POLICY FORUM LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Table of Contents

POLICY FORUM LIMITED

Organization Information

Country of Registration	Tanzania
Date of Registration	12 September 2006
Certificate of Registration Number	57653
Principal Place of Operation and Registered Office	Plot 14 House No. 752 Sembeti Road Mikocheni B Dar es Salaam, Tanzania
Directors	Bakar Hamis — Chairperson Hebron Mwakagenda — Vice Chairperson Semkae Kilonzo — Board Secretary Jovina Nawenzake — Board Member Nemence Iriya — Board Member Amani Mustapha — Board Member Kidani Magwira — Board Member Dr. Peter Bujari — Board Member
Bankers	Barclays Bank Tanzania Limited Mikocheni Branch P.O Box 5137 Dar es Salaam, Tanzania.
Auditors	HLB MEKONSULT Certified Public Accountants 2^{nd} Floor, Acacia Estates 84 Kinondoni P.O. Box 20651. Dar es Salaam, Tanzania.

POLICY FORUM LIMITED

List of Abbreviations

ANSAF	Agricultural Non- State Actors Forum
DRM	Domestic Resource Mobilisation
DRM	Domestic Resource Mobilization
DTA	Double Taxation Agreement
HIVOS	Humanistisch Instituut voor Ontwikkelingssamenwerking
HRMIS	Human Resource management information system
IASB	International Accounting Standards Board
IESBA	Internal Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
KEPA	Kehitysyhteistyon palvelukeskus (Service Centre for Development Cooperation)
LAPF	Local Authorities Pension Fund
LG	Local Government
MACSNET	Manyara Regional Civil Society Network
MIS	Management Information System
MP	Member of Parliament
NB	National Budget
NSSF	National Social Security Fund
OSHA	Occupational Health and Safety Act
PBO	Parliament Budgetary Office
PF	Policy Forum
PPF	Parastatal Pension Fund
PSPF	Public Service Pensions Fund
SAM	Social Accountability Monitoring
SDG	Sustainable Development Goals
SDG	Sustainable development Goals
TNCHF	Tanzania Network of Community Health Funds
TNRF	Tanzania Natural Resources Forum
TZS	Tanzania Shillings
USAID	US Agency for International Development
USD	United State Dollar
YDP	Year's Development Plan

POLICY FORUM LIMITED

DIRECTORS REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their report on the financial statements of Policy Forum Limited for the year ended 31 December 2017.

1. Incorporation

The company is incorporated in the United Republic of Tanzania under the Companies Act 2002 as a Private Company limited by guarantee and not having a share capital. Policy Forum Limited obtained registration as a company limited by guarantee and not having a share capital on 12 September 2006. Prior to that, Haki Elimu was requested by the then steering committee and agreed to act as a trustee of Policy Forum Limited and this role ended on 31 December 2006. With effect from 01 January 2007, Policy Forum Limited has been operating as an independent legal entity.

2. Principal activities

The main objective of Policy Forum Limited is to seek enhanced transparent and accountable governance and improved quality of life of the Tanzanian people. This includes effective protection of human rights through the strengthened ability of civil society to constructively influence key policy decisions relating to poverty reduction, equity, democratisation and other key policy issues.

In 2017 Policy Forum embarked on the journey of implementing its four year Strategic Plan 2017-2020. With new strategic plan there are lot of operational approaches that have changed to facilitate its implementations compare to the previous strategic plan. The new strategic plan comprises of three outcomes namely;

Outcome 1: Strengthened PF members' capacity to influence and monitor the implementation of policies relating to public resources

Outcome 2: Policymakers supportive of PF agenda related to transparent, equitable use of public money and increased DRM.

Outcome 3: Institutional effectiveness and efficiency of Policy Forum network is sustainably enhanced.

New Strategic Plan 2017-2020 also led to the review of both vision and mission statement of Policy Forum as we continue to reach the envisioned impact of our plan.

3. Vision and mission statement

Vision

Policy Forum envisions improved quality of life for the Tanzanian people.

Mission

To influence and monitor the implementation of policies for enhanced governance and accountable use of public resources.

4. Review of activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

DIRECTORS REPORT (CONTINUED)

5. Funding and expenditure

The year 2017 marked the first year of the new four years strategic plan which ends in December 2020. Both new strategic plan and its budget was approved during the 2017 Annual General meeting in 2017, new funder DANIDA joined into the pool of core funding donors with four-year contract to 2020

During the year 2017, the company received funds from American Jewish World Service, Inc., Tax Justice Network Africa through its SCUT project, Swiss Agency for Development and Cooperation, Natural Resource Governance Institute and HIVOS for HakiRasilimali related activities. The budget was additionally funded through membership fees and contributions from members such as KEPA Tanzania, ANSAF and Mama Misitu under TNRF. Funds unused as at the year ended 31 December 2017 are carried forward for use in approved programs during the subsequent year or returned back for completed contracts.

Expenditure is managed in accordance with approved budgets, with Policy Forum Limited's member organizations and Secretariat being largely responsible for the implementation of program activities.

The Board of Directors, the secretariat and convener of the two working groups reviewed and formulated the 2017 annual plan during the annual retreat held in Arusha in December 2016 and during the board meeting held in January 2017 the new annual budgets for the year 2017 was approved and endorsed by the Annual General Meeting of Policy Forum Limited in March 2017.

6. Solvency

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. These basis presumes that funds will be available to finance future activities and operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of activities. The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing activities of the company.

The board of directors has reasonable expectation that Policy Forum Limited has adequate resources to continue in operational existence for the foreseeable future.

7. Directorate

The directors of the company at the date of this report are as follows:

Name:	Designation	Organization	Nationality
Bakar Khamis Bakar	Chairperson	KEPA Tanzania	Tanzanian
Hebron Mwakagenda	Vice Chairperson	The Leadership Forum	Tanzanian
Nemence Iriya	Board Member	MACSNET	Tanzanian
Amani Mustapha Mhinda	Board Member	HAKIMADINI	Tanzanian
Jovina Nawenzake	Board Member	Action Aid	Tanzanian
Kidani Magwira	Board Member	TNCHF	Tanzanian
Dr. Peter Bujari	Board Member	Health Promotion Tanzania	Tanzanian

The Secretary as at 31 December 2017 was Mr. Semkae Kilonzo

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report which may have a material impact on the financial statements.

8. Corporate governance

The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering significant financial matters, and reviewing the performance of management, strategic plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles. The Board meets at least four times a year to review the company short and long-term strategy.

The Board delegates the day to day management of the company to the coordinator assisted by the managers. Members of the senior management team are invited to attend board meetings and facilitate the effective control of all the company operational activities. The o company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

The board of directors has delegated the day to day running of the company's activities to the secretariat led by the coordinator.

The company is committed to the principles of effective corporate governance. The directors and secretariat also recognize the importance of integrity, transparency and accountability.

9. Risk management and internal control

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

- The effectiveness and efficiency of operations;
- The safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Operational sustainability under normal as well as adverse conditions; and
- Responsible behavior 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 controls can provide absolute assurance against misstatement or losses, the company's systems are designed to provide the board with reasonable assurance that the procedures in place are operating effectively.

The secretariat and the board assessed the internal control systems throughout the financial year ended 31 December 2017 and are of the opinion that they met accepted criteria.

10. Employees' welfare

The company's employment terms are reviewed annually to ensure that they meet statutory and market conditions.

Relationship between the board and secretariat

The relation between the board and secretariat continued to be cordial during the year. There were no unresolved complaints received by the board from the employees during the year.

Medical facilities

The company provides medical aid to the staff through private medical insurance scheme.

DIRECTORS REPORT (CONTINUED)

In order to improve the motivation of employees, the company provides training and holds regular meetings with employees to discuss workplace development.

Disabled persons

It remains the company's policy to accept disabled persons for employment for those vacancies that they are able to fill. The policies and procedures of the company provide for alternative measures to accommodate employees with disabilities.

11. Gender parity

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

During the year ended 31 December 2017, the company had 11 employees, out of which 4 were female and 7 were male (2016:11 employees, out of which 4 were female and 7 were male).

12. Auditors

HLB MEKONSULT were appointed to audit the Policy Forum Limited financial statements for the year ended 31 December 2017 and have expressed their willingness to continue in office and are eligible for re-appointment.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Policy Forum Limited, as indicated below, were approved by Policy Forum Limited board of directors on 16th ***March 2018*** and are signed on its behalf by:

....	16th March, 2018
Chair Person, *Bakar Khamis Bakar*	**Date**
....	16th March, 2018
Coordinator, *Semkae Gad Kilonzo*	**Date**

POLICY FORUM LIMITED

STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Policy Forum Limited management accepts responsibility for the financial Statements for the year ended 31 December 2017, which has been prepared in accordance with generally accepted accounting principles

The management is of the opinion that the financial statements give a true and fair view of the state of financial activities and affairs of the company as at 31 December 2017. The management further accepts responsibility of the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

....	16th March, 2018
Chair Person, *Bakar Khamis Bakar*	**Date**
....	16th March, 2018
Coordinator, *Semkae Gad Kilonzo*	**Date**

POLICY FORUM LIMITED

DECLARATION OF THE HEAD OF FINANCE OF POLICY FORUM LIMITED

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 Policy Forum Limited and Management 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 the International Financial Reporting Standards and Company's Act 2002.

Full legal responsibility for the preparation of financial statements rests with the directors as under Directors' Responsibility statement on the earlier page.
I, ***GIBONS A. MWABUKUSI*** being the Head of Finance of Policy Forum Limited here by acknowledges my responsibility of ensuring that financial statements for the year ended 31 December 2017 have been prepared in compliance with International Financial Reporting Standards and Company's Act 2002.

I thus confirm that the financial statements present a true and fair view position of Policy Forum Limited on that date and that they have been prepared based on properly maintained financial records.

Name:	Gibons A. Mwabukusi
Signed:	
Position:	Finance & Administration Manager
NBAA Membership No:	GA 3666
Date:	16th March, 2018

HLB MEKONSULT
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POLICY FORUM LIMITED

Introduction

We have audited the financial statements of Policy Forum Limited, which comprise the Statement of Financial Position as at 31 December 2017, the Statement of Financial Activities, Statement of Changes in Net assets and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 27.

Opinion

In our opinion, the accompanying financial statements present a true and fair view of the financial position of Policy Forum Limited as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Company Act 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and 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

Management is responsible for the other information. The other information comprises the information included in Senior Management Team statements and the Head of Finance declaration, but does not include the financial statements and our audit reports thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Director's responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that present a true and fair view in accordance with International Financial Reporting Standards 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility

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 International Standards on Auditing (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 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 judgment 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 company'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 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 company'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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit we report that:

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

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of financial activities are in agreement with the books of account.

HLB MEKONSULT

Signed by: **Elinisaidie K Msuri**
Managing Partner

Date: 16/03/2018
Dar es Salaam

Elinisaidie K. Msuri
Certified Public Accountant - ACPA 814
P.O. Box 20651, Dar es Salaam

Certified Public Accountants

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POLICY FORUM LIMITED

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 TZS (000)	2016 TZS (000)
INCOME			
Grants and contributions	3	1,932,401	1,636,604
Other Operating income	4	37,900	47,666
Total Income		**1,970,301**	**1,684,270**
EXPENDITURE			
Operating expenses	5	2,197,909	1,672,352
Depreciation	6	12,921	11,918
Total Expenditure		**2,210,830**	**1,684,270**
Deficit for the year		**(240,529)**	**-**

The Statement of Financial Activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 27.

Report of the Auditors – page 8 and 9

POLICY FORUM LIMITED
STATEMENT OF FINANCIAL POSITION

	NOTE	2017 TZS (000)	2016 TZS (000)
ASSETS			
Non-current Assets			
Property and Equipment	6	37,559	28,326
Current Assets			
Receivables	7	19,215	17,447
Cash and Cash Equivalents	8	916,728	660,311
		935,944	**677,758**
Total Assets		**973,502**	**706,084**
LIABILITIES			
Non-current Liabilities			
Deferred capital grant	9	37,557	**28,326**
Current Liabilities			
Payables	10	1,094,418	416,505
Deferred Revenue Grants	11	13,460	192,657
Total Liabilities		**1,145,435**	**714,892**
Net (Liabilities)/Asset		**(171,933)**	**68,596**
NET ASSET			
(Deficit)/Accumulated Funds		**(171,933)**	**68,596**

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 27.

Report of the Auditors – page 8 and 9

Chair Person, *Bakar Khamis Bakar*

16th March, 2018
Date

Coordinator, *Semkae Gad Kilonzo*

16th March, 2018
Date

POLICY FORUM LIMITED

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Funds TZS (000)	Total Accumulated Funds TZS (000)
Balance at 1 January 2016	68,596	68,596
Balance as at 31 December 2016	**68,596**	**68,596**
Balance as at 1 January 2017	68,596	68,596
Deficit and Total Comprehensive Income for the year	(240,529)	(240,529)
Balance at 31 December 2017	**(171,933)**	**(171,933)**

The Statement of Changes in Net Asset is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 27.

Report of the Auditors – page 8 and 9

POLICY FORUM LIMITED

STATEMENT OF CASH FLOWS

	2017 TZS (000)	2016 TZS (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Net deficit for the year	(240,529)	-
Adjustments for non-cash expenses		
Depreciation	12,921	11,918
Amortization	(12,921)	-
Gain on disposals	-	(6,885)
Gains on foreign Exchange	-	(3,144)
Changes in Working Capital		
(Increase) /Decrease in receivables	(1,768)	1,881
Increase/(Decrease) in payables & provisions	677,914	(56,912)
Decrease in deferred revenue grant	(179,197)	(20,021)
Net Cash Flow From Operating Activities	**256,417**	**(73,163)**
Cash Flows from Investing Activities		
Purchase of property and equipment	(22,152)	(18,332)
Sale of Property, plant & Equipment	-	3,144
Net Cash Flow from Investing Activities	**(22,152)**	**(15,188)**
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in deferred capital grants	22,152	6,414
Net Increase/(Decrease) in cash and cash equivalents	**256,417**	**(81,937)**
Cash and Bank at 1 January	660,311	742,248
CASH AND BANK AT THE END OF THE YEAR	**916,728**	**660,311**

The Statement of Cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 27.

Report of the Auditors – page 8 and 9

POLICY FORUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Policy Forum Limited is a private limited company incorporated and domiciled in the United Republic of Tanzania. The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with resolution of the directors on the date of signature of these financial statements.

2. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the organisation's financial statements.

2.1. Basis of Preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 2002. The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings (TZS) rounded to the nearest thousand, which is the company's functional currency. The company pursues charitable objectives and its constitution requires that the income and property of the company shall be applied solely towards promotion of all objects of the company as set forth in its Memorandum of Association and no portion thereof shall be paid or transferred, directly or indirectly, by way of dividend, gift, division, bonus or otherwise by way of profit to the members of the company. Presently, the company largely relies on grants to pursue its activities. These accounting policies are consistent with the previous period.

2.2. Property and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Percentage
Furniture and fixtures	Straight line	12.5%
Motor vehicle	Straight line	20%
IT equipment	Straight line	33.3%
Office equipment	Straight line	25%
Generator	Straight line	25%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

2.3. Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

2.4. Financial instruments (continued)

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Receivables are classified as loans and receivables.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

2.5. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

2.6. Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- Tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.7. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

2.8. Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services
  - the expenditures that will be undertaken; and

- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- The amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 17.

2.9. Grants and contributions

Grants revenue is recognized once the facility is approved by the donor and all conditions for receiving them have been fulfilled. The revenue received is recorded as deferred revenue in the liability section of the statement of financial position. The deferred revenue is released and recognized in the statement of profit or loss and other comprehensive income over the period necessary to match them with the related expenditure.

Member's contributions are accounted for in the year in which they are received.

Income from other sources is recognized when received.

Capital grants

Capital grants represent the grant income received for purposes of capital expenditure. These are included in noncurrent liabilities and released and recognized in the statement of profit or loss and other comprehensive income on a straight line basis over the expected useful lives of the related assets.

2.10. Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.

2.11. Improvements to IFRSs

a) Standards that became effective during the period under review

New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current or prior year

Name of standard	Details of the changes
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment • introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated • add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016
IAS 1 Disclosure Initiative (Amendments to IAS 1)	The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. Effective for annual periods beginning on or after 1 January 2016.

b) **Standards and interpretations in issue but not yet effective**

At the reporting date, the following new and/or revised accounting standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements. Policy Forum Limited has not yet assessed the impact of these changes on their financial statements when they become effective:

Name of standard	Changes made to the standard
IAS 7 Disclosure Initiative – Amendments to IAS 7	The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Effective for annual periods beginning on or after 1 January 2017.
IFRS 15 R evenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts Recognise revenue when (or as) the entity satisfies a Performance obligation. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017
IFRS 9 Financial Instruments	A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. Effective for annual period beginning on or after 1 January 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Effective for annual periods beginning on or after 1 January 2018.
IFRS 16 Leases	The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Effective for annual periods beginning on or after 1 January 2019

3. Grants and Contributions

	2017 TZS (000)	2016TZS (000)
American Jewish (Donor)	473,340	323,100
Swiss Development Corp. (Donor)	997,650	1,133,480
DANIDA	318,645	-
Foundation for Open Society Institute(FOSI)	-	108,780
Capital Grant Released	(9,231)	(6,415)
Deferred Grants Released	43,553	(2,777)
Tax Justice Network Africa	52,765	
Grant Revenues(Donors/Partners)	**1,876,722**	**1,556,168**
Contributions	50,644	60,425
PF Members' Contribution	**50,644**	**60,425**
Campaign Income	**5,035**	**20,011**
Total	**1,932,401**	**1,636,604**

4. Other operating income

Reimbursed expense	13,330	7,837
Miscellaneous Income	1,791	29,800
Gain on disposal	-	3,144
Foreign exchange gain	22,779	6,885
Total	**37,900**	**47,666**

5. Operating Expenditure

	2017 TZS (000)
Programme Expenses	
PF members are equipped with knowledge and skills to analyze policies	
Train PF members on policy, budget analysis & advocacy skills	13,763
Produce Policy Briefs on SDGs, DRM, 5YDP, Tax Justice, Gender	24,287
Produce Position papers on NB, Tax & Local Government	14,959
Prepare and disseminate infopack	9,755
Analytical support to PF Working Groups	1,684
Programme Payroll & Other expense for Output 1.1	28,984
Improved Policy Forum members' learning for effective monitoring of public budget and policy processes	
Conduct Quarterly meetings with PF members	35,215
Organize Zonal Reflection meetings including on follow-up on SAM initiative /Agreement	35,772
Organize Annual Learning Forum	57,451
Produce governance study	110,557
Local and International Networking	16,624
Programme staffs' payroll costs & Other expenses for Output 1.2	118,387
Policy Forum members have access to tools and platforms to engage on policy issues and the public	
Produce simplified versions of relevant polices and guidelines through working group	105,514
Airing of television spot, radio programmes, documentary to inform public on current policies and legislative issues. relating to public resources.	299,982
Conduct monthly breakfast debates on public policy issues	39,373
Programme Payroll expense for Output 1.3	182,656
Improved public access to budget, extractives revenue and tax information	
Disseminate Open Budget Survey findings, website and other electronic channels	4,742
Conduct campaign on open extractive contracts	12,058
Conduct meetings with the government to provide inputs on the simplified versions of citizens budget and citizens audit report	12,600
Programme staffs' payroll costs & other expenses for Output 2.1	17,920
Policy Forum's domestic resource mobilization agenda integrated by state	
Develop a report on tax in Tanzania for advocacy	49,589
Policy briefs and press releases shared in time to influence government decisions	13,127
Advocate for the review of DTAs & Equitable distribution of taxing rights.	
Advocate for the introduction of fiscal transparency through tax expenditure policies.	
Engage MPs on the tax and revenues from the extractives findings	14,077
Support regional efforts for tax harmonization to address race to the bottom	
Advocate for the domestication and implementation of the African Mining Vision mapping study recommendations at regional and national levels	28,390
Stop the Bleeding Campaign follow up event with Tanzania MPs	20,340

POLICY FORUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Programme staffs' payroll costs & Other expenses for Output 2.2	73,307
Government are more accountable in the use of public resources including gender budgeting and policies	
Learning sessions with Parliament committee clerks including PBO staff on responsive & gender budget and policies	13,004
Analyze the national budget with a responsive and gender lens	4,896
Enhanced skills and knowledge of councilors on responsive and gender sensitive budgets	34,193
Programme staffs' payroll costs & Other expenses for Output 2.3	24,244
Monitoring, Evaluation and Learning system strengthened	
Conduct baseline Survey	15,000
Develop a participatory performance monitoring and Learning Strategy	767
Document and disseminate lesson learned	11,061
Conduct semi and annual reviews and develop Operational Plans with Staff, Board members and concerners	44,043
Community radio programs evaluation	32,171
Systematic documentation of advocacy experience	5,920
Programme staffs' payroll costs & Other expenses for Output 3.1	77,138
Policy Forum governance strengthened	
Conduct Annual General Meeting	25,630
Organize Board Meetings	5,735
Facilitate conduction of an Internal Audit function and Annual External Audit Exercise	36,507
Board Members Orientations and Board Performance Review for effective policy decision making and board governance	4,248
Programme staffs' payroll costs & Other expenses for Output 3.2	29,913
Secretariat effectively and efficiently manages resources	
Developing of HRMIS, Training & Career Enhancement plan, gender policy and Review of Staff Performance, Administration Policy and Financial Manual	7,517
Establish an Integrated Management Information System (MIS)	71,858
Develop an occupation health and safety (OSHA) policy	165
Programme staffs' payroll costs & Other expenses for Output 3.3	41,093
Financial availability and sustainability enhanced	
Organize annual joint donor meetings	1,810
Programme staffs' payroll costs & Other expenses for Output 3.4	398
Total	**1,828,423**

Secretariat Expenses

Salaries/Benefits for Admin Staff and Organization/Staff Development	
Finance & Administration manager	95,079
Admin Assistant	44,294
Logistics Officer	30,188
Organization development & employee career support	15,088
Property & Equipment Acquisitions	
Equipment Tools	398
Software and Upgrades	448
Running Costs	
Office Premises Renting, Maintenance and Security	96,160
PPE , MIS, Apps, Website Subscription and Maintenance	14,397
Office Utilities	27,193
Data, Voice, postal communication and Data software & security	12,927
Office Stationeries & Supplies	11,568

POLICY FORUM LIMITED

Transportation	12,075
Legal, Insurance, Finance & Administrative Fees	9,670
Total	**369,486**
Grand total	**2,197,909**

Amounts related to the above note had no comparative due to the nature of prior period. Nature of activities depends on current year strategic plan which defer from year to year. Comparative of the same is through the statement of activities on page 10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Property and Equipment

	Furniture & Fixtures TZS (000)	Motor Vehicle TZS (000)	IT Equipment TZS (000)	Office Equipment TZS (000)	Generator TZS (000)	Total TZS (000)
Cost:						
Cost on 1 January 2017	14,479	95,015	47,877	30,330	23,700	211,401
Additions	-	-	20,621	1,530	-	22,152
Balance as 31 Dec 2017	**14,479**	**95,015**	**68,498**	**31,860**	**23,700**	**233,553**
Accumulated Depreciation						
Balance as 1 January 2017	11,756	95,015	36,039	16,565	23,700	183,075
Depreciation Charge	732	-	7,612	4,575	-	**12,921**
Balance as 31 December 2017	**12,488**	**95,015**	**43,651**	**21,140**	**23,700**	**195,994**
NET BOOK VALUE						
31-Decmber 2017	**1,991**	**-**	**24,847**	**10,720**	**-**	**37,559**
31-December 2016	**2,723**	**-**	**11,838**	**13,765**	**-**	**28,326**

7. Receivables

	2017 TZS (000)	2016 TZS (000)
Funds Receivable	-	8,752
Prepayments	8,277	8,695
Salary advance	10,900	-
Staff Imprest	38	-
Total	**19,215**	**17,447**

8. Cash and Cash Equivalents

Barclays Bank-USD	869,612	650,994
Barclays Bank Tanzania Ltd-TZS	47,116	9,317
Total	**916,728**	**660,311**

9. Deferred Capital grants

Opening balances	28,326	21,912
Additions during the year	22,152	18,332
Amortization of deferred capital grant	(12,921)	(11,918)
Total	**37,557**	**28,326**

10. Payables

Accrued expenses	326,910	90,555
Grants received in advance	669,055	325,950
Payroll liabilities	58,247	-
Sundry Accruals	3,500	-
Haki Rasilimali	36,706	-
Total	**1,094,418**	**416,505**

11. Deferred Revenue grant

Opening balance	**192,657**	**212,678**
Refund to donors	(136,594)	(25,107)
Grant revenue	1,842,400	1,565,360
Members contribution	50,644	60,425
Campaign Income	5,034	20,011
Other income	15,121	37,637
Other operating gains	22,779	10,030
Allocation to capital grant	(22,152)	(18,332)
Grant released to income	(1,957,379)	(1,672,355)
Membership fee deferment	950	2,310
Total	**13,460**	**192,657**

12. Commitments and Contingencies

Capital commitments

At 31 December 2017, the company had no contractual approved or unapproved commitments

Contingencies

The directors are of the opinion that there are no contingent liabilities as at 31 December 2017

13. Related party transactions

Unless otherwise disclosed, all transactions with related parties are on an arm's length basis at market related prices. The organisation has a related party relationship with its executive management.

Transactions with key management personnel

Key management personnel compensations are included under staff costs. None of the key management personnel had or has any significant influence with any entity with whom the organisation has had significant transactions with.

14. Comparative Figures

Previous year's figures have been regrouped whenever necessary in order to make them comparable with the current year figures.

15. Events after Balance Sheet Date

For year 2018 immediately after the reporting period the organization received 318,375.15 or (DKK 2,000,000) equivalent to TZs 705,837,707.55 from DANIDA. This disbursement was in respect of year 2017 and 2018. However due to uncertainty of its receipt it was never recognized due to conditions to be fulfilled for grant recognition. This matter has resulted to a deficit as shown in the statement of profit or loss and other comprehensive income.

From the amount received TZs 352,919 was attributable to 2017 on which its implication to the Deficit would have been as follows (value in '000)

Receivable in respect of total grant payable which would decrease to TZs 741,499 (in Note 10.) and increase of Grant Revenue (Donor/Partners) to 2,195,319 (in Note 3) therefore total TZs 68,837 will be deferred to 2018 rather than release of TZs. 43,553 as shown in Note 3 and affecting Note 11 as well, which will increase to the tune of TZs 125,850.

Grant released to income would rise to TZs 2,172,929 and erode the deficit to zero. Therefore, the Net Asset will remain at 68,596 as per previous year. Since there was no actual receipt or payment as of 31st December 2017 therefore cashflow would not have been affected.