

Maputo Corridor Logistics Initiative
(An association incorporated in accordance with section 21 of the Companies Act)
(Registration number 2004/007466/08)
Financial statements
for the year ended 28 February 2007

Maputo Corridor Logistics Initiative

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Financial Statements for the year ended 28 February 2007

Information Page

Registered office	MCLI House 16 Streak Street Cnr of Ehmke and Streak Street Nelspruit 1200
Postal address	PO Box 19777 Nelspruit 1200
Bankers	Standard Bank of South Africa
Auditor	PricewaterhouseCoopers Inc Chartered Accountants (S.A.) Registered Accountants and Auditors
Secretary	Ngobe-Nkosi Attorneys
Company registration number	2004/007466/08

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The reports and statements set out below comprise the financial statements presented to the members:

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The following supplementary schedules do not form part of the financial statements and are unaudited:

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Director's Responsibilities and Approval

The directors are required by the South African Companies Act, 1973, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequacy segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 29 February 2008 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 4 - 19, which have been prepared on the going concern basis, were approved by the board of directors on the date indicated below and were signed on its behalf by:

Directors

Directors

Nelspruit

Date: _____

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Director's Report

The directors submit their report for the year ended 28 February 2007.

1. Review of activities

Main business and operations

- The current business operations of the company are the coordination of the logistics for Rail, Road and Seaports of the Maputo Corridor. The principle business was commenced end September 2003 and the company incorporated on 17 March 2004.

2. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Non-current assets

Some new assets were acquired during the year. These details have been disclosed in note 2 to the financial statements.

From this year onwards office equipment and computer equipment will be depreciated over a period of 3 years and not 5 years as in prior periods.

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Director's Report

4. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Company	Change in appointment	Alternate
<u>Executive Directors</u>			
Frans Visser	TAL	Appointed on 14 January 2005	Kenny Parker
Peter Lowe	MPDC	Appointed on 20 January 2005	Dick Moore
George Ferraz	MIPS	Appointed on 17 March 2004	Pedro Pena
John Muller	TCM	Appointed on 17 March 2004	Ian Crawford
Leon Arthur	MMC	Appointed on 17 March 2004	Louis Nel
Paulo Franco	FPT	Appointed on 17 March 2004	Malcolm Skene
Arthur Coy	TRAC	Appointed on 17 March 2004	Hannes van Wyk
Jan Coetzee	TSB	Appointed 3 December 2004 Resigned on 15 February 2007	
Mawethu Vilane	DOT	Appointed on 23 August 2005	Clement Manyungwana
Eben Mare	TSB	Appointed on 28 March 2006	Graeme Rolfe
Graeme Rolfe	TSB	Appointed on 15 February 2007 as alternate to Eben Mare	
Diderik Nel	TSB	Appointed on 17 March 2004 Resigned on 28 March 2006	

Non-Executive Directors

Bongani Ntuli	NAFCOC	Appointed on 17 March 2004	
Barbara Momen	MCCI/SACOB	Appointed on 17 March 2004 Resigned on 30 September 2007	
Carlos Simbine	CTA	Appointed on 17 March 2004	
Sam Sibiya	FABCOS	Appointed on 17 March 2004	
Antonio Macamo	CPI	Appointed on 15 September 2004	
Musi Skosane	MII	Appointed on 20 January 2005 Resigned on 19 May 2006	
Lynette Claase	AHI	Appointed on 24 November 2005	
Anton Scheepers	MEGA	Appointed on 19 May 2006	
Joe Mathebula	TIL	Appointed on 2 October 2006	

Chief Executive Director

Brenda Horne	MCLI	Seconded by MMC on 17 March 2004	
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Non-Executive Chairmen

Dr. Matthews Phosa	SA	Appointed on 23 August 2005	
Antonio Almeida Matos	Mozambique	Appointed on 23 August 2005	

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Director's Report

5. Secretary

The secretary of the company is Ngobe-Nkosi Attorneys of:
Business address

1st Floor Orion Building
26 Bester Street
Nelspruit
1200

Postal address

1st Floor Orion Building
26 Bester Street
Nelspruit
1200

6. Going Concern

The directors are confident that the company will be able to continue as a going concern. Although the company is largely dependant on the continued financial support of its members, who are not contractually obliged to continue their support, the majority of members have indicated that they are committed to support Maputo Corridor Logistics Initiative (An association incorporated in accordance with section 21 of the Companies Act) for the next financial period.

7. Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with section 270(2) of the Companies Act.

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Balance Sheet

	Note(s)	2007 R	2006 R
Assets			
Non-Current Assets			
Property, plant and equipment	2.	58,155	84,956
Current Assets			
Trade and other receivables	3.	92,566	493,447
Cash and cash equivalents	4.	940,802	464,693
		1,033,368	958,140
			-
Total Assets		1,091,523	1,043,096
Equity and Liabilities			
Equity			
Foundation member contingency reserve		250,000	250,000
Distributable reserve		2,901	8,284
		252,901	258,284
Liabilities			
Current Liabilities			
Trade and other payables	7.	24,023	763,067
Deferred income	5.	790,330	-
Provisions	6.	24,269	21,745
		838,622	784,812
Total Equity and Liabilities		1,091,523	1,043,096

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Income Statement

	Note(s)	2007 R	2006 R
Revenue		1,788,905	1,522,285
Other income		301,967	755
Operating expenses		(2,178,908)	(1,530,739)
Operating loss	8.	(88,036)	(7,699)
Investment revenue	9.	82,653	15,843
(Loss) profit for the period		(5,383)	8,144

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Statement of Changes in Equity

Figures in Rand

	Foundation member contingency reserve	Retained earnings	Total equity
Balance at 01 March 2005	-	140	140
Changes			
Transfer to reserves	250,000		250,000
Net income (expenses) recognised directly in equity	250,000	-	250,000
Profit for the year		8,144	8,144
Total recognised income and expenses for the period	250,000	8,144	258,144
Total changes	250,000	8,144	258,144
Balance at 01 March 2006	250,000	8,284	258,284
Changes			
Loss for the year		(5,383)	(5,383)
Total changes	-	(5,383)	(5,383)
Balance at 28 February 2007	250,000	2,901	252,901

Note(s)

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Cashflow Statement

	Note(s)	2007 R	2006 R
Cash flows from operating activities			
Cash receipts from customers		1,811,821	1,372,887
Cash paid to suppliers and employees		(1,389,446)	(1,231,362)
Cash generated from (used in) operations	11.	422,375	141,525
Interest income		82,653	15,843
Net cash from operating activities		505,028	157,368
Cash flows from investing activities			
Purchase of property, plant and equipment	2.	(28,919)	(44,964)
Cash flows from financing activities			
Total cash movement for the period		476,109	112,404
Cash at the beginning of the period		464,693	197,289
Total cash at end of the period	4.	940,802	309,693

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value (and biological assets at fair value less point of sale costs), and incorporate the principal accounting policies set out below.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Furniture and fixtures	5 years
Office equipment	3 years
Computer software	3 years

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

Repairs and maintenance are generally charged to expenses during the financial period in which the expenses are incurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the original assesses standard of performance of the existing assets will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

1.2 Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified.

1.3 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

1.4 Impairment of assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

1.5 Leases as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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Accounting Policies

Finance leases are recognised as assets and liabilities in the balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful lives of the assets or the term of the lease agreement, if shorter and transfer of ownership at the end of the lease period is uncertain.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. When an operation lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.6 Provisions and contingencies

Provisions are recognised when:

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

Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

1.7 Revenue

Revenue is recognised upon invoicing of membership subscriptions net of Value Added Tax. Other revenues earned by the company are recognised on the following bases:

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt
- Donations and voluntary contributions - on the basis of cash received

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Notes to the Financial Statements

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	22,629	(12,453)	10,176	20,090	(9,110)	10,980
Office equipment	112,536	(71,297)	41,239	88,874	(23,950)	64,924
Computer software	17,128	(10,388)	6,740	14,410	(5,358)	9,052
Total	152,293	(94,138)	58,155	123,374	(38,418)	84,956

2007

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	10,980	2,539	(3,343)	10,176
Office equipment	64,924	23,662	(47,347)	41,239
Computer software	9,052	2,718	(5,030)	6,740
	84,956	28,919	(55,720)	58,155

3. Trade and other receivables

Trade receivables	39,542	445,770
Prepayments (if immaterial)	11,310	4,212
Leave Accrual	6,258	4,197
VAT	35,456	39,268
	92,566	493,447

The company's experience in collection of accounts receivable falls within the recorded allowance. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the company's trade receivables.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,431	2,071
Bank balances	933,371	462,622
	940,802	464,693
Current assets	940,802	464,693

For the purpose of the cash flow statement the period-end cash and cash equivalents comprise the above balances.

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Notes to the Financial Statements

	2007 R	2006 R		
5. Deferred income				
Grant received from the Department of Transport.				
DOT balance made up as follows:				
Total revenue received	1,931,330	-		
Draw down made	(1,141,000)	-		
	790,330	-		
6. Provisions				
2007				
	Opening Balance	Additions	Utilised during the year	Total
Provision for future expenses	21,745	-	(12,476)	9,269
Provision for accounting fees	-	15,000	-	15,000
	21,745	15,000	(12,476)	24,269
7. Trade and other payables				
Trade payables		11,860		95,906
Other Payables		372		660,211
Accrual - current month expenses		2,691		1,250
Accrual - Audit Fees		6,000		5,700
Accrual - Other		3,100		-
		24,023		763,067
8. Operating profit				
Operating lease charges				
Premises				
• Contractual amounts		166,741		51,204
		166,741		51,204
Depreciation on property, plant and equipment		55,720		26,012
Fees relating to non-employees		653,171		689,202
Audit Fees		6,000		5,700
Prior year audit fees overprovided		(700)		-
Currency Variance		(4,645)		120
Staff Costs		681,337		536,861

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Notes to the Financial Statements

	2007 R	2006 R
9. Investment revenue		
Interest revenue		
Bank	82,653	15,843
	82,653	15,843
10. Taxation		
The Company is in the process of registering for tax exemption as an Exempt Institution in terms of Section 30, read together with section 10 of the Income Tax Act, and accordingly no provision has been made in the current period for taxation.		
11. Cash generated from (used in) operations		
Profit (loss) before taxation	(5,383)	8,144
Adjustments for:		
Depreciation and amortisation	55,720	26,012
Interest received	(82,653)	(15,843)
Movements in provisions	2,524	(23,615)
Changes in working capital:		
Trade and other receivables	400,881	(427,920)
Trade and other payables	(739,044)	574,747
Deferred income	790,330	-
	422,375	141,525
12. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	144,360	182,877
- in second to fifth year inclusive	486,493	592,598
	630,853	775,475

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

13. Change in estimate

Property, plant and equipment

The useful life of office equipment was estimated on incorporation to be 5 years. In the current year management have revised their estimate to 3 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 13,336.

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Notes to the Financial Statements

	2007	2006
	R	R
14. Reclassification of comparative figures		
Certain prior year figures have been reclassified.		
15. Staff Costs		
Staff costs relating to non-employees	653,171	689,202
Staff costs relating to employees	681,337	536,861
	1,334,508	1,226,063

Average number of persons employed over the period:

- Full time = 8 (2006: 6)

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Detailed Income Statement

	Note(s)	2007 R	2006 R
Revenue		1,788,905	1,522,285
Other income		384,620	16,598
Expenses (refer to page 18)		(2,178,908)	(1,530,739)
(Loss) profit for the period		(5,383)	8,144

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Detailed Income Statement

	Note(s)	2007 R	2006 R
Operating expenses			
Accounting and IT Services		(46,313)	(37,433)
Bad debts		(10,308)	136,118
Consulting and professional fees		(15,770)	(27,796)
Depreciation, amortisation and impairments		(55,720)	(26,012)
Employee costs		(1,334,508)	(1,229,807)
Entertainment		(4,829)	(16,088)
Lease rentals on operating lease		(166,741)	(51,204)
Levies		(1,241)	(9,502)
Other Expenses	1	(123,705)	(14,593)
Printing and stationery		(31,444)	(35,135)
Repairs and maintenance		(14,515)	(10,739)
Telephone and fax		(77,415)	(60,741)
Travel - Operational		(103,517)	(113,942)
Travel - Recoverable		(178,659)	(33,865)
Venue organisation		(14,223)	-
		<u>(2,178,908)</u>	<u>(1,530,739)</u>

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Notes to the detailed income statement

	Note(s)	2007 R	2006 R
1. Other Expenses			
Bank Charges		5,285	3,953
Currency variance		(4,990)	120
Fines, penalties and interest		5,022	(13,741)
Gifts		435	1,379
Insurance		20,076	8,428
Postage		2,041	967
Promotions - Operational		30,869	-
Promotions - Recoverable		50,643	5,055
Subscriptions		827	1,888
Sundry expenses		11,410	5,759
Training		2,087	785
		123,705	14,593