar es Salaam Tanzania
Auditors	Deloitte & Touche Certified Public Accountants (Tanzania) 3 rd Floor, Aris House 152 Haile Selassie Road, Oysterbay, P.O Box 1559, Dar es Salaam, Tanzania
Lawyers	Victory Attorneys and Consultants 1st Floor, IT Plaza Building Ohio Street/Garden Avenue P.O Box 72015 Dar es Salaam Tanzania Mwagambo & Okonjo Advocates 20 th Floor, View Park Towers P.O Box 35263 - 00100 Nairobi Kenya Kwesigabo Bamwine & Walubiri 10 Clement Hill Road P.O Box 21161 Kampala Uganda

TWaweza EAST AFRICA

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

1. The Directors of Twaweza East Africa submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of Twaweza East Africa (also referred to as "Twaweza" or "the Organization").

2. INCORPORATION

Twaweza East Africa is a registered non-governmental organization with registration number 00NGO/R2/000422. Twaweza East Africa was originally incorporated in Tanzania under the Companies Act, No.12 of 2002 as a company limited by guarantee and not having share capital. Following the amendments to the Companies, Act, 2002 which required all Companies limited by guarantee that are not promoting commerce, trade and investment to register under the NGO Act, 2002, Twaweza East Africa acquired its status as a Non-governmental organization on 21 August, 2019.

The Organisation obtained a certificate of compliance to operate in Kenya and a certificate of registration in Uganda as per the laws of each of those countries and these remain valid beyond the status change from being a company limited by guarantee to a Non-Governmental Organization. Prior to being an independent legal entity, this Twaweza was an initiative to promote citizen involvement and public accountability in East Africa which was hosted by Hivos Tanzania Limited up to 31 December, 2014. Thereafter, Twaweza signed an oversight and guidance agreement with Hivos Netherlands which authorized 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 10 of the financial statements.

5. CORPORATE GOVERNANCE

The Board consists of seven directors headed by Board Chairperson. The Board takes overall responsibility for the Organization, 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)

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 2020 except otherwise stated are:

Name	Position	Qualification	Nationality	Remarks
Leonard Mususa	Director	Chairman of the Board of Directors of Mwananchi Communications Limited, Tanzania	Tanzanian	Appointed on 23 April 2015
Wanjiru Kamau- Rutenberg	Director	Director, African Women in Agricultural Research and Development (AWARD)	Kenyan	Appointed on 15 September 2016
Rebeca Gyumi	Director	Executive Director and Founder of Msichana Initiative	Tanzanian	Appointed on 24 September 2019
Samwel Wangwe	Chairperson	Economist, University lecturer, Policy researcher and Policy analyst, and Economic advisor to the Government of Tanzania	Tanzanian	Appointed on 1 January 2020
Charles Businge	Director	Director of Southern Africa-Sub-Region at Plan International	Ugandan	Appointed on 1 January 2020
Linda Kasonde	Director	Partner at Mulenga Mundashi Kasonde (MMK), Lawyer and a Civil rights activist	Zambian	Appointed on 1 January 2020
Elieshi Lema	Director	Chairperson of E & D Limited. A writer, has published over 26 children books and 8 adult books.	Tanzanian	Appointed on 1 January 2021

7. FUTURE DEVELOPMENT PLANS

2020 marked the second year of our new strategy 2019-22. With the education transition largely concluded, we are setting the pace for deeper engagement and impact in each of our three missions aiming to a) demonstrate how citizens can come together to collectively address their systemic problems and make government work better for them, b) enable citizens voice, experiences and interests to be heard and taken seriously in decision-making and c) to promote open civic space which enables citizens to freely assemble, organize, speak and act.

8. RISK MANAGEMENT AND INTERNAL CONTROL

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

8. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- The effectiveness and efficiency of operations;
- The safeguard of the Organization'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.

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 Organization 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.

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 Organization 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 of Twaweza. These provide a solid basis for accountability and high standards within the Organization.

11. EMPLOYEE WELFARE

Medical Assistance

All members of staff and their dependents are covered with a medical insurance.

Training

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

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, tribe, religion and disability which does not impair the ability to discharge official duties.

Employees Benefit Plan

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

TWaweza EAST AFRICA

DIRECTORS' REPORT (CONTINUED)

12. GENDER PARITY

The Organization is committed to ensuring gender parity. As at 31 December, 2020, Twaweza had 40 employees as per the table below;

	2020	%	2019	%
Female	22	55	25	52
Male	18	45	23	48
Total	40	100	48	100

13. RELATED PARTY TRANSACTIONS

The details of related party transactions and balances are disclosed in Note 19 of the financial statement.

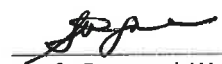
14. POLITICAL AND CHARITABLE DONATIONS

The Organization did not make any political donations during the year. Moreover, no donations were made to public institutions and charitable organizations during the year (2019: Nil).

15. AUDITORS

Deloitte & Touche were the auditors for the Organization for the year ended 31 December, 2020.

Approved by the board of directors and signed by:


Prof. Samwel Wangwe
Chairperson
19/05/2021

TWAVEZA EAST AFRICA

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

The Twaweza East Africa constitution requires directors 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 net income 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) and the requirements of the organization's constitution. 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 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 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:



Prof. Samwel Wangwe
Chairperson



Aidan Eyakuze
Executive Director

19/05/

2021

TWAVEZA EAST AFRICA

DECLARATION OF THE HEAD OF FINANCE OF TWAVEZA EAST AFRICA FOR THE YEAR ENDED 31 DECEMBER 2020

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, 2020 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

I thus confirm that the financial statements of Twaweza East Africa for the year ended 31 December 2020 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.



Richard Modest
Head of Finance
NBAA Membership No. ACPA 2238

19/05/2021

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Twaweza East Africa, set out on pages 10 to 34, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in general reserve and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of 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 ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organisation in accordance with the National Board of Accountants and Auditors (NBAA) Code of Ethics which is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report. The other information does not include the financial statements and our 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 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 that we obtained prior to the date of this auditor's report, 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and, and for such internal controls as Directors determine are 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 Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation 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.

The engagement partner responsible for the audit resulting in this independent auditors' report is E.A. Harunani.

Deloitte & Touche

Certified Public Accountants (Tanzania)



Signed by: E.A. Harunani
NBAA Registration No. TACPA 1065
Dar es Salaam

31 May 2021

TWAVEZA EAST AFRICA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INCOME			
Grants	6	5,237,286	5,342,068
Release of capital grant	16	48,953	44,655
Other income	7	<u>24,911</u>	<u>44,471</u>
		5,311,150	5,431,194
Operating costs	8	<u>(5,466,538)</u>	<u>(5,389,450)</u>
(Deficit)/ surplus before income tax		(155,388)	41,744
Income tax expense	10(a)	<u>-</u>	<u>-</u>
Total comprehensive (deficit)/ surplus for the year		<u><u>(155,388)</u></u>	<u><u>41,744</u></u>

TWaweza East Africa

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 USD	2019 USD
ASSETS			
Non-current assets			
Property and equipment	12	49,157	51,373
Right-of-use asset	13(a)	331,865	158,223
		<u>381,022</u>	<u>209,596</u>
Current assets			
Income tax recoverable	10(b)	39,139	26,124
Grant funds receivable	17	-	699,350
Other receivables	14	197,302	241,509
Cash and bank balances	15	1,382,003	1,840,532
		<u>1,618,444</u>	<u>2,807,515</u>
TOTAL ASSETS		<u>1,999,466</u>	<u>3,017,111</u>
RESERVES AND LIABILITIES			
RESERVES			
General reserve		<u>559,595</u>	<u>714,983</u>
LIABILITIES			
Non-current liabilities			
Deferred capital grant	16	49,157	51,373
Lease liability	13(b)	205,172	18,304
		<u>254,329</u>	<u>69,677</u>
Current liabilities			
Trade and other payables	18	1,046,764	1,013,711
Deferred income grants	17	123,775	1,064,747
Lease liability	13(b)	15,003	153,993
		<u>1,185,542</u>	<u>2,232,451</u>
TOTAL LIABILITIES		<u>1,439,871</u>	<u>2,302,128</u>
TOTAL RESERVES AND LIABILITIES		<u>1,999,466</u>	<u>3,017,111</u>

The financial statements on page 10 to 34 were approved and authorized for issue by the Board of Directors on 19/05/2021 and signed on its behalf by:


Prof. Samwel Wangwe
Chairperson


Aidan Eyakuzi
Executive Director

TWaweza East Africa

STATEMENT OF CHANGES IN GENERAL RESERVE FOR THE YEAR ENDED 31 DECEMBER 2020

General reserve
USD

Year ended 31 December 2020

At start of the year	714,983
Total comprehensive deficit for the year	<u>(155,388)</u>

At the end of year	<u>559,595</u>
---------------------------	-----------------------

Year ended 31 December 2019

At start of the year	684,587
IFRS 16 adjustment during the year	(11,348)
Total comprehensive surplus for the year	<u>41,744</u>

At the end of year	<u>714,983</u>
---------------------------	-----------------------

TWaweza East Africa

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
Cash flow from operating activities			
(Deficit)/surplus before income tax		(155,388)	41,744
Adjusted for:			
Gain from disposal of assets	7	-	(5,045)
Depreciation charge – property and equipment	8	29,843	44,655
Depreciation charge – right-of-use assets	8	143,847	143,035
Capital grants released	16	(48,953)	(44,655)
Interest expense on lease liability	8	14,545	27,529
Exchange gain on lease liability	13(c)	(2,372)	(375)
Loss on equipment written-off		19,110	-
		632	206,888
Changes in working capital:			
Decrease in grants funds receivables		699,350	17,222
Decrease in deferred income grants		(940,972)	(1,439,732)
Decrease/(increase) in other receivables		44,207	(14,860)
Increase in trade and other payables		33,053	11,787
		(163,730)	(1,218,695)
Tax paid	10(b)	(13,015)	(13,364)
Cash used in operations		(176,745)	(1,232,059)
Cash flows from investing activities:			
Plant and equipment acquired	12	(46,737)	(14,492)
Receipt of capital grant	16	46,737	14,492
Proceeds from sale of assets		-	5,045
Cash generated from investing activities		-	5,045
Cash flows from financing activities:			
Office lease paid		(281,784)	(167,463)
Cash used in investing activities		(281,784)	(167,463)
Net decrease in cash and cash equivalents		(458,529)	(1,394,477)
Cash and cash equivalents at the beginning of the year		1,840,532	3,235,009
Cash and cash equivalents at the end of the year	15	1,382,003	1,840,532

TWaweza EAST AFRICA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ORGANIZATION INFORMATION

Twaweza East Africa is a registered Non-Governmental Organization with registration number 00NGO/R2/000422.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards and amendments to published standards effective for the year ended 31 December 2020

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards The amendments to references to the Conceptual Framework in IFRS Standards was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Together with the revised Conceptual Framework published in March 2019, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Definition of a Business (Amendments to IFRS 3) Amendments to IFRS 3 make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets.

The amendments in *Definition of a Business (Amendments to IFRS 3)* are changes to Appendix A *Defined terms*, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD (CONTINUED)

a) New standards and amendments to published standards effective for the year ended 31 December 2020 (continued)

Definition of Material (Amendments to IAS 1 and IAS 8) The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material'.

Three new aspects of the new definition should especially be noted:

- **Obscuring.** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).
- **Could reasonably be expected to influence.** The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.
- **Primary users.** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

In the current year, the Organisation has applied above amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Effective for accounting periods beginning on or after 1 January 2023
Reference to the Conceptual Framework (Amendments to IFRS 3)	Effective for accounting periods beginning on or after 1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Effective for accounting periods beginning on or after 1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Effective for accounting periods beginning on or after 1 January 2022
Annual Improvements to IFRS Standards 2018–2020	Effective for accounting periods beginning on or after 1 January 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Effective for accounting periods beginning on or after 1 June 2020
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Effective for accounting periods beginning on or after 1 June 2021

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and is expected to have significant impact on the financial statements. The Directors are still assessing impact of IFRS 17 to the financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment to IAS 1 is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have significant impact on the financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendment is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD (CONTINUED)

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020 (continued)

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment to IAS 16 is effective for accounting periods beginning on or after 1 January 2022 and due to the nature of the Organisation, is not expected to have significant impact on the financial statements.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment to IAS 37 is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

- **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendment to above standards is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD (CONTINUED)

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020 (continued)

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Amendment to IFRS 16 is effective for accounting periods beginning on or after 1 June 2020. The Directors are still assessing impact of IFRS 16 to the financial statements.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendment to above standards is effective for accounting periods beginning on or after 1 January 2021 and is not expected to have significant impact on the financial statements.

d) Early adoption of standards

The Organisation did not early-adopt any new or amended standards in the year ended 31 December 2020.

3. 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The financial statements have been prepared under the historical cost convention.

Where a change in the presentation format between the prior year and current year financial statements has been made during the period, comparative figures have been restated accordingly.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgement in the process of applying the Organization's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

b) General reserves

General reserves represent unrestricted funds arising from accumulated other income that are available for use at the discretion of the directors in furtherance of the objects of the Organization.

c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Organization are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars 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 yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

d) 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 a funding arrangement where donor funds are directly received in Twaweza East Africa bank accounts maintained in East Africa. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**e) 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 Organization 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%

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.

f) Financial assets*(i) Classification*

All financial assets of the Organization 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 Organization'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 Organization assesses at the end of each reporting period whether there is objective evidence that a financial asset or Organization of financial assets is impaired. A financial asset or an Organization 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 Organization of financial assets that can be reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

(iv) Impairment (continued)

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.

g) Financial assets

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) 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.

j) 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 Organization is registered, using substantively enacted tax rates in Tanzania where the Organization operates and generates taxable income. Income tax companies currents 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 establishing 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.

3. Significant Accounting Policies (Continued)

k) Grants receivable

Grants receivable comprise contractual commitments from donors/development partners where the Organisation has incurred expenditure as per grant agreement and is yet to be reimbursed by the donor/development partner. This is a change in accounting for grants receivable which were previously accounted for upon signing of the agreement with donor/development partner. Details of the restatement as a result of this change, which also affected deferred revenue grant is set out in note 20.

f) 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.

g) Deferred income grants

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

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.

h) Employee benefits - Retirement benefit obligation

The Organization has a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the Organization pays fixed contributions into a separate entity. The Organization's contributions to the defined contribution schemes are charged in statement of comprehensive income in the year in which they relate. The Organization 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 Organization has no further payment obligations once the contributions have been paid. The Organization and all its employees contribute to the NSSF, PSSSF and Jubilee Insurance which are defined contribution scheme.

i) 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.

j) 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).

4. FINANCIAL RISK MANAGEMENT

The Organization's activities expose it to a variety of financial risks, namely: market risk, credit risk and liquidity risk. The Organization's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Organization 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 Organization from the volatility associated with foreign currency depreciation. The Organization also maintains 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 Organization 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 Organization, primarily with respect to Tanzania shillings, Uganda shillings and Kenya shillings.

Organization financial assets and liabilities are denominated in Tanzania shillings, Kenyan shillings and Ugandan shillings. As a result, the Organization is exposed to exchange rate fluctuations that have impact on cash flows. Exposure to foreign currency risk is mitigated by the fact that the Organization maintains 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 2020, 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 19,852 (2019: USD 10,116) 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 2020, 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 16,962 (2019: USD 944) 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 2020, 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 1,802 (2019: USD 2,209) higher/lower mainly as a result of foreign exchange gains/losses on translation of Kenyan Shillings denominated payables, receivables and cash.

(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 Organization's maximum exposure to credit risk at 31 December 2020 is made up as follows:

	2020 USD	2019 USD
Cash at bank (note 15)	1,381,376	1,839,848
Staff debtors (note 14)	2,481	1,997
No collateral is held for any of the above assets	<u>1,383,857</u>	<u>1,841,845</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Liquidity risk (continued)**

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 donors and/ (or) 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.

	Less than 1 year USD
At 31 December 2020	
- trade payables and accruals (note 18)	<u>592,835</u>
At 31 December 2019	
- trade payables and accruals (note 18)	<u>535,497</u>

5. 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 Organization 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.

Taxation

The Organization is subjected to numerous taxes and levies by various government and quasi-government regulatory bodies. Generally, the Organization recognises liabilities with regard to anticipated taxes and levies payable with utmost care and diligence. However, significant judgement is required in the interpretation and application of those taxes and levies. In the event that management assesses that the initially recorded liability was erroneous, the differences are charged to the profit and loss account in the period in which the differences are determined.

TWaweza East Africa

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 USD	2019 USD
6. INCOME GRANTS		
Amount released from deferred income grants (Note 17)	<u>5,237,286</u>	<u>5,342,068</u>
7. OTHER INCOME		
Contribution from Hivos on office use	5,400	5,400
Contribution from Food Right Alliance for use of Sauti za Wananchi platform in Uganda	7,425	-
Interest income	10,941	25,497
Contribution from other Organizations on Twaweza staff participation/ facilitation in their meetings	1,145	-
Contribution from Youth Partnership Countrywide for Twaweza staff participating in their conference	-	62
Contribution for Foundation for Civil Society for Twaweza staff participating in their meeting	-	22
Contribution from Uganda Water and Sanitation NGO Network (UWASNET) on use of Sauti platform and data	-	7,645
Executive Director's participation and facilitation in their meeting	-	300
Executive Director's participation and facilitation in World Bank Tanzania's retreat	-	500
Gain on disposal of assets	-	5,045
	<u>24,911</u>	<u>44,471</u>
8. OPERATING COSTS		
Learning outcomes (incl. Uwezo)	936,929	357,906
Ambitious curriculum	-	29,306
Motivated teachers (incl. Kiufunza)	537,243	474,155
School management	-	105,680
Learning, monitoring and evaluation	174,126	291,898
Citizen Agency	241,428	136,573
Enabling citizen voices	521,937	437,342
Promoting and protecting open civic space	311,537	147,817
Governance and management*	<u>2,743,338</u>	<u>3,408,773</u>
	<u>5,466,538</u>	<u>5,389,450</u>
*Governance and management costs includes the following;		
Management and strategic support	128,176	166,284
Program staff costs (Note 9a)	1,520,863	2,158,329
Support staff costs (Note 9b)	661,746	653,905
Staff recruitment	-	406
Office running costs	155,729	140,098
Value Added Tax on office rent	3,181	-
Communications/ Internet/ Utilities	59,462	57,108
Travel and transport	9,523	16,323
Exchange movement on conversion between bank accounts	(2,687)	1,101
Depreciation of property and equipment	29,843	44,655
Equipment written off	19,110	-
Interest expense on lease liability	14,545	27,529
Depreciation - Right to use asset	<u>143,847</u>	<u>143,035</u>
	<u>2,743,338</u>	<u>3,408,773</u>

TWaweza East Africa

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 USD	2019 USD
9. EMPLOYEE BENEFIT COSTS		
a) Program employee		
Salaries	1,149,413	1,616,295
Skills and Development Levy	36,455	41,190
Social Security Contributions	126,061	165,824
Health and group insurance	81,353	94,979
Other staff benefits	79,338	146,280
Staff leave	19,914	44,703
Workers Compensation Fund	8,335	8,600
Severance pay	19,994	40,458
	<u>1,520,863</u>	<u>2,158,329</u>
b) Support employees		
Salaries	482,526	480,500
Skills and Development Levy	15,895	17,918
Social Security Contributions	50,001	46,439
Health and group insurance	60,046	37,173
Other staff benefits	29,465	39,396
Staff leave	8,195	13,480
Workers Compensation Fund	3,334	3,953
Severance pay	12,284	15,046
	<u>661,746</u>	<u>653,905</u>
10. INCOME TAX		
a) Income tax expense		
Income tax charge/(credit)	<u>-</u>	<u>-</u>
Reconciliation of income tax expense to tax based on surplus / (deficit)		
Surplus/(deficit) before income tax	<u>(155,388)</u>	<u>41,744</u>
Tax calculated at 30%	(46,616)	12,523
Items not deductible for tax purposes	-	-
Deferred tax movement not recognized	<u>46,616</u>	<u>(12,523)</u>
Income tax expense	<u>-</u>	<u>-</u>
b) Income tax recoverable		
Opening balance of tax recoverable	26,124	12,760
Current tax charge – Note 10(a)	-	-
Tax paid during the year	<u>13,015</u>	<u>13,364</u>
	<u>39,139</u>	<u>26,124</u>

TWAWEZA EAST AFRICA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	2020 USD	2019 USD
At start of year	-	-
Deferred tax asset	82,323	35,707
Deferred tax not recognized	(82,323)	(35,707)
At end of year	-	-

Deferred tax assets and liabilities are attributable to the following items:

Year ended 31 December 2020

	1.01.2020 USD	Movement USD	31.12.2020 USD
Deferred tax assets			
Plant and equipment	(33,256)	(2,282)	(35,538)
Other timing differences	(1,043)	2,479	1,436
Tax losses carried forward	(1,408)	(46,813)	(48,221)
Net deferred tax asset	(35,707)	(46,616)	(82,323)
Deferred tax not recognized	35,707	46,616	82,323
Net deferred tax	-	-	-

Year ended 31 December 2019

	1.01.2019 USD	Movement USD	31.12.2019 USD
Deferred tax assets			
Plant and equipment	(31,873)	(1,383)	(33,256)
Other timing differences	-	(1,043)	(1,043)
Tax losses carried forward	(16,357)	14,949	(1,408)
Net deferred tax asset	(48,230)	12,523	(35,707)
Deferred tax not recognized	48,230	(12,523)	35,707
Net deferred tax	-	-	-

Deferred tax asset has not been recognised in these financial statements to the extent that the realisation of the related tax benefit through future taxable profits is not probable.

TWaweza East Africa

Notes to the Financial Statements (Continued)

12. Property and Equipment

	Leasehold improvement USD	Computer accessories USD	Furniture & fittings USD	Equipment USD	Total USD
At 1 January 2020					
Cost	25,868	245,741	90,642	239,934	626,031
Accumulated depreciation	(25,868)	(213,947)	(80,926)	(230,071)	(574,658)
Net book value	-	31,794	9,716	9,863	51,373
Year ended 31 December 2020					
At start of the year	-	31,794	9,716	9,863	51,373
Additions	-	34,991	661	11,085	46,737
Depreciation charge	-	(21,142)	(3,915)	(4,786)	(29,843)
Disposals	-	(65,102)	(29,221)	(58,154)	(152,477)
Accumulated depreciation on disposals	-	56,025	26,864	50,478	133,367
Closing net book value	-	36,566	4,105	8,486	49,157
At 31 December 2020					
Cost	25,868	215,630	62,082	192,865	520,291
Accumulated depreciation	(25,868)	(179,064)	(57,977)	(184,379)	(471,134)
Net book value	-	36,566	4,105	8,486	49,157

TWaweza East Africa

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvement USD	Motor vehicles USD	Computer accessories USD	Furniture & fittings USD	Equipment USD	Total USD
At 1 January 2019						
Cost	25,868	23,846	238,598	89,919	233,741	611,972
Accumulated depreciation	(25,868)	(23,846)	(190,374)	(74,249)	(216,099)	(530,436)
Net book value	-	-	48,224	15,670	17,642	81,536
Year ended 31 December 2019						
At start of the year	-	-	48,224	15,670	17,642	81,536
Additions	-	-	7,143	723	6,626	14,492
Depreciation charge	-	-	(23,573)	(6,677)	(14,405)	(44,655)
Disposals	-	(23,846)	-	-	(433)	(24,279)
Accumulated depreciation on disposals	-	23,846	-	-	433	24,279
Closing net book value	-	-	31,794	9,716	9,863	51,373
At 31 December 2019						
Cost	25,868	-	245,741	90,642	239,934	602,185
Accumulated depreciation	(25,868)	-	(213,947)	(80,926)	(230,071)	(550,812)
Net book value	-	-	31,794	9,716	9,863	51,373

13. LEASES

(a) Right-of-use assets

	2020 USD	2019 USD
Cost		
At January	416,011	-
Additions	199,989	416,011
Prepayment	117,500	-
Write-off	(345,133)	-
At 31 December	<u>388,367</u>	<u>416,011</u>
Depreciation		
At January	257,788	-
Charge for the year	143,847	257,788
Write-off	(345,133)	-
At 31 December	<u>56,502</u>	<u>257,788</u>
Carrying amount		
At 31 December	<u>331,865</u>	<u>158,223</u>

(b) Lease liabilities

At 1 January	172,297	-
Addition	199,989	312,606
Interest expense to lease liability	14,545	27,529
Exchange gain on lease liabilities	(2,372)	(375)
Repayment of lease liability (including interest)	<u>(164,284)</u>	<u>(167,463)</u>
	<u>220,175</u>	<u>172,297</u>
Analysed as:		
Non-current	205,172	18,304
Current	<u>15,003</u>	<u>153,993</u>
	<u>220,175</u>	<u>172,297</u>
Maturity analysis:		
Year 1	15,003	153,993
Year 2	<u>205,172</u>	<u>18,304</u>
	<u>220,175</u>	<u>172,297</u>

The Organization does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Organization's Operations function.

	2020 USD	2019 USD
(c) Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets (Note 8)	143,847	143,035
Interest expense on lease liabilities (Note 8)	14,545	27,529
Exchange gain on lease liabilities	(2,372)	(375)
Income from subleasing right-of-use assets (Note 7)	(5,400)	(5,400)
Lease rentals paid	<u>281,784</u>	<u>167,463</u>

13. LEASES (CONTINUED)

(d) The Organization's leasing activities

The Organization has 3 leased office buildings in Tanzania, Kenya and Uganda. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The average lease term is 34 months (2019: 34 months).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not be used as security for borrowing purposes. The Organization's obligations are secured by the lessors' title to the leased assets for such leases.

The Organization has no options to purchase the leased assets at the end of the lease term. There are no extension or termination options on the leases.

To determine the incremental borrowing rate, the Organization:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

	2020 USD	2019 USD
14. OTHER RECEIVABLES		
Prepayments	150,230	205,631
Other receivables	44,591	33,881
Staff debtors	<u>2,481</u>	<u>1,997</u>
	<u>197,302</u>	<u>241,509</u>

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

United States dollars	147,881	200,100
Kenyan shillings	17,942	12,968
Ugandan shillings	31,018	28,178
Tanzanian shillings	<u>461</u>	<u>263</u>
	<u>197,302</u>	<u>241,509</u>

15. CASH AND BANK BALANCES

Bank balances	1,381,376	1,839,848
Petty cash balances	<u>627</u>	<u>684</u>
	<u>1,382,003</u>	<u>1,840,532</u>

16. DEFERRED CAPITAL GRANTS

At start of year	51,373	81,536
Grants received during the year (note 17)	46,737	14,492
Released to income	<u>(48,953)</u>	<u>(44,655)</u>
At end of year	<u>49,157</u>	<u>51,373</u>

TWaweza East Africa

Notes to the Financial Statements (Continued)

17. Grant Funds Receivable/ (Deferred Income Grants)

	Opening balance USD	Cash received during the year USD	Write off USD	Grant charged USD	Closing balance USD	Grant funds receivable USD	Deferred income grants USD
Year ended 31 December 2020							
DFID Tanzania	198,922	(625,150)	-	426,228	-	-	-
Hewlett Foundation	(56,182)	(1,000,000)	-	1,050,819	(5,363)	-	(5,363)
American Jewish World Service	(26,753)	(950,000)	-	971,794	(4,959)	-	(4,959)
SIDA Tanzania	(426,361)	-	-	424,196	(2,165)	-	(2,165)
DANIDA Tanzania	(398,205)	(478,248)	-	872,004	(4,449)	-	(4,449)
Wellspring Philanthropic Fund	189,299	(400,000)	-	210,701	-	-	-
DFID Uganda /Mott MacDonald/ Oxford Dejusticia	311,129 (7,492)	(299,504)	(11,625)	-	-	-	-
Embassy of Finland	(47,777)	(629,499)	-	7,453	(39)	-	(39)
PAL Network	(6,542)	-	-	673,837	(3,439)	-	(3,439)
Embassy of Switzerland to Tanzania and Zambia	(95,435)	(300,000)	-	6,509	(33)	-	(33)
Ford Foundation	-	(260,000)	-	393,427	(2,008)	-	(2,008)
Foundation for Open Society	-	(100,000)	-	258,680	(1,320)	-	(1,320)
				-	(100,000)	-	(100,000)
Total	(365,397)	(5,042,401)	(11,625)	5,295,648	(123,775)	-	(123,775)
Recognised as;							
Capital grant (Note 16)	-	-	-	46,737	-	-	-
Income grant (Note 6)	-	-	-	5,237,286	-	-	-
Write-off	-	-	-	11,625	-	-	-
				5,295,648	-	-	-

TWaweza East Africa

Notes to the Financial Statements (Continued)

17. Grant Funds Receivable/ (Deferred Income Grants) (Continued)

	Opening balance USD	Cash received during the year USD	Grant charged USD	Closing balance USD	Grant funds receivable USD	Deferred income grants USD
Year ended 31 December 2019	Restated					
DFID Tanzania	(796,640)	-	995,562	198,922	198,922	-
Hewlett Foundation	-	(1,050,000)	993,818	(56,182)	-	(56,182)
American Jewish World Service	-	(500,000)	473,247	(26,753)	-	(26,753)
SIDA Tanzania	(1,340,271)	-	913,910	(426,361)	-	(426,361)
DANIDA Tanzania	(367,568)	(884,202)	853,565	(398,205)	-	(398,205)
Wellspring Philanthropic Fund	400,000	(400,000)	189,299	189,299	189,299	-
DFID Uganda /Mott MacDonald	316,572	(308,154)	302,711	311,129	311,129	-
Dejusticia	-	(140,000)	132,508	(7,492)	-	(7,492)
Embassy of Finland	-	(318,646)	270,869	(47,777)	-	(47,777)
PAL Network	-	(33,048)	26,506	(6,542)	-	(6,542)
Embassy of Switzerland to Tanzania and Zambia	-	(300,000)	204,565	(95,435)	-	(95,435)
Total	(1,787,907)	(3,934,050)	5,356,560	(365,397)	699,350	(1,064,747)
Recognised as;						
Capital grant (Note 16)	-	-	14,492	-	-	-
Income grant (Note 6)	-	-	5,342,068	-	-	-
	-	-	5,356,560	-	-	-

TWaweza East Africa

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 USD	2019 USD
18. TRADE AND OTHER PAYABLES		
Trade payables	1,630	4,967
Accruals and other payables	591,205	530,530
Statutory liabilities	453,929	478,214
	<u>1,046,764</u>	<u>1,013,711</u>

19. 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:

	2020 USD	2019 USD
Key management remuneration		
Salaries and other short-term benefits	<u>817,608</u>	<u>829,861</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.

20. EVENTS AFTER REPORTING DATE

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

21. 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 2020 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 2020 was USD 790,232 (2019: USD 405,840).

22. ULTIMATE PARENT ORGANIZATION

The Organization is registered as a Non-Governmental Organization and hence the Members of the Organization have the ownership and fiduciary responsibility over the Organization's affairs, assets and liabilities.

ANALYSIS OF DETAILED BUDGET VERSUS ACTUAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

Description	Tanzania		Uganda		Kenya		Regional		Combined		
	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget (USD)	Actual Expenditure (USD)	% Var.
Civic Space & Citizen Agency											
Mission O1: Citizen agency	183,575	132,867	186,532	108,561	-	-	-	-	370,107	241,428	
Mission O2: Citizen voices	222,250	135,825	379,340	239,262	166,920	146,851	-	-	768,510	521,937	
Mission O3: Civic space	350,800	311,537	66,500	-	-	-	-	-	417,300	311,537	
Staff costs - Civic Space & Citizen Agency	238,690	205,567	128,518	127,894							
Total Civic Space & Citizen Agency	995,315	785,796	760,890	475,717	166,920	146,851	677,224	668,224	2,600,349	2,076,586	80%
Education											
KiuFunza III	690,432	537,242	-	-	-	-	-	-	690,432	537,242	
Total Education	690,432	537,242	-	-	-	-	-	-	690,432	537,242	78%
Learning and Strategy											
L&S Mission 1: Monitoring	68,656	67,024	30,000	10,760	-	-	6,000	4,369	104,656	82,153	
L&S Mission 2: Evaluation	141,000	41,237	50,000	2,170	100,000	41,129	-	-	291,000	84,536	
L&S Mission 3: Learning	9,650	1,300	11,300	82	2,800	-	8,000	6,055	31,750	7,437	
Staff costs - L&S	37,227	1,414	95,046	89,130	-	-	237,348	194,511	369,621	285,056	
Total L&S	256,533	110,975	186,346	102,142	102,800	41,129	251,348	204,935	797,027	459,182	58%
Operations and finance											
Ops and Finance	281,603	246,002	92,157	75,469	88,474	53,936	100,719	66,695	562,953	442,102	
Staff costs - Ops and Fin	119,951	127,324	90,398	89,820	47,927	49,687	421,950	394,915	680,226	661,746	
Total Ops and Finance	401,554	373,327	182,555	165,289	136,401	103,623	522,669	461,610	1,243,179	1,103,848	89%

ANALYSIS OF DETAILED BUDGET VERSUS ACTUAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

Description	Tanzania		Uganda		Kenya		Regional		Combined		% Var.
	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget	Actual Expenditure	Annual Budget (USD)	Actual Expenditure (USD)	
Governance and Management											
G1: Planning and reporting	30,000	-	60,000	105	-	-	249,500	112,340	339,500	112,445	
G2 Management and strategic support	-	-	-	-	-	-	9,000	4,556	9,000	4,556	
G3: Compliance	-	-	-	-	-	-	20,750	11,143	20,750	11,143	
G4: Governance	-	-	-	-	-	-	10,200	32	10,200	32	
Staff costs - GovMan	84,427	86,926	-	-	-	-	159,808	147,197	244,235	234,123	
Total Governance and management	114,427	86,926	60,000	105	-	-	449,258	275,268	623,685	362,299	58%
Provision for reserve 2% of total budget	-	-	-	-	-	-	119,562	-	119,562	-	
Grand total	1,767,829	1,357,023	1,189,791	743,252	406,121	291,603	2,020,061	1,610,038	6,074,234	4,539,158	75%
Less: Assets purchased during the year										46,738	
Office rent payment during the year										167,784	
Foreign exchange gain on lease liability										2,372	
										4,322,264	
Add: Depreciation on property and equipment										29,843	
Depreciation on right of use of asset										143,847	
Interest expenses on lease liability										14,545	
Net book value of assets written off										19,110	
Sub-granting to Uwezo entities										936,929	
Total expenditure (per financial statements)										5,466,538	