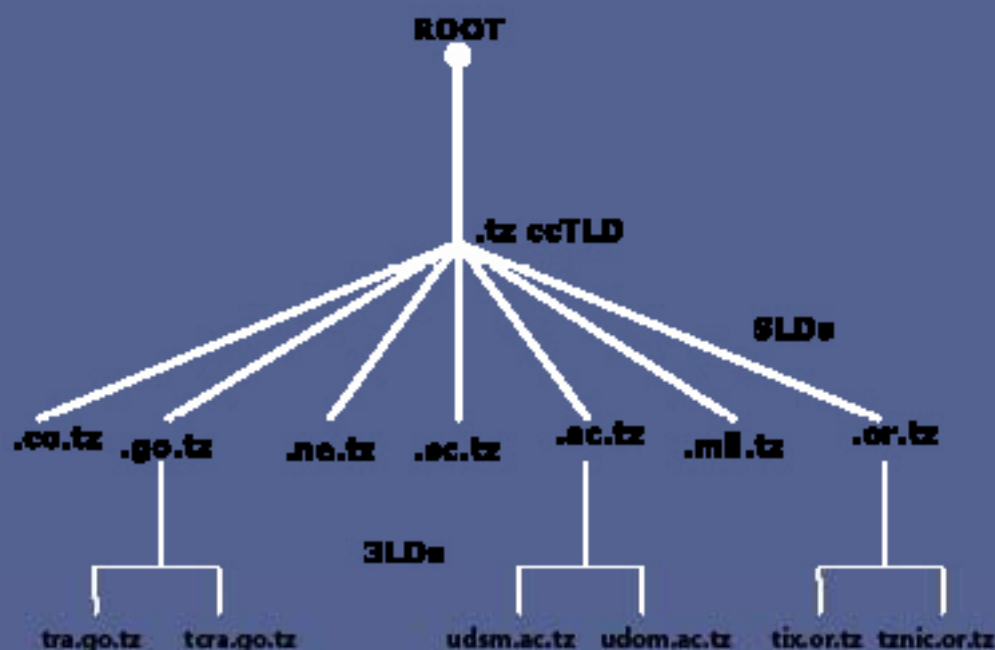


TANZANIA NETWORK INFORMATION CENTRE



The internet registry for .tz domain names

PERFORMANCE REPORT AND ACCOUNTS FOR THE PERIOD JANUARY 2007 TO JUNE 2008





Tanzania Network Information Centre (tzNIC) is a not-for-profit organization established in 2006 for the purpose of managing the .tz ccTLD. It is registered as a company limited by guarantee. tzNIC strives to promote the utilization of .tz domain names; enhance its technical capacity in administering and managing the .tz registry; protect registrants' interests and harmonize the .tz ccTLD management policies at National, Regional and International level. tzNIC facilitates e-commerce and e-governance, enhances creation and availability of local content online, ensures affordability of domain names and enables unique identity of Tanzania in cyber space.

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	3
LETTER OF TRANSMITTAL	4
1.0 CHAIRMAN'S STATEMENT	5
2.0 TZNIC PERFORMANCE REVIEW	7
2.1 INTRODUCTION	7
2.2 CURRENT .TZ CCTLD STATUS	8
2.3 GOVERNANCE AND MANAGEMENT OF TZNIC	9
2.4 TECHNICAL OPERATIONS REVIEW	11
2.5 PUBLICITY AND MARKETING	13
2.6 ADMINISTRATION AND PERSONNEL MATTERS	15
2.7 CHALLENGES	16
2.8 FUTURE PLANS	17
3.0 FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 2007 TO	
JUNE 2008	19
3.1 REPORT OF THE AUDITORS	19
3.2 INCOME STATEMENT	21
3.3 BALANCE SHEET	22
3.4 STATEMENT OF CHANGES IN THE FUND	23
3.5 CASH FLOW STATEMENT	23
3.6 NOTES TO THE FINANCIAL STATEMENTS	23
4.0 ACKNOWLEDGEMENTS	31

ABBREVIATIONS AND ACRONYMS

.br	-	ISO 3166-1 two letter code representation for Brazil
.tz	-	ISO 3166-1 two letter code representation for Tanzania
ADSL	-	Asymmetric Digital Subscriber Line
AfNOG	-	African Network Operators Group
AfriNIC	-	Africa Network Information Centre
AfTLD	-	African Top Level Domain
BRELA	-	Business Registration and Licensing Agency
ccTLD	-	Country Code Top Level Domain
CRASA	-	Communications Regulators' Association of Southern Africa
CZNIC	-	Czech Republic Network Information Centre
DNS	-	Domain Name System
DNSSEC	-	Domain Name Service Security
EPP	-	Extensible Provisioning Protocol
ENUM	-	Electronic (e.164) Numbering Mapping
FRED	-	Free Registry for Enum and Domains
ICANN	-	Internet Corporation for Assigned Names and Numbers
ICT	-	Information and Communications Technology
IPv4	-	Internet Protocol (version 4)
IPv6	-	Internet Protocol (Version 6)
ISO	-	International Standards Organization
ISP	-	Internet Service Provider
Kbps	-	Kilo bits per second
LAN	-	Local Area Network
LAPF	-	Local Authority Pension Fund
MEMART	-	Memorandum and Articles of Association
OMS	-	Office Management Secretary
PABX	-	Private Automated Branch Exchange
PAC	-	Policy Advisory Committee
PPF	-	Parastatals Pension Fund
P2P	-	Point to Point
SLD	-	Second Level Domain
SME	-	Small and Medium Scale Enterprises
TAWG	-	Technical Advisory Working Group
TCRA	-	Tanzania Communications Regulatory Authority
TIN	-	Tax Identification Number
TISPA	-	Tanzania Internet Service Provider Association
TIX	-	Tanzania Internet Exchange
tzNIC	-	Tanzania Network Information Centre
UCC	-	University Computing Centre
UPS	-	Uninterruptible Power Supply

LETTER OF TRANSMITTAL



New Bagamoyo Road, LAPF Millennium Tower, Ground Floor – Office #4
P.O.Box 34543 Dar es Salaam, Tanzania. Tel: +255 22 2772659, Fax: +255 22 2772660
E-mail: info@tznic.or.tz, Website: www.tznic.or.tz

Prof. John Nkoma,
Director General,
Tanzania Communications Regulatory Authority (TCRA),
P.O. BOX 474,
DAR ES SALAAM.

Mr. Suhail Sheriff,
Chairman,
Tanzania Internet Service Providers Association (TISPA),
P.O. BOX 80449,
DAR ES SALAAM.

RE: PERFORMANCE REPORT AND ACCOUNTS FOR THE PERIOD 1ST JANUARY 2007 TO 30TH JUNE 2008

In accordance with Article 11(11)(1) of the Memorandum and Articles of Association of Tanzania Network Information Centre (tzNIC), I hereby submit, on behalf of the Policy Advisory Committee (PAC) a report on the company's operational and financial performance for the period 1st January 2007 to 30th June 2008, together with the audited accounts for the same period.

We look forward to your continued support in achieving the Centre's objectives.

Prof. Beda Mutagahywa

PAC CHAIRMAN

1.0 CHAIRMAN'S STATEMENT

It is my pleasure to report that during the period under review, tzNIC established its offices at Millennium Towers Kijitonyama Dar es Salaam, recruited key staff and developed the necessary policies and procedures for the operation of the .tz ccTLD.

This amble beginning was very much facilitated by TCRA who supported tzNIC both financially and by seconding two technical staff to work at tzNIC office as interim Secretariat up to the time when tzNIC recruited its first full-time staff in March 2008. Also UCC Ltd seconded one technical staff to work at tzNIC secretariat on part-time basis. I would like to take this opportunity to thank both TCRA and UCC Ltd for the support provided during the tender age of tzNIC.

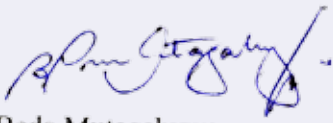
During this period, the main target for the Policy Advisory Committee (PAC) was the readiness of tzNIC for re-delegation of .tz ccTLD. Thus tzNIC activities have focused on the short-term plans derived from the migration plan contained in the 2006 report of TCRA – National Committee on management of .tz domain. The main activity was that of recruiting competent staff and with them lay the foundation for an efficient service organization in high tech and dynamic area of ccTLD. It should be noted that both the staff we recruited and the members of PAC none had first hand experience in the nity gritty of managing a ccTLD. We had to learn quickly from other ccTLD administrations such as Brazil, Czech Republic, South Africa, Kenya, etc. I would like to mention here that in this effort of laying the technical foundation of tzNIC, PAC was very much assisted by members of our Technical Advisory Working Group (TAWG), namely Mr. Peter M. Shilla (Chairperson), Mr. Jacob Mtui and Mr. William Sangiwa. I would like to thank them very sincerely for their contribution.

Apart from acquiring state of the art technical equipment including modern registry software and recruiting key staff and detailing their job functions in this reporting period of 18 months, PAC also established good financial and record keeping procedures befitting a modern organization. Let me take this opportunity also to say that PAC is pleased with the Company's External Auditor's financial report for the period January 2007 to June 2008. The company received a clean report without reservation. It is tzNIC's desire to continue adhering to financial norms with a view to becoming the best ccTLD in Africa.

tzNIC is looking forward to the future with great optimism and confidence. We intend to speed up our efforts for re-delegation now that we have the necessary technical and human resources. We also intend to undertake awareness campaigns and marketing on the use of .tz. In this, we are planning to use our own website, electronic and print media, and to use workshops and ICT events.

We also intend to conduct training of potential Registrars to equip them with skills on how to interact with the Registry. Our International relations work will also be strengthened to ensure that we continuously learn from others and we represent Tanzania in relevant ICT forums.

In this period we have laid a good foundation and we believe tzNIC is now well set to deliver good services to stakeholders and play a catalytic role in ICT development in the country.



Prof. Beda Mutagahywa

Chairman
tzNIC Policy Advisory Committee (PAC)

2.0 tzNIC PERFORMANCE REVIEW

2.1 Introduction

This is the first annual report since tzNIC was established and registered in December 2006. The report is divided into two parts, namely the operations performance and audited accounts for 18 months period ended 30th June 2008. Apart from this section which presents introduction, current .tz ccTLD status, company governance, technical operations review, publicity and marketing, challenges and future plans, section 3 details the company audited accounts. The report is concluded with the acknowledgements.

Background

From the early 90s the management of the .tz ccTLD and its associated SLDs has been under few individuals (pioneers) who have put Tanzania on the world map of the Internet. In order to meet the mandate of the law and that of regulating the communication sector and in order to be in line with the global trend on the management of the national Internet resources (ccTLDs), in February 2005 the Director General of TCRA set up a National Committee comprising a number of stakeholders in the ICT sector to review the management of .tz ccTLD with a view of re-delegating it.

The National Committee had a representation from the local Internet community including the Internet Service Providers, Network Operators, the responsible ministry, academia, individuals and the current managers of the .tz ccTLD and existing SLDs. The Committee noted that while it was appreciable in the past for national resource like dot tz to be managed by trusted individuals, the circumstances had changed and there was a consensus on the need to re-delegate and improve the management of the .tz ccTLD.

Having examined and analyzed the advantages and disadvantages of various ccTLD governance models that include part of the academia, part of the government, independent and externally regulated, independent and self regulated and outsourced and based on experiences from countries like Kenya, United Kingdom and China, the Committee recommended for the establishment of a not-for-profit company limited by guarantee with no shares and with members rather than shareholders. The proposed name for the company was the Tanzania Network Information Centre (tzNIC) whose purpose would be to control, manage and operate the .tz country code Top Level Domain and provide complementary registry services in the interests of the local Internet community.

The short-lived Committee developed a Migration plan that comprised the following activities:-

1. Formation of tzNIC;
2. Staffing of tzNIC;
3. Office setup;
4. Acquisition of hardware and software;
5. Installations;
6. Awareness programmes;
7. Server testing;

8. Re-delegation process;
9. Official handover; and
10. Continued publicity campaigns.

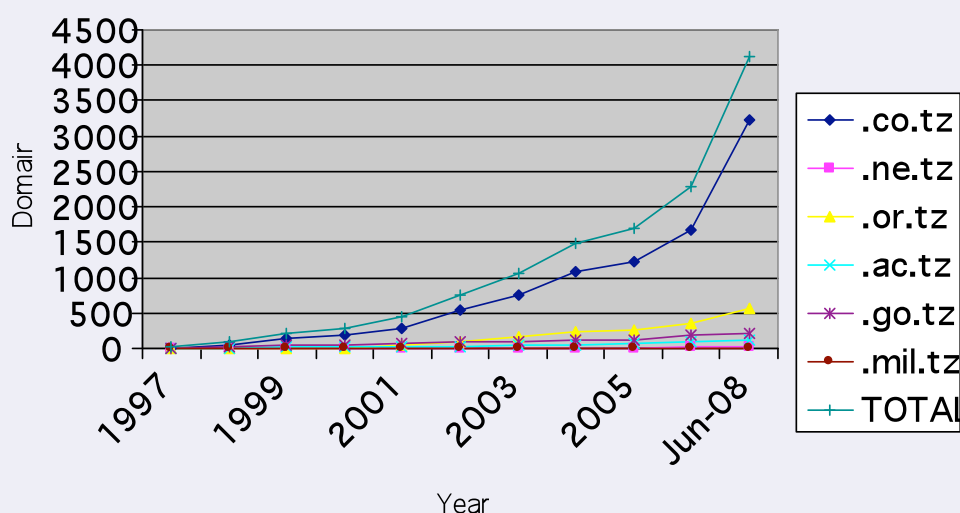
2.2 Current .tz ccTLD status

The existing .tz governance model is partly run by academia and partly by private individuals due to historical (technical) reasons. The current .tz administrative contact is Prof. Beda Mutagahywa and the technical contact is Mr. Randy Bush. The .tz ccTLD is further divided into six SLDs, namely .go.tz, .ac.tz, .mil.tz, .or.tz, .ne.tz and .co.tz. Of these six SLDs, three (.go.tz, .ac.tz and .mil.tz) are managed by the University Computing Centre and the other three (.co.tz, .or.tz and .ne.tz) are managed by Mr. William Sangiwa. The intended goal after the re-delegation process is to have the .tz ccTLD and all SLDs under full control of tzNIC and tzNIC as an administrative and technical contact for .tz ccTLD.

Since .tz domain name registrations started, there has been growth in some of the SLDs as summarized in the table below: -

Year SLD	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	June 2008
.co.tz	5	56	144	196	294	534	760	1080	1228	1683	3220
.ne.tz	1	1	1	1	1	4	4	10	10	15	26
.or.tz	2	3	7	9	49	92	154	224	268	355	557
.ac.tz	4	7	12	16	22	34	40	58	66	97	118
.go.tz	3	29	37	56	70	90	98	113	128	180	202
.mil.tz	0	1	1	1	1	1	1	1	3	4	4
TOTAL	15	97	202	279	437	755	1057	1486	1703	2276	4127

Cumulative number of registered .tz domain names as of June 2008



The trend of .tz domain registrations

2.3 Governance and Management of tzNIC

The Tanzania Network Information Centre (tzNIC) was officially registered on 16th November 2006 (certificate of incorporation No. 58303) by the Business Registration and Licensing Agency (BRELA) under the Companies Ordinance (Chapter 212 of the Laws of Tanzania) CAP 212 as a company limited by guarantee and not having a share capital operated through a memorandum and articles of association signed by its founding Members (TCRA and TISPA).

The tzNIC mandate

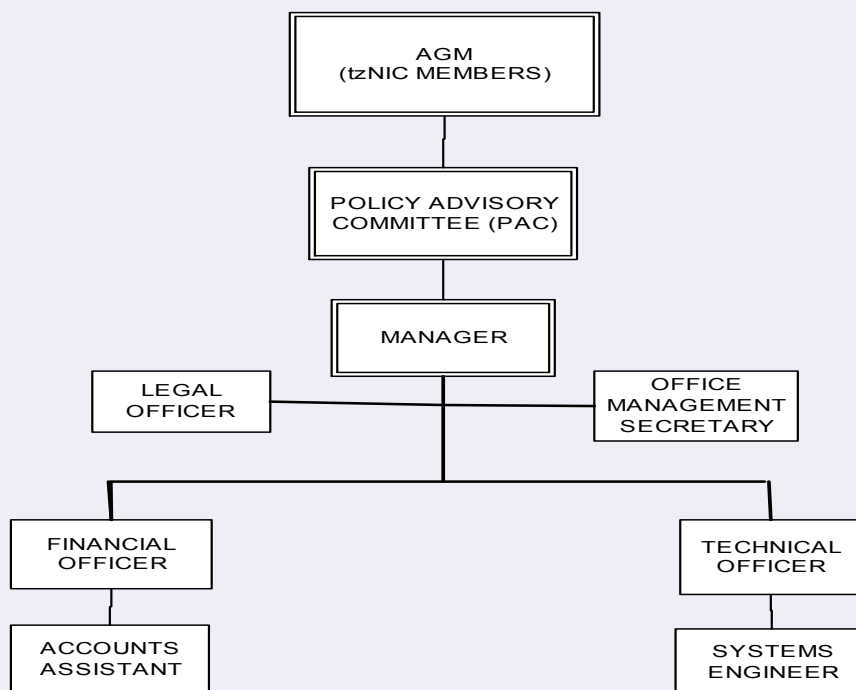
The principal functions and responsibilities of the Centre as stipulated in the Memorandum and Articles of Association are to manage and administer the dot tz registry, specifically:

- To act as the trustee for the .tz country-code-top-level-domain assigned to Tanzania according to the two-letter codes in the ISO 3166-1 list for the representation of names of countries or territories;
- To be the administrator of the .tz ccTLD and its associated Second Level Domains;
- To maintain and promote the operational stability and utility of the .tz ccTLD, ensuring that the authoritative name servers are operated and maintained in a stable and secure manner and are adequate to resolve names within the .tz ccTLD for users throughout the Internet;
- To ensure a cost effective administration of the .tz ccTLD and its sub-domains;
- To develop and establish a policy framework for the development and administration of the .tz ccTLD including:-
 - i. Rules governing the operations of second level domains;
 - ii. The creation of second level domains;
 - iii. Rules governing the accreditation of registrars and registry administrators;
 - iv. Rules governing the registration of names within second level domains and access to second level domain registries;
 - v. Ensuring that registrars have equal access to second level registry services;
 - vi. To manage the operation of critical technical functions including the primary and secondary .tz name servers, zone files for second level domains and a searchable data base containing information on registrations within the .tz ccTLD

tzNIC organizational structure

The tzNIC Secretariat headed by a Manager comprises the Technical Officer, Systems Engineer, Financial Officer, Accounts Assistant, Office Management Secretary, Legal Officer and Interns or Part-time staff.

The Manager reports to the Policy Advisory Committee (PAC) which in turn reports to tzNIC AGM composed of the Members (currently TCRA and TISPA).



tzNIC Organization structure

The Policy Advisory Committee (PAC)

For any organization to achieve its mandate there has to be a strong leadership that guides it to attain its objectives. As per section 15 (1) of the Memorandum and Articles of Association, the Policy Advisory Committee comprises four (4) Directors appointed by each of the Members, in such a manner that these Directors represent a wide range of the relevant stakeholders. The Manager of the Secretariat is a non-voting member and the tenure of the PAC members is two (2) years.

The main function of the Policy Advisory Committee is to oversee the overall management of the business and affairs of the company. To effectively execute its managerial tasks, the PAC may appoint Advisory Working Groups as the principal mechanism for developing policy and technical recommendations. The PAC meets at least four times in a year.

The First Appointed Policy Advisory Committee (PAC) Members whose tenure expires on 30th May 2009 are:-

S/N	NAME	POSITION	REPRESENTATION
1.	Prof. Beda Mutagahywa	Chairman	Public sector
2.	Mr. William K. Sangiwa	Vice-Chairman	Private sector
3.	Eng. James M. Kilaba	Member	Public sector
4.	Mr. Masegese Kamulika	Member	Public sector
5.	Mr. Peter M. Shilla	Member	Public sector
6.	Mr. Suhail A. Sheriff	Member	Private sector
7.	Mr. Jacob J. Mtui	Member	Private sector
8.	Mr. Erik R. Rowberg	Member	Private sector

The Secretariat and its functions

During the year under review, tzNIC secretariat comprised three (3) members of staff - the Manager, Technical Officer and Accounts Assistant as tabulated below:

S/N	NAME	POSITION
1.	Eng. Abibu Ntahigiye	Manager
2.	Mr. Simon Balthazar	Technical Officer
3.	Ms. Upendo Mfilinge	Accounts Assistant

The Secretariat is responsible for the day-to-day operations of the company and every secretariat member is under a renewable three (3) year contract.

2.4 Technical operations review

During the period under review, a number of technical activities that are in line with the migration plan were carried out. This included procurement of the hardware, acquisition and installation of the .br (Brazil) open source registry package, requesting the internet resources to Afrinic, provision of reliable and dedicated power to the Server room.

The basic hardware that was in place at the beginning of the reporting period included 6 Name Servers, 2 Routers, 2 Switches, 2 UPS, 2 firewalls and 2 racks. One (1) additional rack, air conditioners and LAN cabling, dedicated power and inverter system were acquired during the period under review.

Summary of activities

The table below summarizes the technical operations as of 30th June 2008.

DETAILS	STATUS
ACTIVITY 1: Registry software installation	
The .br open source registry package was selected for installation into .tz name servers	<ul style="list-style-type: none"> • Installation started in 2007 but encountered a number of problems including language barrier and lack of stable and reliable power. • Realized later that .br was a closed system (not supporting EPP). • Opted for FRED open source that was supportive of ENUM, DNSSEC and EPP. • Started the installation of FRED in May 2008.

ACTIVITY 2: LAN cabling	
Cabling (Data and voice) was carried out as part of telephone and internet connectivity provision to tzNIC offices.	<ul style="list-style-type: none"> • Finalized in 2007 and operational. • 2 Telephone lines, Fax machine, PABX and ADSL system acquired in 2007.
ACTIVITY 3: Reliable power to the Registry system	
<p>3.1 The wiring within the LAPF Millennium building is general to all tenants regardless the business or operations being run or conducted. Due to the critical nature of the operations of the registry system, a separate and dedicated power or utility line was requested and installed. This step gave further simplification in interconnecting the backup power from the Inverter system.</p> <p>3.2 Due to frequent power cuts within the building where tzNIC offices are located and the standby generator being the property of the landlord, it was decided to establish another power backup solution in addition to the Un-interruptible Power Supplies that were in place. This was because reliable power supply to the registry system was another key requirement for registry services to be available round the clock.</p>	<ul style="list-style-type: none"> • Power separation and dedicated power provisioning was finalized in April 2008. • The 3024 Watts Xantrex Inverter capable of about 10 hours support was procured and commissioned in April 2008.
ACTIVITY 4: Local connectivity to TIX	
Based on the efforts of localizing the traffic within Tanzania, it was resolved that tzNIC establishes a Point to Point (P2P) link to TIX. The recommended solution was the wireless link between tzNIC (LAPF Millennium Towers) and TIX (Posta House).	<ul style="list-style-type: none"> • Preliminary information and suppliers obtained. • Implementation postponed to 2008/09 financial year as the registry system and Internet connectivity were not ready.

ACTIVITY 5: Global Internet connectivity

One of the main requirements of a registry system is to be online round the clock. tzNIC therefore was required to have reliable Internet connectivity to the upper tiers of the Internet.

- Preliminary studies were carried out to identify the possible connectivity means.
- Suppliers of the selected connectivity option were identified.
- Procurement of the Internet link was planned to be executed during the 2008/09 financial year.

2.5 Publicity and marketing

During the period under review, tzNIC accomplished the following in the area of publicity, awareness raising and marketing.

Company logo

A number of logo designers were requested to submit proposals out of which the best one was selected by PAC.



Company website

During the reporting period the Centre acquired the company website (www.tznic.or.tz) as a communication, publicity and promotional tool. The plan for the next financial year is to re-design it so that the content management is under full control of tzNIC.

Office identification

The Centre acquired the signage and acrylic for easy identification of its offices at LAPF Millennium Tower building.

Official opening of the Centre

tzNIC offices were officially opened and its PAC inaugurated on May 13, 2008 during the ICT week celebrations. It was a greatest day for tzNIC as Management met and exchanged ideas with various stakeholders. More than 80 stakeholders attended the event and those present were from the Telco companies (network operators), parent ministry, entrepreneurs (SMEs), higher learning institution students and the media. During the occasion, tzNIC secretariat presented a paper on its current status and the way forward. The presentation explained also

the roles of various tzNIC stakeholders (Government, private sector, SMEs and academia). The event had two advantages of tzNIC being officially opened and also publicity to the community.



Director General of TCRA Prof. John Nkoma (in glasses) looks on while Mr. Jeremiah Sendoro, Director for Policy and Planning from the Ministry of Communications, Science and Technology cuts the ribbon as a sign of official opening of tzNIC offices.



TCRA Director General Prof. John Nkoma (in blue shirt) and Director for ICT Development Dr. Kilongola listening to tzNIC PAC Chairman Prof. Beda Mutagahywa during the official opening of tzNIC offices.



Stakeholders listening to a contribution from one of the participants during the official opening of tzNIC offices.

International relations

tzNIC Management believes that tzNIC can not operate in isolation and still perform its duties effectively and successfully. During the period under review, the Centre followed up and managed to obtain membership to AfriNIC and AfTLD.

2.6 Administration and personnel matters

Staff and financial regulations

To ensure efficient and accountable management, tzNIC staff regulations, financial regulations and accounting manual were developed and approved by PAC.

Social security fund schemes

As per section 11 (3) (3) of the tzNIC financial regulations and Accounts Manual, the employer is supposed to contribute 15% of the employee's gross salary to the social security fund. The employee is also supposed to contribute 5% of his/her gross salary to the fund. During the period under review, the management registered the company with PPF to fulfill the above requirements. The company's registration No. is **2004198**.

Human resources development

tzNIC acknowledges that the human resources are its core competencies which need to be improved in order to enhance the level of service delivery and fulfill the Centre's obligation of providing services to the people of the United Republic of Tanzania in line with the technological advancements. In recognition of this, the Centre

identifies human resource development as one of its priority areas.

tzNIC operates an up-to-date, state of the art system based on technological advancements. One of the core values that facilitate its operations based on the rapid technological changes is the technical agility. During the period under review, the Manager participated in various training forums as summarized below:

Name	Training/workshop/meeting	Benefits
Abibu Ntahigiye	ENUM workshop (CRASA), South Africa. (3 – 4 April 08)	Understanding of ENUM and how it is implemented within DNS.
	AfTLD 2008 conference, South Africa. (7 – 11 April 08)	<ol style="list-style-type: none"> 1. Introduction to ccTLD activities (responsibilities, establishment, challenges and best practices); 2. Clear understanding of the re-delegation process and entities involved. 3. Awareness on other open source registry packages (FRED).
	AfNOG 9 training & AfriNIC 8 meeting, Rabat – Morocco. (24 May – 6 June 08)	<ol style="list-style-type: none"> 1. Exposure to UNIX administration in a working environment. 2. Better appreciation of regional organizations functions in managing the Internet. 3. Social networking with other ccTLD managers in Africa.

2.7 Challenges

Despite the great achievements attained, tzNIC faced administrative as well as technical challenges. The first challenge was the delay to start its operations due to prolonged recruitment process.

There has also been minimum public awareness on tzNIC and its functions specifically on the use of .tz domain names. This has brought about an understanding by the local community that generic domain names are credible than the .tz domain names.

The above challenge has been partially addressed through the created publicity and awareness facilities such as company website, logo and brochures. tzNIC participation in local and International events has also contributed significantly. More publicity and awareness programmes are expected to be conducted during the forthcoming financial years when tzNIC will have established itself firmly and be in a position to deliver the intended services.

Selection of an open source registry package was also challenging. The initial selection of .br open source was found to have drawbacks. First, it had a language barrier which slowed down the installation work and, secondly, it was not supportive of the Extensible Provisioning Protocol (EPP) which was key to Registrars operations. Initiatives to acquire FRED open source registry package from Czech Republic as an alternative were undertaken during the period under review. FRED supports EPP and ENUM.

2.8 Future plans

Capacity and Capacity-building

In order to enhance the Secretariat, it is anticipated that during the next financial year:

- a) The OMS and Systems Engineer will be recruited;
- b) Training programmes will be developed and implemented;
- c) Members of the Secretariat will be exposed to various national, regional and international events;
- d) The Centre will join Medical/Health Care schemes.

Readiness for operation

While following up the re-delegation of the .tz ccTLD, other activities will have to be executed. These activities include:

- a) Registrar's training and appointment;
- b) IPv6 block request to AfriNIC and implementation;
- c) DNSSEC implementation;
- d) Readiness for ENUM;
- e) Continued publicity and awareness campaigns. This will include a study on how tzNIC can facilitate various sectors (education, agriculture, tourism, public service provision, etc);
- f) Company registration with TRA for TIN;
- g) A price list will be developed in-line with the report of the short-lived national Committee recommendations;
- h) Development of various operation manuals (domain registration rules and policies, dispute resolution rules and policies, Registrar's agreement and appointment, etc).

3.0 FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 2007 TO JUNE 2008

3.1 Report of the Auditors

We have audited the financial statements of Tanzania Network Information Centre (tzNIC) which comprise the balance sheet as of 30 June 2008, and the income statement, the tzNIC cash flow statement for the period then ended, and a summary of significant accounting policies and other related notes.

Management's Responsibility for the Financial Statements

Tanzania Network Information Centre (tzNIC) management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Centre at 30 June 2008 and of its surplus and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the management and members of Tanzania Network Information Centre (tzNIC) and for no other purposes.

We are also required to report to you if, in our opinion, the Centre has not kept proper accounting records, if we have not received all information and explanations we require for our audit.



INNOVEX Auditors
Certified Public Accountants
Dar es Salaam
Per Christopher Mageka, CPA

Date 22/06-2009



3.2 Income statements for 18 months ended June 2008

	Notes	30 June 2008 <u>TZS'000</u>
Revenue		
Grants	3	<u>323,896</u>
Operating expenses		
Internet and communication expenses		4,289
Management recruitment expenses	4	9,100
Personnel expenses	5	17,249
PAC meetings	6	10,247
Seminars/conferences and travelling expenses	7	14,940
Marketing/publicity expenses	8	20,167
Office rent	9	43,468
Depreciation	11	81,088
Bank charges		621
Other charges	10	<u>3,850</u>
Total operating expenses		<u>205,019</u>
Surplus for the period		<u><u>118,877</u></u>

3.3 Balance sheet as at 30 June 2008

	Notes	30 June 2008 <u>TZS'000</u>
ASSETS		
Non-current assets		
Property and equipment	11	<u>119,757</u>
Current assets		
Trade and other receivables		798
Cash and cash equivalents	12	<u>76,544</u>
		<u>77,342</u>
Total assets		<u><u>197,099</u></u>
LIABILITIES AND EQUITY		
Equity		
Accumulated surplus		<u>118,877</u>
Long term liabilities		
Deferred income	13	72,646
Current liabilities		
Trade and other payables	14	<u>5,576</u>
Total liabilities		<u>78,222</u>
Total liabilities and equity		<u><u>197,099</u></u>

The financial statements on pages 21 to 23 were approved by the Policy Advisory Committee during an extraordinary PAC meeting on 4th May 2009.


 Prof. Beda Mutagahywa
 Chairman
 tzNIC Policy Advisory Committee (PAC)

.tzníc

Tanzania Network Information Centre Ltd.
 P. O. Box 34543
 Dar es Salaam, Tanzania
 Tel: +255 22 2772659 Fax: +255 22 2772660
 Email: info@tzníc.or.tz Website: www.tzníc.or.tz

The notes and related statements on pages 23 to 30 form part of this statement.

3.4 Statement of changes in the fund for 18 months period ended 30 June 2008

	Accumulated surplus <u>TZS'000</u>	Total <u>TZS'000</u>
Surplus for the period	118,877	118,877
As at 30 June 2008	<u>118,877</u>	<u>118,877</u>

3.5 Cash flow statement for the 18 months period ended 30 June 2008

	Notes	2008 <u>TZS'000</u>
Operating activities		
Surplus for the period		118,877
Adjustment for:		
Depreciation	11	8,442
<u>Changes in working capital:</u>		
Increase in accounts receivable		(798)
Increase in accounts payable	13	5,576
Net cash from operating activities		<u>132,097</u>
Investing activities		
Acquisition of fixed assets	11	(55,553)
Net cash used in investing activities		<u>(55,553)</u>
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning		-
Cash and cash equivalents at end	12	<u>76,544</u>

3.6 Notes to the financial statements for the 18 months period ended 30 June 2008

1 GENERAL INFORMATION

Tanzania Network Information Centre came into being as a result of the National Committee formed by the Director General of TCRA in February 2005 comprising members from public and private sectors with interest in Internet in the United Republic of Tanzania. The main and specific objective of the Committee was to study and propose a mechanism to re-delegate the management of .tz country code Top Level

Domain (TLD). This is in response to the global trends, especially for developing countries, to have control of their own ccTLD. The Committee's work involved analysis of the current situation and experiences from other selected countries, namely Kenya, Germany, Brazil, China and South Africa. The study generally found that the best practice to efficiently manage the ccTLD is achieved by having in place a formally established entity representing the entire Internet community in the country. In addition, the operation of ccTLD registry centre requires reliable and highly available Internet links as well as highly capable hardware facilities and personnel. In view of the findings and global experiences, the National Committee recommended the establishment of tzNIC as a non-profit company limited, whose purpose would be to control, manage and operate the .tz country code TLD and provide complementary registry services in the interests of the nation. Members of this Company would be drawn from TCRA and TISPA.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted are set out below:

(a) Basis of preparation

The financial statements of tzNIC have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of fixed assets at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

(b) Revenue

Revenue comprises the fair value of the consideration received or receivable from potential donors, especially TCRA. In future, revenue is expected to arise from membership and registration fees once tzNIC is operational.

tzNIC recognises revenue when a grant confirmation is received and the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity.

(c) Grants

Grants related to assets, including non-monetary grants (capital grants) are presented in the balance sheet at fair value over the periods necessary to match them with the related costs whereas grants related to income (revenue grants) are recognised as other income during the period in which they arise.

(d) Property and equipment

Furniture and fittings, computers and office equipment as well as the server and its installations are shown at fair net book value; and are thus stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits are associated with item will flow to the Centre and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised.

All other repair and maintenance are charged to the income statements during the financial period in which they are incurred. Increases in the carrying amount arising on revaluation of land and buildings, reservoir, pumps and machinery, major pipes and trunk water mains are credited to other reserves in the Centre’s equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity, all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset’s original cost is transferred from ‘other reserves’ to ‘retained earnings’

(e) Depreciation

Depreciation is calculated using straight line method to allow their costs over their expected useful lives.

The annual depreciation rates used are:

Furniture and fittings	20%
Computers and office equipment	33%
Server facilities and installations	15%

(f) Intangible assets

Generally, costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Centre and has a probable benefit accruing to the Centre beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, estimated at four years. However, during the year there were no costs associated with developing computer software programmes.

(g) Foreign currencies

Assets and liabilities which are denominated in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling on the balance sheet date. Transactions during the period, which are expressed in foreign currencies, are translated at the rates of exchange ruling on the dates of the transactions. Other exchange gains and losses are dealt with in the income statement.

(h) Financial instruments

Financial assets and liabilities are recognised on the Centre’s balance sheet when the Centre has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade

receivables is established when there is objective evidence that the Centre will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Centre has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(i) Impairment

At each balance sheet date, the Centre reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Employees benefits

(i) Pension obligations

The Centre has defined contribution plan. A defined contribution plan is a pension plan under which the Centre pays fixed contributions into a separate entity. The Centre has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

tzNIC makes statutory contributions to the Parastatal Pensions Fund (PPF). The Centre's obligation is 15% of the employees' gross emoluments in respect of PPF members.

(ii) Other Entitlements

The estimated monetary liability for employees' accrued entitlements at the balance sheet date is recognized as accrued expenses.

3 GRANTS

	TZS'000
Grants from TCRA	251,250
Transfer from deferred income (Note 13)	72,646
	323,896

4 MANAGEMENT RECRUITMENT EXPENSES

Manager's interview meetings	2,250
Accounts assistant recruitment	5,200
Office management secretary recruitment	1,572
Advertisements	78
	9,100

5 PERSONNEL COSTS

Salaries	14,938
PPF employer's contributions	2,241
Staff welfare	70
	17,249

6 PAC MEETINGS

During the period ended 30 June 2008, the Policy Advisory Committee (PAC) met seven times; and the meetings costs amounted to **TZS 10, 247,300.**

7 SEMINARS, CONFERENCES AND TRAVEL COSTS

	2008
	<u>TZS'000</u>
AFTLD and CRASA meeting	5,158
AFNOG-9 and AfriNIC-8 meetings	8,458
Local travelling	1,324
	<u>14,940</u>
	<u><u>14,940</u></u>

8 MARKETING/PUBLICITY EXPENSES

Advertisements for official launching of tzNIC	10,326
Conference organisation costs	9,841
	<u>20,167</u>
	<u><u>20,167</u></u>

9 OFFICE RENT

Tcra Meets The Centre's Rental Expenses Directly; And For The Period Ending 30 June 2008 The Rent Costs Amounted To **Tzs 43.4 Million.**

10 OTHER CHARGES

	2008
	<u>TZS'000</u>
Electricity	997
Repair and maintenance	1,061
Printing and stationery	1,792
	<u>3,850</u>
	<u><u>3,850</u></u>

11 PROPERTY AND EQUIPMENT

	Furniture and fittings	Computers and office equipment	Server facility and installations	Total As restated
	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
COST				
Additions	7,164	169,628	24,053	200,845
As at 30 June 2008	7,164	169,628	24,053	200,845
DEPRECIATION				
Charge for the year	1,219	78,081	1,788	81,088
As at 30 June 2008	1,219	78,081	1,788	81,088
NET BOOK VALUE				
As at 30 June 2008	5,845	91,547	22,265	119,757

12 CASH AND CASH EQUIVALENTS

	<u>TZS'000</u>
TZS bank account	45,816
US\$ bank account	29,370
Cash in hand	1,358
	<u>76,544</u>

13 DEFERRED INCOME

Additions during the year	145,292
Transfer to revenue grant	(72,646)
	<u>72,646</u>

Deferred income relates to computers and office equipment that were granted to the Centre by Tanzania Communications Regulatory Authority (TCRA) during the period under review.

14 TRADE AND OTHER PAYABLES

	2008
	<u>TZS'000</u>
Accrued P.A.Y.E	3,887
Other payables–advertisements	1,689
	<u>5,576</u>

15 FINANCIAL RISK MANAGEMENT POLICIES

The financial risk management policies are outlined below:

Exchange risk

The Centre's purchases are denominated in both local and foreign currencies, principally, the Tanzanian Shillings and US Dollar. Management considers the exchange risk to be minimal and has therefore not entered into any financial contracts to hedge against the exchange risk.

16 RELATED PARTY TRANSACTIONS

Key Management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Remuneration of directors and other members of key management during the year were as follows:

	2008
	<u>TSh'000</u>
Salaries and Short term benefits	<u>14,938</u>

17 CURRENCY

These financial statements are prepared in Tanzania Shillings thousands (TZS'000)

18 COMPARATIVES

This is the Centre's first audit; therefore there are no comparative figures.

4.0 ACKNOWLEDGEMENTS

The policy Advisory Committee and Management of Tanzania Network Information Centre would like to thank all those who assisted in the preparation of this report, in particular the Auditors and tzNIC employees.

