**ARUSHA NODE MARIE**

**ANNUAL GENERAL MEETING 2014**

**TREASURER’S REPORT 2013**

**29th July 2013**

**BACKGROUND:**

On behalf of the Arusha Node Marie Management Steering Committee, I’m happy to present before Arusha Node Marie (ANM) 20th Annual General Meeting, the audited Financial Statements for the year ended 31st December, 2013, comprising of:

* Statement of Financial Position (SFP) as at 31st December 2013.
* Statement of Comprehensive Income (SCI) for the period ended 31st December 2013.
* Statement of Cash Flow for the period ended 31st December, 2013.

The treasurer's report is presented before you in fulfillment of ANM Constitution, which stipulates that financial affairs of the NODE should constitute an agenda item in every Annual General Meeting.

As you might have noted, ANM long term asset remain the investment in Habari Node Limited. This amount invested has not changed since HNL inception. The investment is expected to generate cash inflows for ANM in the form of dividends in the coming years.

ANM principal activity is to support educational programs by providing local educational institutions with free and unfettered access to the Internet.

Along with subscriptions and other sources of finance such as donations and fund raising initiatives, the expected major source of income remained the investment income (dividend) from equity investment in HNL.

For the first two years since HNL inception, no dividends were declared hence Node’s principle activities were funded by HNL on the basis of CSR However for the financial year 2013 ANM started paying fully for its philanthropic expenses on credit terms extended to it by HNL with an understanding that the same will be recovered in future dividends. As at the end of the year the liability against HNL had stood at Tshs 61,197,120.

Whereas it is obvious to the Members that equity investment in Habari Node Ltd was for the primary reason of realizing dividend income every year, operational reality on ground dictated otherwise. For three successive periods no dividends were forthcoming. The need for the Company to expand to ensure its sustainability and survival in the growing competition necessitated investing profits realized hence decision not to pay any dividends.

To ensure that the philanthropic activities and on realization that the Node could not continue relying on corporate social responsibility gestures from the company, the Node maintained connectivity for the supported institution through creating a liability to NNL. The payables will be offset once the company starts declaring dividends.

In the meantime the liabilities exceed the Society’s assets. The Management Steering Committee is very conscious that this state is unhealthy since its its continuation will put to question the going concern of the Society. It is imperative that without increased efforts to fund raise or enrolling more members, ANM in the year 2014 will not be in a position to opt for further expansion for but its company but rather consider dividend declaration a must. This may be the only mitigation to ensure the life of the Society.

Despite the above given rather discouraging scenario, the Management Steering Committee remains optimistic that the status is bound to change to the healthy one in the forthcoming year. I would therefore like to confirm that transactions which have been included to form the basis of this financial statement actually occurred.

**FINANCIAL POSITION:**

The statement of financial position (SFP) reflects not a very healthy scenario. It shows ANM net worth has decreased over the period. This means ANM spent more than what they could actually raise.

* **Non-Current Assets:**

At the beginning of year 2013 the society had an investment brought forward with an aggregate book value of Tshs.204,949,821/=. This did not change over the period that ended 31st December 2013 but is expected to generate income for the society over years to come.

* ***Working Capital***

ANM current assets show slight declining trend from Tshs. 5,670,271 in year 2011 to Tshs. 5,206,434 in year 2012. This means ANM sources do not generate enough cash to finance its activities. On the other hand, current liabilities increased from Tshs.13,043,800/= to Tshs.74,982,820/=. This is alarming dependencies need to be reversed.

Working capital represents the day-by-day amount available to finance ANM activities raised from both current assets and current liabilities. The society will be considered efficient and in good health in the short term if current assets are higher than current liabilities by at least twice as much.

**EQUITY**

As at close of business on 31st December, 2012 the society had accumulated fund of Tshs.318,800. However, by 31st December 2013 accumulated fund has declined to Tshs. To a deficit of Tshs. 62,084,054. This means ANM is consuming accumulated surplus from previous periods which represents some of the assets of the society. This trend must be reversed.

**PERFOMANCE**

Whereas this time around ANM made a loss of Tshs.63,093,657/=, it may be worth comparing this with the previous year performance when the Society incurred a loss of T.shs 14,700,115. This means that ANM need to collect enough from its sources to meet her expenditures.

* ***Income***

Income for the year ended 31st December, 2013 was Tshs.976,914/=. This was raised from members subscription Tshs.1,048,538= offset by a loss in and gain exchange translation Tshs.71,624/=.

* **Expenditure**

Overall expenditure in year 2013 was Tshs.64,070,571 as compared to Tshs.18,204,875 in year 2012. This significant increase is attributed to the fact that the Society now is shouldering philanthropic connections contrary to the previous years where HNL met these expenses as part of its CSR to the Society

**CASH FLOW**

Cash flow shows ANM operations depend mainly from extended short term credits which was Tshs. 61,939,020for the period.

**INVESTMENT**

Investment remains at Tshs.204, 949,821/= and will generate income over years.

**WAY FORWARD AND CONCLUSION**

ANM should mobilize her current members to meet their annual subscription fees as well as embarking on an aggressive campaign to attract more Members as its core source of revenue to run its activities.

More creative fund raising activities should be charted out by the Management Steering Committee. ANM should review its EOL policy in a manner that would allow other stakeholders to contribute to expand EOL an option which is currently being implemented. In this way ANM will be able to establish a fund that will sustainably support existing philanthropic EOL institutions and new registrations.

Equally important, it goes without saying that despite the need for the HNL to grow in a way of expansion to ensure its sustainability, non -declaration implies a suicidal decision for the Society. The year 2014 must be the year the society starts receiving dividends from its equity investment.

**Submitted by: Elishilia D. Kaaya**

**Treasurer, Arusha Node Marie**

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| --- | --- | --- | --- | --- | --- | --- |
| **29th July. 2013.**  **APPENDICES:**  **TABLE ONE STATEMENT OF FINANCIAL POSITION**  **FIGURES IN ‘000’** |  |  |  |  |  |  |
| |  |  |  |  | | --- | --- | --- | --- | | **YEAR** | **2011** | **2012** | **2013** | | **NC/A** | 205 | 205 | 205 | | **CA** | 8 | 6 | 5.2 | | **TOTAL** | 213 | 211 | 216.2 | | **CAPITAL RESERVE** | 197 | 197 | 135 | | **ACC. /P/L** | 15 | 0.5 | 0.319 | | **NCL** | - | - |  | | **CL** | 1 | 13 | 75 | | **TOTAL** | 213 | 211 | 216.2 |   **TABLE TWO:**  **STATEMENT OF COMPREHENSIVE INCOME**  FIGURES IN ”’000”   |  |  |  |  | | --- | --- | --- | --- | | **YEAR** | **2011** | **2012** | **2013** | | **INCOME** | 3 | 3 |  | | **EXPENDITURE** | (7) | 18 | 63 | | **SURPLUS/DEFICIT** | (5) | (15) | (62) | | | | | | | |

**TABLE THREE**

**STATEMENT OF CASH FLOW**

FIGURES IN “000”

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **2011** | **2012** | **2013** |
| **SURPLUS/DEFICIT** | (5) | (15) | (63) |
| **ADJUST** | - | - | - |
| **W/CMOVEMENT** | (1) | (12) | 62 |
| **NET CASH FLOW** | (6) | (3) | (0,464) |
| **ADD-C/B OPEN** | 14 | 5.6 |  |
| **CL/CASH/BANK** | 8 | 6 | 5.2 |