

TANGANYIKA LAW SOCIETY

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

TANGANYIKA LAW SOCIETY

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

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TANGANYIKA LAW SOCIETY

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GENERAL INFORMATION

Registered office:

Tanganyika Law Society Limited,
Plot No. 391,
Chato Street, Regent Estate,
P. O. Box 2148,
Dar es Salaam
Tanzania.

Main bankers:

NMB Bank
Bank House Branch
P. O. Box 9031
Dar es Salaam
Tanzania.

CRDB Bank
Tower Branch
PPF Building
Dar es Salaam
Tanzania.

Auditors:

Claritas International
Certified Public Accountants
395 Ursino Building
Morocco Junction
Mwai Kibaki Road
P. O. Box 76062
Dar es Salaam
Tanzania.

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ABBREVIATIONS

AGM	Annual General Meeting
CBA	Canadian Bar Association
CLE	Continuing Legal Education
DAT Fund	Deceased Advocates Trust Fund
EALS	East Africa Law Society
GTZ	Government of Tanzania
IAASB	International Auditing and Assurance Standards Board
IFRS	International Financial Reporting Standards
IPPF	International Professional Practice Framework
ISA	International Standards on Auditing
LAAC	Legal Aid and Advisory Centre
LARP	Legal Sector Reform Program
LAS	Legal Aid Secretariat
LSF	Legal Service Facility
NBAA	National Board of Accountants and Auditors
USD	United States Dollars
TLS	Tanganyika Law Society
TZS	Tanzanian Shillings

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GOVERNING COUNCIL'S REPORT

1. INTRODUCTION

The Governing Council submits its report and the audited financial statements for the year ended 31 December 2017. This report has been prepared in accordance with the requirements of the Tanzania Financial Reporting Standard No. 1 (TFRS 1) issued by National Board of Accountants and Auditors (NBAA).

2. INCORPORATION

The Tanganyika Law Society (TLS) is the Bar association of Tanzania Mainland, founded in 1954 by an Act of Parliament – the Tanganyika Law Society Ordinance 1954. The Tanganyika Law Society is currently governed by the Tanganyika Law Society Act, Cap 307 R.E. 2002, which repealed the earlier legislation.

3. PRINCIPAL ACTIVITIES

Tanganyika Law Society's Vision:

A Society where Justice is upheld.

Tanganyika Law Society's Mission:

To promote and protect access to justice, good governance and rule of law for all with sustained professional standards.

The Objectives of the Society

The objectives of the Society are concerned with the promotion of the legal profession in Tanzania Mainland, more particularly:

- (a) To maintain and improve the standards of conduct and learning of the legal profession.
- (b) To facilitate the acquisition of legal knowledge by members of the legal profession.
- (c) To assist the Government and the courts in all matters affecting legislation and the administration and practice of the law.
- (d) To represent, protect and assist members of the legal profession as regards conditions of practice and otherwise.
- (e) To do all such other things as are incidental or conducive to the attainment of the foregoing objectives or any of them.
- (f) To invest and deal with moneys of the Society not immediately required in such manner as may from time to time be determined by the Society.

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GOVERNING COUNCIL'S REPORT (CONTINUED)

- (g) To raise or borrow money for purposes of fulfilling all or any of the foregoing objectives in such manner and upon such security as may from time to time be determined by the Society.
- (h) To do all other things which are incidental or conducive to the attainment of the foregoing objects or any of them

4. RESULTS FOR THE YEAR

The Society made a deficit of TZS 462,450,566 during the year out of which TZS 145,562,646 is due to write off of office building (2016: Deficit of TZS 248,970,966). Details of the Society's performance is shown on page 16.

5. PERFORMANCE FOR THE YEAR

Performance for the year on the basis of the approved budget for the year was as follows:

(i) Revenue

Total actual revenue during the year under review was TZS 2,588,502,387, this being lower on the approved budget of TZS 3,591,474,650 by TZS 1,002,972,263. The difference is mainly caused by shortfall in collection of membership subscription fees.

(ii) Expenditure

The expenditure budget was allocated into four key strategic areas (KRAs) as follows:

KRA1: Membership development services and compliance,
KRA 2: Access to Justice and the Rule of Law,
KRA 3: Knowledge Creation, ICT and the Publicity of TLS, and
KRA 4: Institutional Development.

The actual performance against budget was as follows:

Key Strategic Area	Actual (TZS)	Approved budget (TZS)	Variance (TZS)	Variance (%)
Membership Development and Compliance	1,002,971,795	990,039,501	12,932,294	1.3%
Access to Justice and Rule of Law	758,964,662	842,977,304	(84,012,642)	-10%
Knowledge Creation, ICT and Publicity	24,627,271	108,900,000	(84,272,729)	-77.4%
Operation Expenses and Institutional Development	1,264,389,225	1,612,810,925	(348,421,700)	-21.6%
Total	3,050,952,953	3,554,727,730	(503,774,777)	-14.2%

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GOVERNING COUNCIL'S REPORT (CONTINUED)

(i) Membership Development and Compliance.

Actual total expenditure was TZS 1,002,971,795 above the approved budget of TZS 990,039,501 mainly due to over expenditure in conference charges during the March 2017 Annual General Meeting. The conference charge was incurred in USD at the rate of TZS 2,287/USD instead of the budgeted rate of TZS 2,200/USD. As a result, actual conference charge during the March 2017 AGM was TZS 453,293,306 against the approved budget TZS 434,334,000 leading to an overspending of TZS 18,959,306.

(ii) Access to Justice and Rule of Law

Significant part of these expenditures relate to project activities funded by the development partners. During the year implementation of most of the project activities started late. For instance, CBA-SIIRD started in April 2017, The Foundation for Civil Society in August 2017, LSF in April 2017, and Freedom House August 2017. As a result, total actual expenditure was lower on approved budget by TZS 84,012,642 due to late disbursement of funds by the development partners.

(iii) Knowledge Creation, ICT and Publicity

In this area two main activities were budgeted for this component of our strategic plan, namely, enhancing TLS visibility and publishing of TLS Law Reports (TLSLR). Some of the key activities were not conducted, including the printing of office stationaries in the TLS logo and law reports. Law reports are expected to be printed during the year 2018.

(iv) Operational expenses and institutional development

Total actual expenditure in this component of the strategic plan was lower on the approved budget by TZS 348,421,700 due to contributions made by projects funded by development partners towards payroll costs. Total payroll costs were TZS 740,194,477 out of which a total of TZS 254,630,301 (34%) was contributed by projects funded by the development partners.

6. FUTURE DEVELOPMENTS

The major focus of the Society is to ensure growth, sustainability and successful implementation of its mandates; TLS intends to expand its membership base across the country, increase number of projects/programs implemented and start income generating initiatives. Also, with increased number of members, TLS intends to increase the number of and improve capacities of its human resources. The construction of Wakili House is in progress and as such the Society expects to move into its own new office building in the near future.

LAAC Project background information

The Legal Aid and Advocacy Centre (LAAC) is a project aimed at the construction of a building that can provide enough space to house the ever-increasing TLS statutory role of providing legal aid, human rights advocacy, legal reform activities and administrative activities. The LAAC project is popularly known as "Wakili House".

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GOVERNING COUNCIL'S REPORT (CONTINUED)

Commencement of construction works

Project site was handed over to the contractor M/S Flintstone Engineering in Joint Venture (JV) with Pioneer Builders Ltd on 1 May 2017. However, actual commencement for construction work was delayed due to late production of geotechnical investigation results. As a result, the construction work commenced in July 2017.

Cost of the LAAC project

Total cost of the project was initially estimated at TZS 2,910,937,019 (Tanzania Shillings Two Billion Nine Hundred Ten Million Nine Hundred Thirty Seven Thousand Nineteen). However, as at 31 December 2017 cost variations amounting to TZS 152,125,620 were recorded. The variation cost as approved by the Governing Council comprised of the following:

S/N	Description	Amount (TZS)
1	Cost to undertake a geotechnical investigation at the project site as an additional work to the contractor	16,654,638
2	Cost to revise substructure emanating from geotechnical investigation results	89,124,982
3	Cost of reinforcement steel discrepancy between drawings and bar bending schedule	46,346,000
	Total variation	152,125,620

Financial Status

Detailed analysis of the financial performance and position of the LAAC Project is shown in Note 19 to the financial statements.

Financing of the LAAC Project

In order to ensure construction works go uninterrupted, the Governing Council approved a loan application from CRDB of TZS 2.2 billion. Loan application processes were in progress as at the date of this report.

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GOVERNING COUNCIL'S REPORT (CONTINUED)

7. COMPOSITION OF THE GOVERNING COUNCIL

The Governing Council members who served the Society during the year up to the date of this report are as follows:

S/N	Name	Designation	Age	Discipline / Qualifications	Nationality	Appointment date
1	Tundu Lissu	President	50	LLM, LLB	Tanzanian	18 March 2017
2	Godwin Ngwilimi	Vice President	50	LLM, LLB	Tanzanian	18 March 2017
3	Sadock Magai	Honorary Treasurer	55	LLB, Post Graduate Diploma (Finance)	Tanzanian	18 March 2017
4	Hussein Mtembwa	Member	38	LLB	Tanzanian	18 March 2017
5	Aisha Sinda	Member	34	LLM, LLB	Tanzanian	18 March 2017
6	Jeremiah Mtobesya	Member	35	LLB, Post Graduate (Legal Practice)	Tanzanian	18 March 2017
7	Madeline Kimei	Member	32	LLM, LLB, Post Graduate (Legal Practice)	Tanzanian	18 March 2017
8	Stephen Axwesso	Member	35	LLB, Post Graduate (Legal Practice)	Tanzanian	18 March 2017
9	Godluck Walter	Member	34	LLB, Post Graduate (Legal Practice), Post graduate in Law, Mediation and Arbitration	Tanzanian	18 March 2017
10	Lambaji Madai	Member	39	LLB, Post Graduate (Legal Practice)	Tanzanian	18 March 2017

All members of the Governing Council are non-executives.

The company secretary who served the Society during the year was Kaleb Gamaya and up to the date of this report was Mariam Othman.

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GOVERNING COUNCIL'S REPORT (CONTINUED)

8. MEETINGS OF THE GOVERNING COUNCIL

The Governing Council is required to meet at minimum four (4) times yearly whereby the meetings are held on every quarter. However, the Governing Council may convene special meeting to discuss non routine matters or whenever there is an urgent matter which needs consideration by the Governing Council. Accordingly, during the year ended 31 December 2017, the Council held two (2) ordinary meetings and six (6) extraordinary Council meetings.

The attendance to the Governing Council meetings during the year were as follows:

S/N	Name of Governing Council Member	Position	Number of Meetings Attended
1	Tundu Antipas Lissu	President	4
2	Godwin Simba Ngwilimi	Vice President	8
3	Sadock Magai	Honorary Treasurer	7
4	Hussein Mtembwa	Member	6
5	Aisha Sinda	Member	3
6	Jeremiah Mtobesya	Member	5
7	Madeline Kimei	Member	7
8	Stephen Axwesso	Member	8
9	Godluck Walter	Member	7
10	Lambaji Madai	Member	7

9. COUNCIL COMMITTEES

The Governing Council has two sub committees namely the Executive Committee and the Audit committee.

Executive Committee

The Committee is composed of three (3) members. The main responsibility of the Committee is to discuss issues that might not need the full Council to convene but yet requiring to be considered by the appointed members who will advise and make recommendations to the Council on a decision to make. The Committee held two (2) meetings during the year ended 31 December 2017.

The composition of the Executive Committee as at 31 December 2017 was as follows:

S/N	Name of Governing Council Member	Position	Number of Meeting Attended
1	Tundu Antipas Lissu	President	2
2	Godwin Simba Ngwilimi	Vice President	1
3	Sadock Magai	Honorary Treasurer	2

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GOVERNING COUNCIL'S REPORT (CONTINUED)

Audit Committee

The Committee is composed of five (5) members. The main responsibility of the Committee is to advise the Council on all audit, risk and compliance matters which need consideration of the Council. The Committee held three (3) meetings during the year ended 31 December 2017.

The composition of the Audit Committee as at 31 December 2017 was as follows:

<u>S/N</u>	<u>Name of Governing Council Member</u>	<u>Position</u>	<u>Number of Meeting Attended</u>
1	Sadock Magai	Chairperson	3
2	CPA Nicholas Duhia	Member	3
3	CPA Fredrick Msumali	Member	1
4	Casmir Nkuba	Member	3
5	CPA Rweikiza Rweikamwa	Member	2

11. MANAGEMENT

Management of the Society is under the Chief Executive Officer and is organized in departments as follows:

- a) Finance and Administration;
- b) Grants and Funding;
- c) Member Services; and
- d) Research, Publication and Advocacy.

12. RESOURCES

During the year, the Society had 25 staff (2016: 26). The human capital comprised of competent staff in various operational areas. This provides assurance to the Society for attainment of its key strategic goals. Further, at the end of the year, the Society had sufficient funds to fulfill its financial obligations.

13. EMPLOYEES WELFARE

(i) Management/employee relationship

The relationship between employees and management during the year was good. There were no unresolved complaints received by management from individual employees or groups thereof.

(ii) Employee benefits

Tanganyika Law Society has a defined contribution plan for its employees with various Pension Funds, under which the employees contribute 10% of their monthly salary and 10% is contributed by the Tanganyika Law Society.

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GOVERNING COUNCIL'S REPORT (CONTINUED)

14. GOING CONCERN

The Governing Council confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The financial statements have been prepared on going concern basis despite the fact that the Society made a deficit of 462,450,566 (2016: TZS 248,970,966) and had cash outflow from operations amounting TZS 1,094,538,212 (2016: 860,998,173). The Council Members have reasonable expectation that Tanganyika Law Society has adequate resources to continue in operational existence for the foreseeable future based on explanations provided on Note 2 to the Financial Statements. Furthermore, the Society liquidity position sounds good with the current ratio of 0.98:1 at 31 December 2017 (31 December 2016: 1.28:1).

15. RISK ASSESSEMENT AND INTERNAL CONTROL

The Governing Council accepts final responsibility for the risk management and internal control systems of Tanganyika Law Society. 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:

- a) The effectiveness and efficiency of operations;
- b) The safeguarding of Tanganyika Law Society's assets;
- c) Compliance with applicable laws and regulations;
- d) The reliability of accounting records;
- e) Business sustainability under normal as well as adverse conditions; and
- f) 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 Tanganyika Law Society system is designed to provide the Council with reasonable assurance that the procedures in place (a) credit risk management (b) liquidity risk management (c) market risk management.

16. GENDER PARITY

Tanganyika Law Society attempts to abide to the national gender balance policy and has been very keen in gender balance appointments in various levels. The gender parity at 31 December 2017 was as follows:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Male	13	13
Female	12	13
	<u>25</u>	<u>26</u>

GOVERNING COUNCIL'S REPORT (CONTINUED)

17. FIDUCIARY RESPONSIBILITIES

The Society's Council members as stewards of Tanganyika Law Society always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 31 December 2017. Reasonable care was exercised in all decisions taken by the Society, without placing the organization under unnecessary risk.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions and balances with related parties are disclosed under Note 21 to the financial statements.

19. ENVIRONMENTAL CONTROL PROGRAM

The Society monitors the impact of its operations on the environment, which is mainly through the use of power, water and the generation of waste. The Society minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

20. CORPORATE SOCIAL RESPONSIBILITY

The Society continues to provide direct support to the community in which it operates in form of social and financial support. Through the 'Legal aid week', during the year ended 31 December 2017, the Society managed to provide free legal services to the public through its Legal Aid Unit at its head quarter in Dar es Salaam, TLS offices in 11 regions of Tanzania and advocates on dock brief and pro bono legal aid services. And as such, advocates had the opportunity to mediate, reconcile, advise and hear problems facing people for court cases. Expenditure incurred in respect of corporate social responsibility during the year was TZS 9,000,000 (2016: Nil).

21. CHARITABLE AND POLITICAL DONATIONS

The Society made charitable donation to Chama Cha Wasioona (TLB) totaling to TZS 460,000 during the year (2016: Nil). There were no political donations made by the Society during the year (2016: Nil).

22. EVENTS AFTER REPORTING PERIOD

There were no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

23. ACCOUNTING POLICIES

A summary of key accounting policies is in Note 3 to the financial statements and were consistently applied during the year under review.

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GOVERNING COUNCIL'S REPORT (CONTINUED)

24. AUDITORS

Claritas International (Tanzania) were the auditors of the Society during the year ended 31 December 2017. They have expressed their willingness to continue and are eligible for re-appointment.

BY ORDER OF THE GOVERNING COUNCIL



Godwin Ngwilimi
Vice President

16/04/2018
Date

TANGANYIKA LAW SOCIETY

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STATEMENT OF GOVERNING COUNCIL'S RESPONSIBILITIES

The Governing Council is required to prepare financial reports for each financial year that give a true and fair view of the state of affairs of the Society, its operations and sources and applications of the funds obtained during the year. The Governing Council is also responsible for safeguarding of the assets of the Society.

The Governing Council is responsible for preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Tanganyika Law Society Act CAP 307, of 1954 and such internal controls as the Council determines are necessary to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error.

The Governing Council accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards (IFRS) and in the manner required by applicable laws. The Governing Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Council and of its operating results. The Governing Council further accept responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

The Governing Council certifies that to the best of the knowledge and belief, the information furnished to auditors for the purpose of the audit was correct and complete in every respect. Nothing has come to the attention of the Governing Council to indicate that the Tanganyika Law Society will not remain a going concern for a foreseeable future from the date of this statement. Details about the Governing Council's assessment of going concern is included in Note 2 to the financial statements.

BY ORDER OF THE GOVERNING COUNCIL



Godwin Ngwilimi
Vice President

10/04/2018
Date

TANGANYIKA LAW SOCIETY

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DECLARATION OF HEAD OF FINANCE

The National Board of Accountants and Auditor (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 unit responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Governing Council to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of the financial statements rests with the Governing Council under the Statement of Governing Council's responsibility on an earlier page.

I, John Mwang'ombola, being the Head of Finance unit of Tanganyika Law Society hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017 have been prepared in compliance with the International Financial Reporting Standards and Tanganyika Law Society Act, Cap 307 R.E. 2002.

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

Signed by:



CPA John Mwang'ombola

Registration number: GA 1125

For and on behalf of Tanganyika Law Society

Dar es Salaam.

Date 07.04.2018

The Governing Council
Tanganyika Law Society
Plot No. 391, Chato Street
Regent Estate
P.O. Box 2148
Dar es Salaam, Tanzania

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE TANGANYIKA LAW SOCIETY

Report on the financial statements

Unqualified opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Tanganyika Law Society, as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and Tanganyika Law Society Act, Cap 307 R.E. 2002.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. 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 Tanganyika Law Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Without qualifying our opinion, we draw the attention of the users of this report on the following matters to the financial statements:

- a) The Society has recorded a deficit of TZS 462,450,566 (2016: TZS 248,970,966) Total income from own sources for the year was TZS 1,796,663,629 whereas total expenses excluding those relating to project activities funded by the development partners was TZS 2,291,988,291. As a result, a deficit resulting from own activities was TZS 349,762,016 excluding the value of the Society's building written off of TZS 145,562,646; and
- b) Net cash used in operating activities for the year was TZS 1,094,538,212 (2016: TZS 860,998,173.

These conditions indicate the existence of a material uncertainty, which casts significant doubt on the Society's ability to continue as a going concern. Refer Note 2 to the financial statements for details.

Governing Council's responsibility to the financial statements

As described in the Statement of the Governing Council's Responsibilities, the Governing Council of Tanganyika Law Society are responsible for the preparation of financial statements of the Tanganyika Law Society for the year ended 31 December, 2017 in all material respects in accordance with TFRS1. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE TANGANYIKA LAW SOCIETY (CONTINUED)

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 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 judgment and maintain professional scepticism throughout the audit.

We also:

- a) 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.
- b) 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 Tanganyika Law Society's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- d) 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 Tanganyika Law Society'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 Tanganyika Law Society to cease to continue as a going concern.
- e) 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.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Tanganyika Law Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Tanganyika Law Society audit. We remain solely responsible for our audit opinion.

We communicate with management 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Governing Council members, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE TANGANYIKA LAW SOCIETY (CONTINUED)

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed a modified opinion on those statements on 17 March 2017.

Other information

The Governing Council is responsible for the other information. The other information comprises Governing Council's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Basis of Accounting and Restriction on Distribution and Use

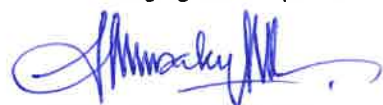
Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to intended users. As a result, the financial statements may not be suitable for another purpose. The purpose of the audit report is therefore restricted for the intended users and should not be distributed to or used by parties other than aforementioned.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the Society's members as a body in accordance with the International Financial Reporting Standards and the Tanganyika Law Society Act, Cap 307 R.E. 2002 and for no other purposes.

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

The engagement partner on the audit resulting in this independent auditor's report is Avelyne Msaki.



CPA Avelyne Msaki
ACPA PP - 1778

For and on behalf of Claritas International
Certified Public Accountants
Dar es Salaam

Date: 17 April 2018



TANGANYIKA LAW SOCIETY

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>2017</u> TZS	<u>2016</u> TZS
Income			
Membership subscription fees	6	1,035,602,984	1,373,024,414
Continued Legal Education fees	7	675,349,320	468,634,358
Other Income	8	85,711,325	51,194,284
Project Income	9	791,838,758	745,089,454
		<u>2,588,502,387</u>	<u>2,637,942,510</u>
Expenses			
Administration expenses	10	(1,806,424,115)	(1,519,716,675)
Project expenses	11	(758,964,662)	(802,286,849)
Personnel expenses	12	(485,564,176)	(564,909,952)
		<u>(3,050,952,953)</u>	<u>(2,886,913,476)</u>
Deficit for the year		<u>(462,450,566)</u>	<u>(248,970,966)</u>

The notes on pages 20 to 39 form an integral part of these financial statements. The financial statements on pages 16 to 19 were approved by the Governing Council on 07.04. 2018 and were signed on its behalf by:


Godwin Ngwilimi
Vice President


Sadock Magai
Hon. Treasurer


TANGANYIKA LAW SOCIETY

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> TZS	<u>2016</u> TZS
<u>ASSETS</u>			
Non current assets			
Property and equipment	13	1,373,417,570	643,954,379
Intangible assets	14	47,972,218	2,608,284
		<u>1,421,389,788</u>	<u>646,562,663</u>
Current assets			
Trade and other receivables	15	76,747,011	79,623,270
Stocks – Law report books		42,770,000	-
Cash and bank balances	16	408,267,279	1,438,762,178
Total current assets		<u>527,784,290</u>	<u>1,518,385,448</u>
Total Assets		<u>1,949,174,078</u>	<u>2,164,948,111</u>
<u>RESERVES AND LIABILITIES</u>			
Capital and general reserves			
Capital fund		1,910,000	1,910,000
Capital grant – LAAC Project	17	893,532,423	-
General accumulated reserves		120,005,774	582,456,340
Revaluation reserves		395,253,242	395,253,242
		<u>1,410,701,439</u>	<u>979,619,582</u>
Current Liabilities			
Trade and other payables	18	263,535,813	232,011,392
Deferred contributions - LAAC Project	19	73,756,407	791,767,431
Deferred grants for donor funded projects	20	201,180,419	161,549,706
		<u>538,472,639</u>	<u>1,185,328,529</u>
TOTAL RESERVES AND LIABILITIES		<u>1,949,174,078</u>	<u>2,164,948,111</u>

The notes on pages 20 to 39 form an integral part of these financial statements. The financial statements on pages 16 to 19 were approved by the Governing Council on 07/04/ 2018 and were signed on its behalf by:


Godwin Ngwilimi
Vice President


Sadock Magai
Hon. Treasurer

TANGANYIKA LAW SOCIETY

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

STATEMENT OF CHANGES IN RESERVES

	Capital Fund	General Accumulated Reserves	Capital grant	Revaluation Reserve	Total
	TZS	TZS	TZS	TZS	TZS
<u>For the year ended 31 December 2017</u>					
As at 1 January 2017	1,910,000	582,456,340	-	395,253,242	979,619,582
General accumulated fund	-	-	-	-	-
LAAC Project expenditure capitalized during the year	-	-	893,532,423	-	893,532,423
Deficit for the year	-	(462,450,566)	-	-	(462,450,566)
As at 31 December 2017	1,910,000	120,005,774	893,532,423	395,253,242	1,410,701,439
<u>For the year ended 31 December 2016</u>					
As at 1 January 2016	1,910,000	831,427,305	-	374,525,837	1,207,863,142
General accumulated fund	-	-	-	-	-
Revaluation surplus	-	-	-	20,727,405	20,727,405
Deficit for the year	-	(248,970,965)	-	-	(248,970,965)
As at 31 December 2016	1,910,000	582,456,340	-	395,253,242	979,619,582

The Notes on pages 20 to 39 form an integral part of these financial statements.

TANGANYIKA LAW SOCIETY

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

STATEMENT OF CASH FLOWS

	<u>Notes</u>	<u>2017</u> TZS	<u>2016</u> TZS
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(462,450,566)	(248,970,966)
Adjustment for:			
Amortization of intangible assets		2,071,196	1,564,970
Depreciation expense	13	20,486,586	74,879,387
Write-off costs of the TLS building		145,562,646	-
Amortization of project grants	20	(791,838,758)	(745,089,454)
		<u>(1,086,168,896)</u>	<u>(917,616,063)</u>
 <i>Changes in working capital</i>			
Decrease in Trade and other receivables		2,876,263	20,193,540
Increase in stock - Books		(42,770,000)	-
Increase in trade and other payables		31,524,421	36,424,350
		<u>(8,369,316)</u>	<u>56,617,890</u>
 Net cash used in operating activities		<u>(1,094,538,212)</u>	<u>(860,998,173)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of computer software	14	(47,435,130)	-
Members' contributions received for LAAC project		175,521,399	158,397,800
Acquisition of property and equipment	13	(895,512,423)	(11,921,620)
Net cash used in investing activities		<u>(767,426,154)</u>	<u>146,476,180</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from development partners	20	902,734,956	1,147,407,352
Refund to development partners	20	(71,265,488)	-
Net cash inflow in financing activities		<u>831,469,468</u>	<u>1,147,407,352</u>
 Net decrease in cash and cash equivalents		(1,030,494,898)	432,885,359
Cash and cash equivalents at the beginning of the year		<u>1,438,762,176</u>	<u>1,005,876,817</u>
 Cash and cash equivalents at the end of the year	16	<u><u>408,267,278</u></u>	<u><u>1,438,762,176</u></u>

The Notes on pages 20 to 39 form an integral part of these financial statements.

TANGANYIKA LAW SOCIETY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

1. GENERAL INFORMATION

Tanganyika Law Society was established in 1954 under Tanganyika Law Society Ordinance CAP 307. The Tanganyika Law Society is currently governed by the Tanganyika Law Society Act, Cap 307 R.E. 2002 that repealed the earlier legislation. Its registered address is:

Plot No. 391, Chato Street,
Regent Estate, P.O. Box 2148,
Dar es Salaam, Tanzania.

2 GOING CONCERN

The Society has recorded a deficit of TZS 462,450,566 (2016: TZS 248,970,966) and has a net cash used in operating activities of TZS 1,094,538,212 (2016: TZS 860,998,173). These conditions indicate the existence of a material uncertainty, which casts significant doubt on the Society's ability to continue as a going concern. However, the Governing Council members believe that the Society will continue as a going concern on the following grounds:

- a) Applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis;
- b) The Governing Council has reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The current ratio at year end was 0.98:1 (31 December 2016: 1.28:1); however, included in current liabilities is a total of TZS 274,936,826 (31 December 2016: TZS 953,317,137) relating to deferred grants for project funded by the development partners and contributions toward the construction of Wakili House. These funds are held in the bank accounts waiting for the implementation of intended activities and not for payment to third parties. As a result, the revised current ratio taking into account the effect of these deferred grants and members' contributions is 2.00: 1 (31 December 2016: 6.54:1). The Governing Council believes that the Society has a good level of liquidity to meet its financial obligations as and when they fall due in the feasible future; and
- c) Members have a legal obligation to pay their annual membership fees as a requirement for them to continue practicing. As a result, no doubt that the funding of the Society for its operating activities shall continue in a feasible future.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions.

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

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It also requires management to exercise its judgement in the process of applying the Tanganyika Law Society'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 5.

(b) Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the provisions of the Tanganyika Law Society Act, CAP 307 of 1954.

(c) Adoption of new and revised International Financial Reporting Standards

The Society applied for the first time certain standards and amendments relevant to it, which are effective for the first time on annual periods beginning on or after 1 January 2017 as follows:

Amendments to IAS 7 *Statement of Cash flows*

- On 26 January 2016 the IASB issued amendments to IAS 7 which require improvements in information provided to users of financial statements about an entity's financing activities. The amendments were effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. To achieve the intended objective, the IASB required changes in liabilities or assets arising from financing activities to be disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.
- The amendments stated that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments stated that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The Society applied the amendments to IAS 7 during the year. However, there were no assets and liabilities arising from financing activities at year end to require a reconciliation or separate disclosure in the financial statements.

(d) New revised and amended standards and interpretations that are not yet effective

Relevant standards and interpretations that are issued, but not yet effective are disclosed below. The Society intends to adopt these standards, if applicable, when they become effective.

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Society plans to adopt the new standard on the required effective date. During the year 2017, the Society performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Society in the future. Overall, the Society expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Society does not expect a higher loss allowance but will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Society does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Society expects that these will continue to be measured at amortized cost under IFRS 9. However, the Society will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Society to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Society expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Society does not expect a significant impact on its equity but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward- looking elements to determine the extent of the impact.

(c) Hedge accounting

This amendment is not applicable as the Society does not apply hedge accounting.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Society plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Society performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Society is considering the clarifications issued by the IASB in April 2017 and will monitor any further developments.

IFRS 16 Leases

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (for example, personal computers) and short-term leases (that is, leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (that is, the lease liability) and an asset representing the right to use the underlying asset during the lease term (that is, the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (example, 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 recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 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.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In 2018, the Society plans to assess the potential effect of IFRS 16 on its financial statements.

Other amendments

On 12 December 2017, IASB published annual improvements in standards in respect of the *Annual Improvements 2015-2017 Cycle* for four standards namely IFRS 3 *Business Combinations*, IFRS 11 *Joint arrangements*; IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*:

- The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments are effective for the annual periods beginning on or after 1 January 2019.
- The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments are effective for the annual periods beginning on or after 1 January 2019.
- The amendments to IAS 12 clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. The amendments are effective for the annual periods beginning on or after 1 January 2019.
- The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendments are effective from 1 January 2019, with early application permitted.

(e) Recognition of revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Membership subscription fees

Members' subscription income is accounted for on cash basis. Members subscriptions paid in advance are matched and recognized in the accounting period to which they relate.

CLE Seminar Fees

The CLE fees are received from by the members who pay to attend refresher trainings conducted as part of Continuing Legal Education. Members are required to attain a minimum of ten (10) CLE points per annum. These are accounted for as per actual collections.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Project income (Grants and donations)

Grants and donations are recognized where there is reasonable assurance that they will be received and all attaching conditions will be complied with.

When the grant or donation relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant or donation relates to an asset, the fair value is credited to a deferred income account and is released to the statement of income and expenditure over the expected useful life of the relevant asset by equal annual instalments.

Net trading income and other income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. Other income is recognized in the period in which it is earned.

(f) Recognition of expenses

The effects of expenses are recognized when they occur (and not as cash or its equivalent is paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

(g) Employees' benefits including post-employment benefits

Short-term employment benefits such as salaries and social security contributions are recognized in the statement of income and expenditure when they fall due.

Post-retirement benefits

The Society operates a defined contribution plan whereby each of its employees and the Society contribute 10% of employee basic salary in respect of National Social Security Fund (NSSF), Public Pensions Fund (PPF) and Public Service and Pension Fund (PSPF). Apart from these monthly contributions, the Society has no further commitments or obligations to the Funds and it has no other post-retirement benefit scheme. The contributions are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

Other employee benefits

The Society provides free medical treatment to staffs and their dependents through a medical scheme at designated hospitals. The cost is charged to the statement of profit or loss and other comprehensive income.

(h) Provision

Provisions are recognized when the Society has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the Society expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(k) Trade and other receivables

Trade and other receivables are measured at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income and expenditure. Society has transferred substantially all risks and rewards of ownership.

(l) Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be used on the obligations, and a reliable estimate of the amount can be made.

(m) Deferred grants and contributions

Grant received in monetary form to meet project expenses is treated as income and expensed to the statement of financial performance in the respective financial year. Where intended project activities in respect of the grant received are not implemented at year end the respective income is treated as deferred grant and contributions.

(n) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, deposits held at call with banks and investments with maturity periods of three months or less in money market instruments.

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of financial assets

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or group financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and 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 group of financial assets that can be reliably estimated.

The Society first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a 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 previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

(q) Derecognition of financial assets and liabilities abilities

Financial assets

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

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

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

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Society has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Society's continuing involvement in the asset.

Financial liabilities

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

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

(r) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates ("the functional currency"). The financial statements are presented in Tanzanian Shilling (TZS), which is the Society's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shilling (TZS) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets (bid price) and liabilities (offer price) denominated in foreign currencies are recognized in the statement of income and expenditure.

(s) Value added tax

Revenues, expenses and assets are recognised inclusive of the amount of value added tax.

(t) Income tax

Tanganyika Law Society is established as a Society by an Act of Parliament. By virtue of being registered as a Society that does not offer any profit making services other than the grants income received to implement programme activities, thus the Society is exempted from paying corporation tax on surplus.

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

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Property and equipment

Property and equipment is stated at historical cost amount less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of any replacement parts in accordance with the related recognition criteria.

Depreciation is calculated on a straight line basis over the useful life of the assets. The annual rates of depreciation which have been consistently applied are:

<u>Description</u>	<u>Useful life (Years)</u>	<u>Depreciation rate</u>
Land	-	0%
Building	40	2.5%
Office furniture and fittings	8	12.5%
Computers, printers and scanners	3	33.3%
Machinery and Equipment	8	12.5%
Library Books	8	12.5%
Accounting Package	3	33.3%
Motor Vehicles	4	25%

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

The residual values, useful lives and methods of depreciating property and equipment are reviewed, and adjusted if appropriate, at each financial year end.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and expenditure. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v). Leases

Leases entered into by the Society are operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

a) Market risk

(i) Foreign exchange risk

The Society's activities expose it to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

If at 31 December 2017 the exchange rate were to change by $\pm 10\%$ at year end, then the net results of the Society would change by TZS 4,539,708 (2016: TZS 5,463,664). Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

(i) Interest rate risk

The Society had no borrowings at year end. Thus, the Society had no interest rate risk at year end.

b) Credit risk

Credit risk arises from deposits with banks, as well as trade and other receivables. The Society does not have any significant concentrations of credit risk.

The amount that best represents the Society's maximum exposure to credit risk at 31 December 2017 and 2016 is made up as follows:

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**
NOTES (CONTINUED)**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

	<u>Fully performing</u> TZS
As at 31 December 2017	
Receivables (excluding prepayments) (Note 15)	64,682,663
Cash at bank (Note 16)	407,647,397
Gross financial assets	<u>472,330,060</u>
As at 31 December 2016	
Receivables (excluding prepayments) (Note 15)	56,089,802
Cash at bank (Note 16)	1,410,180,620
Gross financial assets	<u>1,466,270,422</u>

No collateral is held for any of the above assets. The Society has banking relationships with reputable banks which rank in the top ten in size of total assets.

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Society's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Between 1 and 2 <u>years</u> TZS
Year ended 31 December 2017	
Payables (Note 17)	<u>263,535,813</u>
Year ended 31 December 2016	
Payables (Note 17)	<u>232,011,392</u>

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i)Property and equipment

Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. The rates used are set out in Note 3 above.

(ii)Impairment of trade receivables

Critical estimates and judgements are made by the directors in determining impairment provision for bad and doubtful trade receivables.

6 MEMBERSHIP SUBSCRIPTION FEES

	<u>2017</u> TZS	<u>2016</u> TZS
Practising members- Above 24 months (2,270 members (2016: 2,931 members))	821,740,000	1,061,022,000
Practising members- under 24 months (865 members (2016:1,448 members))	183,418,984	175,840,414
Newly admitted practising members (240 members (2016: 619 members))	25,440,000	131,228,000
Non practicing members (42 members (2016:41 members))	5,004,000	4,934,000
	<u>1,035,602,984</u>	<u>1,373,024,414</u>

7 CONTINUED LEGAL EDUCATION FEES

Other CLE fees	368,879,519	138,683,390
HAGM CLE fees	176,234,001	226,934,668
AGM CLE Fees	130,235,800	103,016,300
	<u>675,349,320</u>	<u>468,634,358</u>

8 OTHER INCOME

Sale of publications	50,422,125	36,994,284
Sponsorship	35,289,200	14,200,000
	<u>85,711,325</u>	<u>51,194,284</u>

9 PROJECT INCOME

LSF	221,677,012	450,140,776
UNICEF	194,430,944	125,480,242
Global Road Safety Project income	167,888,581	7,762,263
CBA - SIRD	82,106,095	-
The Foundation for Civil Society	62,116,399	25,960,000
Open Society Initiatives for Eastern Africa (OSIEA)	37,207,976	-
Counter Violent	26,411,750	-
SAJCEA	-	97,442,174
Democratic Policy grant income	-	38,304,000
	<u>791,838,758</u>	<u>745,089,454</u>

TANGANYIKA LAW SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES (CONTINUED)

	<u>2017</u>	<u>2016</u>
	TZS	TZS
10 ADMINISTRATIVE EXPENSES		
Deliver membership development services and compliance	1,002,971,795	1,020,566,529
Procurement and payment for administrative facilities	503,957,179	225,842,784
Prior year audit fee paid in current year	4,540,000	-
Audit fee	11,800,000	2,460,000
Write off of office building	145,562,646	-
Service delivery and Institutional Development	90,407,442	94,955,230
Facilitate knowledge creation ICT and Public awareness	24,627,271	51,940,000
Depreciation and amortisation	22,557,782	76,444,357
Promote access to justice and rule of law	-	47,507,775
	<u>1,806,424,115</u>	<u>1,519,716,675</u>
11 PROJECT EXPENSES		
UNICEF-Children In Conflict With the Law	194,430,944	125,480,242
LSF - CFP04 manual production and legal aid	160,941,012	334,619,401
OISEA - Project Cost	103,248,848	-
SIRD - CBA	82,776,095	-
Institutional Capacity Building	73,523,040	21,790,000
RSGP - Project Cost	70,843,733	-
LSF - Legal Aid Week	36,902,500	48,864,000
The Foundation for Civil Society	36,298,490	-
Legal Services Facility - LSF	-	54,127,800
LSF - Strategic litigation cases	-	18,763,001
SAJCEA project - 2015/2016	-	75,780,500
Justice and Security Forum	-	46,814,000
Public Dialogue - Zanzibar Political Situation	-	36,379,400
Advocacy Campaigns on Policies & Laws	-	6,516,143
SAJCEA Project	-	25,390,100
Road Safety Legislative Change and Enforcement	-	7,762,263
	<u>758,964,662</u>	<u>802,286,849</u>
12 PERSONNEL EXPENSES		
Salaries and wages	339,757,118	424,535,777
Medical expenses	52,896,980	53,837,230
Interns and volunteers expenses	21,547,000	10,275,790
Skills and development levy	23,140,413	23,931,078
Fuel expenses	5,243,207	3,293,132
Social security contributions	33,841,018	40,393,839
Recruitment expenses	4,104,308	-
Workers Compensation Fund expenses	5,034,132	8,643,106
	<u>485,564,176</u>	<u>564,909,952</u>

TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT

<u>Description</u>	<u>Land</u> TZS	<u>Buildings</u> TZS	<u>Furniture and Fittings</u> TZS	<u>Motor Vehicles</u> TZS	<u>Library Books</u> TZS	<u>Machinery and Equipment</u> TZS	<u>Computers</u> TZS	<u>Work in Progress- LAAC (Note 18)</u> TZS	<u>Total</u> TZS
For the year ended 31 December 2017									
<u>Cost</u>									
At 1 January 2017	476,600,000	153,400,000	59,703,566	57,646,857	21,897,200	58,736,649	111,037,479	-	939,021,751
Additions	-	-	1,980,000	-	-	-	-	893,532,424	895,512,424
Disposals	-	(153,400,000)	-	-	-	-	-	-	(153,400,000)
At 31 December	476,600,000	-	61,683,566	57,646,857	21,897,200	58,736,649	111,037,479	893,532,424	1,681,134,175
<u>Accumulated depreciation</u>									
At 1 January 2017	-	5,752,500	48,104,221	57,646,857	21,897,200	54,014,717	107,651,877	-	295,067,372
Charge for the year	-	2,084,854	12,039,713	-	-	2,976,418	3,385,602	-	20,486,586
Disposals	-	(7,837,354)	-	-	-	-	-	-	(7,837,354)
At 31 December	-	-	60,143,934	57,646,857	21,897,200	56,991,135	111,037,479	-	307,716,605
<u>Net book value</u>									
At 31 December	476,600,000	-	1,539,632	-	-	1,745,514	-	893,532,424	1,373,417,570
For the year ended 31 December 2016									
<u>Cost</u>									
At 1 January 2016	-	724,563,669	59,658,566	57,646,857	21,897,200	58,736,649	99,160,859	-	1,021,663,800
Additions	-	-	45,000	-	-	-	11,876,620	-	11,921,620
Transfers	-	(115,291,074)	-	-	-	-	-	-	(115,291,074)
Transfers	476,600,000	(476,600,000)	-	-	-	-	-	-	-
Revaluation Gains	-	20,727,405	-	-	-	-	-	-	20,727,405
At 31 December	476,600,000	153,400,000	59,703,566	57,646,857	21,897,200	58,736,649	111,037,479	-	939,021,751
<u>Accumulated depreciation</u>									
At 1 January 2016	-	106,234,028	36,165,758	47,738,803	19,796,953	42,267,387	83,276,130	-	335,479,059
Charge for the year	-	14,809,546	11,938,463	9,908,054	2,100,247	11,747,330	24,375,747	-	74,879,387
Transfers	-	(115,291,074)	-	-	-	-	-	-	(115,291,074)
At 31 December	-	5,752,500	48,104,221	57,646,857	21,897,200	54,014,717	107,651,877	-	295,067,372
<u>Net book value</u>									
At 31 December	476,600,000	147,647,500	11,599,345	-	-	4,721,932	3,385,602	-	643,954,379

TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

14 INTANGIBLE ASSETS

	<u>2017</u> TZS	<u>2016</u> TZS
<u>Cost</u>		
At start of the year	10,799,480	10,799,480
Additions – Work in Progress (Sage Evolution software)	47,435,130	-
	<u>58,234,610</u>	<u>10,799,480</u>
<u>Accumulated amortization</u>		
At start of the year	8,191,196	6,626,226
Amortization charge	2,071,196	1,564,970
At 31 December	<u>10,262,392</u>	<u>8,191,196</u>
Carrying value	<u>47,972,218</u>	<u>2,608,284</u>

15 TRADE AND OTHER RECEIVABLES

	At 31 December <u>2017</u> TZS	At 31 December <u>2016</u> TZS
Staff Loans	59,362,944	45,449,802
Prepaid expenses	12,064,348	23,533,468
Chapters control account	5,319,720	10,640,000
	<u>76,747,011</u>	<u>79,623,270</u>

16 CASH AND BANK BALANCES

Cash in hand	<u>619,881</u>	<u>28,581,558</u>
Cash at Bank:		
-BARCLAYS A/C no 0156004928- TZS Account	1,018,000	7,847,043
-CRDB Bank – TZS Accounts	197,837,628	484,016,951
-CRDB Bank - USD Accounts	42,449,497	54,636,639
-ECO Bank – TZS Account	9,389,055	25,188,172
-EXIM Bank – TZS Accounts	48,917,909	499,983
-KCB Bank – TZS Account	2,349,351	(1,825,148)
-NBC –TZS Account	13,801,051	21,209,397
-NMB –TZS Account	18,128,500	77,200,405
	<u>333,890,991</u>	<u>668,773,442</u>
LAAC Project accounts:		
-CRDB TZS Account (LAAC Project)	47,875,203	236,540,739
-Tanzania Women Bank – TZS Account (LAAC Project)	25,881,204	504,866,439
	<u>73,756,407</u>	<u>741,407,178</u>
	<u>408,267,279</u>	<u>1,438,762,178</u>

TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

17 CAPITAL GRANTS

Capital grant comprises members' contributions toward the LAAC Project. Total capital grant of TZS 893,532,424 during the year is in respect of the expenditure incurred for construction of "Wakili House". There is no grant amortised as the building is still under construction.

18 TRADE AND OTHER PAYABLES

	<u>2017</u> TZS	<u>2016</u> TZS
Subscriptions received in advance	218,636,173	187,062,000
Other liabilities	28,847,183	8,081,973
Audit fees payable	11,800,000	-
Trade payables	4,252,457	36,867,419
	<u>263,535,813</u>	<u>232,011,392</u>

19 DEFERRED CONTRIBUTIONS - LAAC PROJECT

Actual contributions:

At 1 January	791,767,431	466,084,239
Contributions received during the year	175,521,399	325,683,192
	<u>967,288,830</u>	<u>791,767,431</u>

Less: Expenditure transferred to capital grant:

Payments to the contractor during the year	832,241,748	-
Architect fee paid during the year	61,290,675	-
Total capital expenditure for the year	<u>893,532,423</u>	<u>-</u>

Balance at 31 December (Note 16)	<u>73,756,407</u>	<u>791,767,431</u>
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TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

20 DEFERRED REVENUE GRANTS - DEVELOPMENT PARTNERS

<u>Description</u>	<u>At 1 January</u> <u>2017</u> <u>TZS</u>	<u>Funds</u> <u>received</u> <u>during the</u> <u>year</u> <u>TZS</u>	<u>Transfer to</u> <u>Grant</u> <u>Income</u> <u>during the</u> <u>year</u> <u>TZS</u>	<u>Refund to</u> <u>donors</u> <u>TZS</u>	<u>At 31</u> <u>December</u> <u>2017</u> <u>TZS</u>
CBA Grant	-	135,582,709	(82,106,095)	(4,671,429)	48,805,185
LSF	43,567,157	309,812,000	(221,677,014)	(55,137,548)	76,564,597
The Foundation for Civil Society	33,875,300	52,964,501	(62,116,399)	(9,801,909)	14,921,493
UNICEF	(10,511,189)	199,910,000	(194,430,944)	-	(5,032,133)
Freedom House - Counter Violent Extremism	-	38,091,178	(26,411,750)	-	11,679,428
Global Road Safety Project-Advocacy for	48,007,439	76,504,142	(70,269,732)	-	54,241,849
Road Safety Legislative Change and					
Enforcement					
OISEA - Democratic policing in Tanzania	46,611,000	89,870,426	(134,826,824)	(1,654,602)	-
	161,549,707	902,734,956	(791,838,758)	(71,265,488)	201,180,419

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**
NOTES (CONTINUED)**21 RELATED PARTY TRANSACTIONS AND BALANCES**

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 in making financial or operational decisions. The volume of related party transactions for the year was as follows:

Transactions with key management personnel

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly. The Society's key management is the Chief Executive Officer and the Finance Manager. Compensations of the Society's key management personnel include basic salaries, transport allowances, housing allowance, telephone allowance and post-employment benefits.

The compensation paid to key management personnel and Governing Council members is shown below:

	<u>2017</u> TZS	<u>2016</u> TZS
Key management personnel:		
Salaries and short term benefits	235,260,000	114,480,000
Post-employment retirement benefits	23,424,000	21,168,000
	<u>258,684,000</u>	<u>135,648,000</u>
Governing Council Members:		
Sitting allowance	22,428,320	13,870,000
Members fees	6,188,800	14,400,000
	<u>28,617,120</u>	<u>28,270,000</u>

22 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIESCapital commitments

Capital commitments for construction of Legal Aid and Advocacy Centre (LAAC) at the end of the reporting period were as follows:

	<u>31 December 2017</u> TZS	<u>31 December 2016</u> TZS
Within 1 year	<u>2,169,530,216</u>	<u>893,532,423</u>

The Society expect to finance this capital commitment through a bank loan from CRDB Bank plc during the year 2018. The application processes for the short term was in progress at the reporting date.

Contingent liabilities

There were no contingent liabilities as at year end.

TANGANYIKA LAW SOCIETY

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

NOTES (CONTINUED)

23 PENDING LEGAL CASES'CLAIM CONTINGENCIES

As at the reporting date, the Society had one pending legal case number cma/kin/373/12/237 Emilia Siwanga vs TLS – Labour case on alleged unfair termination. The case is still in progress.

24 LEASES

The Society has one year lease agreement with MS Audrey Mathew Chando for the Secretariat office with an expiry date of 31 March 2019. The lease agreement is subject to renewal for an annual charge of TZS 24,000,000.

25 REVALUATION SURPLUS

The revaluation of surplus included in the financial statements would only be released to Statement of Comprehensive Income at the time the assets are sold or are no longer in use.

26 EVENTS AFTER THE REPORTING END DATE

There is no known event that has impacted on the results for the year and the statement of affairs of the Society after the reporting date.