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| **ARUSHA NODE MARIE** |
| **MANAGEMENT STEERING COMMITTEE**  **REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013** |

**ARUSHA NODE MARIE**

**MANAGEMENT STEERING COMMITTEE’S REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

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**MANAGEMENT STEERING COMMITTEE’S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

**INTRODUCTION**

The Management Steering Committee submits their report and the audited Financial Statements for the year ended 31 December 2013.

**INCORPORATION**

Arusha Node Marie is registered under The Societies (Application for Registration) Rules 1954 and issued with a Certificate of Registration Number SO. 8752 dated 21 May 1997.

PRINCIPAL ACTIVITY

The principal activity of the society is to providing internet services to educational institutions.

**STATEMENT OF THE MANAGEMENT STEERING COMMITTEE’S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The members of the Management Steering Committee (MSC) are responsible for the preparation of Financial Statements that show a true and fair view of affairs of the society at the end of each financial year in accordance with International Financial Reporting Standard for Small and Medium-Sized entities, and Tanzania Financial Accounting Standards issued by the National Board of Accountants and Auditors of Tanzania. The members of the Management Steering Committee are also responsible for safeguarding assets of the society and to take reasonable steps for prevention and detection of fraud or errors and other irregularities. They are also responsible for maintaining an adequate system of internal controls. The members of the Management Steering Committee confirm that suitable accounting policies have been used and applied consistently and reasonable judgment has been made in preparing the financial statements. Also the members of the Board of Trustees confirm that, applicable accounting standards and the Tanzania Financial Accounting Standards have been followed and the accounts have been prepared on the going concern basis.

**ARUSHA NODE MARIE**

**MANAGEMENT STEERING COMMITTEE’S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

**RESULTS**

The results of the society are set out on page 5.

STATE OF AFFAIRS

The society’s state of affairs is set out on page 6 of the financial statements. The members of Management Steering Committee consider the society to be solvent.

MEMBERS OF THE MANAGEMENT STEERING COMMITTEE

The members of Management Steering Committee who served during the year and to the date of this report were:

**Name Nationality**

Gilbert Joel Maeda Tanzanian Chairman

Lawrence Rukindo Tanzanian Vice chairman

Abdul Dello Tanzanian Secretary

Elishilia D Kaaya Tanzanian Treasurer

Daniel Kivuyo Tanzanian Vice Treasurer

Efraim Njau Tanzanian Committee Member

Erik Rowberg American Committee Member

Charlotte O’Neal American Committee Member

Jo Driessen British Co-opted Com. Member

John Sasaga Tanzanian Co-opted Com. Member

**AUDITORS**

VA Business Assurance Services have expressed their interest to continue in office. A resolution will be proposed to the AGM to confirm them as Society’s auditors in accordance with Article 7.1.2.6

By Order of the Management Steering Committee

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**Chairperson Date**

**REPORT OF THE INDEPENDENT AUDITORS**

***To the members of***

**ARUSHA NODE MARIE**

We have audited the accompanying financial statements of **Arusha Node Marie,** which comprise of the statement of financial position as at 31 December 2013 and statement of profit or loss and operating fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 5 to page 12.

**Management Steering Committee’s responsibility for the financial statements**

Management Steering Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard for Small and Medium-Sized entities. This responsibility include: 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 amount and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, 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.

**REPORT OF THE INDEPENDENT AUDITORS**

***To the members of***

**ARUSHA NODE MARIE (continued)**

##### Unqualified Opinion

In our opinion, the financial statements, in all material respects, give a true and fair view of the state of affairs of the Arusha Node Marie as at 31 December 2013 and of the results and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-Sized entities and comply with the Societies Act Cap. 337 (revised 2002).

**Emphasis of Matters**

We further draw attention to Note 12 to the financial statements which describe the uncertainty on Arusha Node Marie’s going concern related to current liabilities exceeding current assets TZS 69,776,386 with a current ratio for 0.07:1 quite far away from the ideal ratio of 2:1

Our opinion is not qualified in respect of this matter.

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**CERTIFIED PUBLIC ACCOUNTANTS VINCENT AUGUSTINO**

**PARTNER**

**ARUSHA**

**---------------------2014**

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| **ARUSHA NODE MARIE** | |  |  |  |  |
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| **STATEMENT OF PROFIT OR LOSS AND OPERATING FUND FOR YEAR ENDED 31 DECEMBER 2013** | | | | | |
|  | **Notes** | | **2013** | **2012** |  |
|  |  | | **TZS** | **TZS** |  |
| **INCOME** |  | |  |  |  |
| Income | 2 | | 1,048,538 | 3,259,400 |  |
| Other income | 3 | | (71,624) | 245,360 |  |
|  |  | | **976,914** | **3,504,760** |  |
|  |  | |  |  |  |
| **EXPENDITURE** |  | |  |  |  |
| Administration | 4 | | 63,041,420 | 17,520,265 |  |
| Finance cost | 5 | | 1,029,151 | 684,610 |  |
|  |  | | 64,070,571 | 18,204,875 |  |
| Deficit for the year |  | | **(63,093,657)** | **(14,700,115)** |  |
|  |  | |  |  |  |
| **OPERATING FUND** |  | |  |  |  |
| At 1 January |  | | 318,803 | 15,018,918 |  |
| Deficit for the year |  | | (63,093,657) | (14,700,115) |  |
| Prior year adjustment |  | | 690,800 | - |  |
| At 31 December |  | | **(62,084,054)** | **318,803** |  |
| These financial statements were approved by the Management Steering Committee and signed on its behalf by: | | | | | |
|  | |  |  |  |  |
| **NAME** | | **SIGNATURE** | |  |  |
|  | |  |  |  |  |
| Gilbert Joel Maeda | | **………………………………….** | |  |  |
|  | |  |  |  |  |
| Elishilia D Kaaya | | **………………………………….** | |  |  |
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| **Date ……………….……………2014** | | | | | |

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| **ARUSHA NODE MARIE** |  |  |  |  |
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| **STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2013** | | | |  |
|  |  |  |  |  |
|  | **Notes** | **2013** | **2012** |  |
| **ASSETS** |  | **TZS** | **TZS** |  |
| **Non-current assets** |  |  |  |  |
| Investment | **6** | 204,949,821 | 204,949,821 |  |
|  |  |  |  |  |
| **Current assets** |  |  |  |  |
| Cash and cash equivalents | **7** | 5,206,434 | 5,670,271 |  |
| **TOTAL ASSETS** |  | **210,156,255** | **210,620,092** |  |
|  |  |  |  |  |
| **EQUITY AND LIABILITIES** |  |  |  |  |
| **Capital and reserves** |  |  |  |  |
| Capital reserve | **10** | 197,257,489 | 197,257,489 |  |
| Accumulated deficit/surplus |  | - 62,084,054 | 318,803 |  |
|  |  | 135,173,435 | 197,576,292 |  |
| **Current liabilities** |  |  |  |  |
|  |  |  |  |  |
| Trade payables | **11** | 74,982,820 | 13,043,800 |  |
| **TOTAL EQUITY AND LIABILITIES** |  | **210,156,255** | **210,620,092** |  |
|  |  |  |  |  |
| These financial statements were approved by the Management Steering Committee and signed on its behalf by: | | | | |
|  |  |  |  |  |
| **NAME** |  | **SIGNATURE** | |  |
|  |  |  |  |  |
| Gilbert Joel Maeda |  | **………………………………….** | |  |
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|  |  |  |  |  |
| Elishilia D Kaaya |  | **………………………………….** | |  |
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| **Date ……………….……………2014** | | | |  |

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| **ARUSHA NODE MARIE** |  |  |  |  |
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| **STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013** | | | |  |
|  |  |  |  |  |
|  |  | **2013** | **2012** |  |
| **CASH FLOW FROM OPERATIONS** |  | **TZS** | **TZS** |  |
| Deficit for the year |  | (63,093,657) | (14,700,115) |  |
|  |  |  |  |  |
| Changes in working capital items |  |  |  |  |
| Increase in account payables |  | 61,939,020 | 12,100,300 |  |
| Prior year adjustment |  | 690,800 | - |  |
| Net change in cash and cash equivalents | | (463,837) | (2,599,815) |  |
|  |  |  |  |  |
| **CASH AND CASH EQUIVALENTS** |  |  |  |  |
| Beginning of the year |  | 5,670,271 | 8,270,086 |  |
| **End of the year** |  | **5,206,434** | **5,670,271** |  |
|  |  |  |  |  |
|  |  |  |  |  |
| These financial statements were approved by the Management Steering Committee and signed on its behalf by: | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| **NAME** | **SIGNATURE** | |  |  |
|  |  |  |  |  |
| Gilbert Joel Maeda | **………………………………….** | |  |  |
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| Elishilia D Kaaya | **………………………………….** | |  |  |
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| **Date ……………….……………2014** | | | |  |
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**ARUSHA NODE MARIE**

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2013**

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### 1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention. No other procedures have been adopted to reflect the impact on the financial statements of specific price changes in the general level of prices.

**Statement of compliance**

The financial statements of Arusha Node Marie have been prepared in accordance with International Financial Reporting Standard for Small and Medium-Sized entities.

**1.2 Summary of significant accounting policies**

**Revenue Recognition**

Revenue which is proceeds contribution from members is recognized when received.

**Foreign currency translations**

Transactions in currencies other than Tanzania Shillings are recorded at rates prevailing at the transactions dates. Monetary assets and liabilities that are denominated in foreign currencies are translated into Tanzania Shillings at rates prevailing at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement.

**Investment**

Investment in equity is carried in the book at cost.

**Cash and cash equivalents**

Cash and short-term deposits in the balance sheet and cash flow statement comprise cash at banks and on hand.

**ARUSHA NODE MARIE**

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2013(Continued)**

**Capital grant**

Capital grant which represent excess of cost of shareholding in Habari Node Limited over the net worth of the assets surrendered is carried at cost.

**Provisions**

Provisions are made when the organization has a present obligation, as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

**Impairment of Assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

**Trade and other payables**

Liabilities for the trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the organization.

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| **ARUSHA NODE MARIE** | |  |  |  |  |
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| **ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)** | | | | | |
|  |  | **2013** | **2012** |  |  |
| **2** | **INCOME** | **TZS** | **TZS** |  |  |
|  | Membership subscriptions | 1,048,538 | 2,143,400 |  |  |
|  | Donation | - | 1,116,000 |  |  |
|  |  | **1,048,538** | **3,259,400** |  |  |
|  |  |  |  |  |  |
| **3** | **OTHER INCOME** |  |  |  |  |
|  | Foreign exchange( loss)/ gain | **(71,624)** | **245,360** |  |  |
|  |  |  |  |  |  |
| **4** | **ADMINISTRATION** |  |  |  |  |
|  | Philanthropic committee expenses | - | 2,219,860 |  |  |
|  | Philanthropic Internet Access | 61,197,120 | 11,842,600 |  |  |
|  | Steering Committee expenses | 1,441,800 | 1,045,550 |  |  |
|  | Professional fees | - | 2,015,655 |  |  |
|  | Minor Equipment Purchases | - | 6,600 |  |  |
|  | Audit fees | 402,500 | 390,000 |  |  |
|  | Society expenses/AGM | - | - |  |  |
|  |  | **63,041,420** | **17,520,265** |  |  |

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| **ARUSHA NODE MARIE** | |  |  |  |  |
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| **ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)** | | | | | |
|  |  | **2013** | **2012** |  |  |
| **5** | **FINANCE COST** | **TZS** | **TZS** |  |  |
|  | Interest | - | - |  |  |
|  | Bank charges | 1,029,151 | 684,610 |  |  |
|  |  | **1,029,151** | **684,610** |  |  |
|  |  |  |  |  |  |
| **6** | **INVESTMENTS** |  |  |  |  |
|  | Habari Node Limited | **204,949,821** | **204,949,821** |  |  |
|  | On 1st June 2010 Habari Node Limited (HNL) that was formed as a Joint Venture company by Arusha Node Marie (ANM) and AFAM Limited as equal partners started its operation by taking over assets and technical operation of Arusha Node Marie. | | | | |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | **2013** | **2012** |  |  |
| **7** | **CASH AND CASH EQUIVALENTS** | **TZS** | **TZS** |  |  |
|  | Stanbic bank TShs | 2,430,300 | 2,394,300 |  |  |
|  | Stanbic bank USD | 187,385 | 402,618 |  |  |
|  | NBC USD | 2,588,749 | 2,873,353 |  |  |
|  |  | **5,206,434** | **5,670,271** |  |  |
|  |  |  |  |  |  |
| **8** | **REGISTRATION** |  |  |  |  |
|  | The society was registered in Tanzania under the Societies (Application and Registration) Rules 1954 and issued with a Certificate of Registration number SO.8752 dated 21st May 1997. | | | | |
|  | ANM membership as at 31 December 2013 was 43 active members. | | |  |  |
|  |  |  |  |  |  |
| **9** | **DISCLOSURE** |  |  |  |  |
|  | The ANM membership as at December 31, 2013 was 43 live members. | | |  |  |
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| **ARUSHA NODE MARIE** | |  |  |  |  |
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| **ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)** | | | | | |
|  |  |  |  |  |  |
| **10** | **CAPITAL RESERVES** |  |  |  |  |
|  | Capital reserves represent the difference between cost of shares of Habari Node Limited granted to Arusha Node Marie and net worth of assets surrendered to Habari Node Limited | | | | |
|  |  | **2013** | **2012** |  |  |
|  |  | **TZS** | **TZS** |  |  |
|  | (a) Book value of ANM shareholding in Habari Node Limited | **204,949,821** | **204,949,821** |  |  |
|  |  |  |  |  |  |
|  | (b) Worthiness of assets transferred to HNL | |  |  |  |
|  | Non-current assets | 300,465,196 | 300,465,196 |  |  |
|  | Other assets | 204,352,367 | 204,352,367 |  |  |
|  | **Total assets at book values** | **504,817,563** | **504,817,563** |  |  |
|  | **Less:** |  |  |  |  |
|  | Liabilities | 512,509,895 | 512,509,895 |  |  |
|  | **Net worth transferred to HNL** | **(7,692,332)** | **(7,692,332)** |  |  |
|  | **Capital grant** | **197,257,489** | **197,257,489** |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **11** | **TRADE AND OTHER PAYABLES** | **2013** | **2012** |  |  |
|  |  | **TZS** | **TZS** |  |  |
|  | VA Business Assurance | 792,500 | 390,000 |  |  |
|  | Habari Node Limited | 74,190,320 | 12,653,800 |  |  |
|  |  | **74,982,820** | **13,043,800** |  |  |
|  |  |  |  |  |  |
| **12** | **UNCERTAINITY ON ANM'S ABILITY TO CONTINUE AS A GOING CONCERN** | | |  |  |
|  | The statement of Financial Position shows that the ANM current liabilities exceeded current assets by TZs 69,776,386. This condition cast significant doubt about the ANM's ability to continue as a going concern. | | | | |
|  |  |  |  |  |  |
| **13** | **EMPLOYEES** |  |  |  |  |
|  |  |  |  |  |  |
|  | The society had no permanent employee during the year | |  |  |  |
|  |  |  |  |  |  |
| **14** | **CURRENCY** |  |  |  |  |
|  |  |  |  |  |  |
|  | These financial statements are expressed in Tanzania Shillings (TZS). | | |  |  |