

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 29 February 2008

Maputo Corridor Logistics Initiative

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Financial Statements for the year ended 29 February 2008

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	Piet van Dyk Inc
Company registration number	2004/007466/08

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 29 February 2008

Index

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

Index	Page
Statement of directors' responsibility	3
Report of the independent auditors	4 - 5
Directors' report	6 - 8
Balance sheet	9
Income statement	10
Statement of changes in equity	11
Cashflow statement	12
Accounting policies	13 - 14
Notes to the financial statements	15 - 19

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

Detailed income statement	20 - 21
Notes to the detailed income statement	22

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 29 February 2008

Directors' Responsibilities and Approval

The directors are required by the South African Companies Act, 1973, to maintain adequate accounting records and are 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.

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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 endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 28 February 2009 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 6 - 22, 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:

Director

Director

Nelspruit

Date: _____

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 29 February 2008

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(An association incorporated in accordance with section 21 of the Companies Act)
(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

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(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

Directors' Report

The directors submit their report for the year ended 29 February 2008.

1. Review of activities

Main business and operations

The current business operations of the company are the coordination of the freight logistics stakeholders for the Maputo Corridor. The principle business was commenced end September 2003 and the company incorporated on 17 March 2004.

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2. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year which requires mention in this report.

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3. Non-current assets

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

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A decision was made in the 2007 year of operation to depreciate equipment over a period over 3 years instead of 5 years as in prior periods. This policy will apply to future periods only. No prior year adjustments have been made in respect of this change.

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 29 February 2008

Directors' Report

4. Directors

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

Name	Company	Date of appointment/Resignation	Alternate
<u>EXECUTIVE DIRECTORS</u>			
<u>2007/2008 FINANCIAL YEAR</u>			
George Ferraz	MIPS	Appointed on 17 March 2004/17 March 2004	Pedro Pena Manuel
Leon Arthur	MMC	Appointed on 17 March 2004/25 May 2007	Louis Nel
Ronald Herman	MPDC	Appointed on 20 August 2007/20 April 2004	Dick Moore
Paulo Franco	FPT	Appointed on 17 March 2004/17 March 2004	Malcolm George Skene
Athol Emerton	TCM	Appointed on 21 August 2007/17 March 2004	John Muller
Arthur Coy	TRAC	Appointed on 17 March 2004/25 May 2007	Hannes van Wyk
St John Baxter	TAL	Appointed on 13 July 2007/20 April 2007	Kenny Parker
Mawethu Vilana	SA DOT	Appointed on 23 August 2005/23 May 2007	Clement X Manyungwana
Eben Mare	TSB	Appointed on 28 March 2006/15 February 2007	Graham Rolfe

RESIGNATIONS 2007/2008 FINANCIAL YEAR

Peter Lowe	MPDC	Appointed on 20 January 2004, Resigned 20 August 2007
Frans Visser	TAL	Appointed on 14 January 2004, Resigned 23 May 2007

NON-EXECUTIVE DIRECTORS

2007/2008 FINANCIAL YEAR

Sam Sibiyá	FABCOS	Appointed on 15 April 2004	
Bongani Ntuli	NAFCOC	Appointed on 20 April 2004	
Lynette Claase	AHI	Appointed on 28 March 2004	
Carlos Simbine	CTA	Appointed on 3 March 2004	
Antonio Macamo	CPI	Appointed on 15 September 2004	
Nosizwe Nokwe	MEGA	Appointed on 23 August 2007/19 May 2006	Anton Scheepers
Ema Maria Santos Chicoco	MOZ DOTC	Appointed on 01 August 2007/01 August 2007	Jose Albano Lourenco
Julius Mirijata Mapatha	TIL	Appointed on 23 May 2007	
Nicholas Elliot	MCCI	Appointed on 23 May 2007	

RESIGNATIONS 2007/2008 FINANCIAL YEAR

Joe Mathebula	TIL	Appointed on 2 October 2006, Resigned 15 August 2007
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CHIEF EXECUTIVE OFFICER

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

COMPANY SECRETARY

Piet van Dyk	Piet van Dyk Inc	Appointed on 23 May 2007
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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 29 February 2008

Directors' Report

5. 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.

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6. Auditors

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

Maputo Corridor Logistics Initiative

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(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

Balance Sheet

	Note(s)	2008 R	2007 R
Assets			
Non-Current Assets			
Property, plant and equipment	2.	<u>183,854</u>	<u>67,620</u>
Current Assets			
Trade and other receivables	3.	237,834	95,507
Cash and cash equivalents	4.	<u>140,710</u>	<u>940,802</u>
		<u>378,544</u>	<u>1,036,309</u>
Total Assets		<u>562,398</u>	<u>1,103,929</u>
Equity and Liabilities			
Equity			
Foundation member contingency reserve		300,000	250,000
Distributable reserve		<u>54,389</u>	<u>28,807</u>
		<u>354,389</u>	<u>278,807</u>
Liabilities			
Non-Current Liabilities			
Finance lease obligation	5.	<u>126,872</u>	-
Current Liabilities			
Finance lease obligation	5.	29,362	-
Trade and other payables	7.	51,775	34,792
Deferred income	6.	-	<u>790,330</u>
		<u>83,032</u>	<u>825,122</u>
Total Equity and Liabilities		<u>562,398</u>	<u>1,103,929</u>

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 29 February 2008

Income Statement

		2008	2007
	Note(s)	R	R
Revenue		2,649,830	1,788,905
Other income		313,360	313,835
Operating expenses		<u>(2,922,868)</u>	<u>(2,164,870)</u>
Operating profit (loss)	8.	40,322	(62,130)
Investment revenue	9.	36,534	82,653
Transfer to Reserves		(50,000)	-
Finance costs	10.	<u>(1,274)</u>	-
Profit for the year		<u>25,582</u>	<u>20,523</u>

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 29 February 2008

Statement of Changes in Equity

Figures in Rand

	Foundation member contingency reserve	Retained earnings	Total equity
Balance at 01 March 2006	-	8,284	8,284
Transfer to reserves	250,000	-	250,000
Net income (expenses) recognised directly in equity	250,000	-	250,000
Profit for the year	-	20,523	20,523
Total recognised income and expenses for the period	250,000	20,523	270,523
Total changes	250,000	20,523	270,523
Balance at 01 March 2007	250,000	28,807	278,807
Profit for the year	-	25,582	25,582
Transfer to Reserves	50,000	-	50,000
Total changes	50,000	25,582	75,582
Balance at 29 February 2008	300,000	54,389	354,389

Maputo Corridor Logistics Initiative

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(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

Cashflow Statement

	Note(s)	2008 R	2007 R
Cash flows from operating activities			
Cash receipts from members		2,183,891	1,811,821
Cash paid to suppliers and employees		<u>(2,956,247)</u>	<u>(1,392,228)</u>
Cash generated from operations	12.	(772,689)	419,593
Interest income		36,534	82,653
Finance costs		<u>(1,274)</u>	-
Net cash from operating activities		<u>(737,429)</u>	<u>502,246</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2.	(218,897)	(50,222)
Sale of property plant and equipment	2.	-	<u>24,085</u>
Net cash from investing activities		<u>(218,897)</u>	<u>(26,137)</u>
Cash flows from financing activities			
Finance lease payments		<u>156,234</u>	-
Total cash movement for the period		<u>(800,092)</u>	<u>476,109</u>
Cash at the beginning of the period		<u>940,802</u>	<u>464,693</u>
Total cash at end of the period	4.	<u>140,710</u>	<u>940,802</u>

Maputo Corridor Logistics Initiative

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(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

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 and incorporate the principal accounting policies set out below.

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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
Equipment	3 years

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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 assessed 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.

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1.3 Cash and cash equivalents

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

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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.

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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 29 February 2008

Accounting Policies

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

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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 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

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Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement.

1.8 Trade and other payables

Trade and other payables are measured amortised cost using the effective interest method.

1.9 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 basis:

- 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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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 29 February 2008

Notes to the Financial Statements

	2008	2007
	R	R

2. Property, plant and equipment

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	26,577	(16,697)	9,880	22,629	(12,453)	10,176
Equipment	341,537	(167,563)	173,974	126,588	(69,144)	57,444
Total	368,114	(184,260)	183,854	149,217	(81,597)	67,620

2008

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	10,176	3,948	(4,244)	9,880
Equipment	57,444	214,949	(98,419)	173,974
	67,620	218,897	(102,663)	183,854

2007

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	10,980	2,539	-	(3,343)	10,176
Equipment	73,976	47,683	(12,082)	(52,133)	57,444
	84,956	50,222	(12,082)	(55,476)	67,620

Property, plant and equipment subject to finance leases (Net carrying amount)

Equipment	122,172	-
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3. Trade and other receivables

Trade receivables	160,229	39,542
Deposit	11,310	11,310
Leave pay	8,455	6,258
VAT	57,840	38,397
	237,834	95,507

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.

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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 29 February 2008

Notes to the Financial Statements

	2008	2007
	R	R

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,026	7,431
Bank balances	139,684	933,371
	<u>140,710</u>	<u>940,802</u>

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

5. Finance lease obligation

Minimum lease payments due

- within one year	29,362	-
- in second to fifth year inclusive	168,606	-
	<u>197,968</u>	-
less: future finance charges	(41,734)	-
Present value of minimum lease payments	<u>156,234</u>	-

Non-current liabilities	126,872	-
Current liabilities	29,362	-
	<u>156,234</u>	-

The average lease term is 5 years and the average effective borrowing rate was 14% (2007: -%). Interest rates are linked to prime at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

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6. Deferred income

The balance of R790 330 brought forward from 2007 was utilized in full in the current financial year.

DOT balance made up as follows:

Balances carried forward	790,330	-
Total revenue received	-	1,931,330
Draw down made	(790,330)	(1,141,000)
	<u>-</u>	<u>790,330</u>

7. Trade and other payables

Trade payables	17,131	11,860
Other Payables	372	372
Accrual – Paye and UIF	15,275	-
Accrual – current month expenses	10,967	2,691
Accrual – WCA	4,280	6,769
Accrual – Audit Fees	-	2,500
Accrual – Other	3,750	10,600
	<u>51,775</u>	<u>34,792</u>

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 29 February 2008

Notes to the Financial Statements

	2008	2007
	R	R
8. Operating profit		
Operating lease charges		
Premises		
• Contractual amounts	164,750	166,741
	164,750	166,741
Profit (loss) on sale of property, plant and equipment	-	12,003
Depreciation on property, plant and equipment	102,663	55,476
Fees relating to non-employees	750,377	653,171
Audit Fees	7,500	6,000
Prior year audit fees overprovided	-	(700)
Currency Variance	(29)	(4,645)
Staff Costs	1,063,280	681,337
9. Investment revenue		
Interest revenue		
Bank	36,534	82,653
10. Finance costs		
Finance leases	1,274	-
11. 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.		
12. Cash generated from operations		
Profit before taxation	25,582	20,523
Adjustments for:		
Depreciation and amortization	102,663	55,476
(Profit) loss on sale of assets	-	(12,003)
Interest received	(36,534)	(82,653)
Finance costs	1,274	-
Transfer to reserves	50,000	-
Changes in working capital:		
Trade and other receivables	(142,327)	397,940
Trade and other payables	16,983	(750,020)
Deferred income	(790,330)	790,330
	(772,689)	419,593

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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 29 February 2008

Notes to the Financial Statements

	2008	2007
	R	R
13. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	144,360	144,360
- in second to fifth year inclusive	351,315	486,493
	495,675	630,853

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.

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14. Change in estimate

Property, plant and equipment

The useful life of office equipment was estimated on incorporation to be 5 years. In the 2007 year of operation management revised their estimate to 3 years. The effect of this revision has increased the depreciation charges for the 2007 year and future periods by R 13,336.

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15. Risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

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Risk Management is carried out by management tasked to deal with treasury issues.

Market Risk

Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and cash flows are substantially independent of changes in market interest rates.

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The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable interest rates expose the company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the company to fair value interest rate risk.

Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures to membership fees, including outstanding receivables and committed transactions.

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Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit risk is regularly monitored by the board.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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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 29 February 2008

Notes to the Financial Statements

	2008	2007
	R	R
16. Staff Costs		
Staff costs relating to non-employees	750,377	653,171
Staff costs relating to employees	<u>1,063,280</u>	<u>681,337</u>
	<u>1,813,657</u>	<u>1,334,508</u>

Average number of persons employed over the period:

- Full time = 8 (2007: 8)

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(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

Detailed Income Statement

	Note(s)	2008 R Unaudited	2007 R Unaudited
Revenue		2,649,830	1,788,905
Other income		349,894	396,488
Expenses (refer to page 22)		(2,922,868)	(2,164,870)
Finance costs		(1,274)	-
Transfer to reserves		(50,000)	-
Profit for the period		<u>25,582</u>	<u>20,523</u>

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(An association incorporated in accordance with section 21 of the Companies Act)
(Registration number 2004/007466/08)

Financial Statements for the year ended 29 February 2008

Detailed Income Statement

	Note(s)	2008 R Unaudited	2007 R Unaudited
Operating expenses			
Accounting and IT Services		(33,026)	(32,813)
Bad debts		(169,042)	(10,308)
Consulting and professional fees		-	(15,770)
Depreciation, amortisation and impairments		(102,663)	(55,476)
Employee costs		(1,813,657)	(1,334,508)
Event catering		(22,853)	(4,829)
Lease rentals on operating lease		(164,750)	(166,741)
Levies		-	(1,241)
Other Expenses	1	(122,627)	(123,411)
Printing and stationery		(32,798)	(31,444)
Repairs and maintenance		(22,045)	(14,515)
Telephone and fax		(95,305)	(77,415)
Travel - Operational		(143,783)	(103,517)
Travel - Recoverable		(154,944)	(178,659)
Venue organisation		(45,375)	(14,223)
		<u>(2,922,868)</u>	<u>(2,164,870)</u>

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 29 February 2008

Notes to the detailed income statement

	Note(s)	2008 R Unaudited	2007 R Unaudited
1. Other Expenses			
Bank Charges		6,631	5,285
Currency variance		3,285	(4,990)
Consumables		908	-
Fines, penalties and interest		-	5,022
Gifts		3,406	435
Insurance		37,405	20,076
Postage		4,490	2,041
Promotions - Operational		-	30,869
Promotions - Recoverable		35,646	50,643
Subscriptions		621	827
Sundry expenses		14,093	11,116
Training		16,142	2,087
		122,627	123,411