

South African Equestrian Federation
(Registration number 071-702-NPO)
Annual Financial Statements
for the year ended 31 December 2016

South African Equestrian Federation
(Registration number 071-702-NPO)
Annual Financial Statements for the year ended 31 December 2016

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

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Executive Boards' Responsibilities and Approval

The Executive Board are required by the constitution of the federation, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the federation 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 the federation's own accounting policies. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the federation's own accounting policies and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Executive Board acknowledge that they are ultimately responsible for the system of internal financial control established by the federation and place considerable importance on maintaining a strong control environment. To enable the national council to meet these responsibilities, the Executive Board set 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 adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the federation and all employees are required to maintain the highest ethical standards in ensuring the federation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the federation is on identifying, assessing, managing and monitoring all known forms of risk across the federation. 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 Executive Board 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Executive Board have reviewed the federation's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the federation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the federation's annual financial statements. The annual financial statements have been examined by the federation's external auditors and their report is presented on pages 5 to 7.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Board. The Executive Board believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements and additional schedule set out on pages 8 to 21, which have been prepared on the going concern basis, were approved by the directors on 29 November 2017 and were signed on its behalf by:

Acting President

Treasurer

Executive Boards' Report

The Executive Board have pleasure in submitting their report on the annual financial statements of South African Equestrian Federation for the year ended 31 December 2016.

1. Nature of business

South African Equestrian Federation was incorporated in South Africa and is engaged to act as the national controlling body of equestrian sport in South Africa. The federation operates in South Africa.

Amendments were made to the constitution, and these amendments were adopted on the 12 November 2016.

2. Review of financial results and activities

The operating results and state of affairs of the federation are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the federation was R 1,061,637 (2015: R 303,656 loss). The federation is exempt from tax.

Full details of the financial position, results of operations and cash flows of the federation are set out in these annual financial statements.

3. Going concern

The Executive Board believe that the federation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Executive Board have satisfied themselves that the federation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Executive Board are not aware of any new material changes that may adversely impact the federation. The Executive Board are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the federation.

The ability of the federation to continue as a going concern is dependent on a number of factors. The most significant of these are:

- The Executive Board complies with all legal requirements in terms of the constitution of the federation and any amendments thereto; and/or
- The alignment of the constitution to SASCOC requirements by specified dates.

4. Events after the reporting period

The Executive Board are not aware of any material event which occurred after the reporting date and up to the date of this report that would have a material impact on these annual financial statements.

Executive Boards' Report (continued)

5. Executive Board

The Executive Board in office at the date of this report are as follows:

Name	Designation
A Truter	President
Adv. W Edeling	Acting Vice President
W Strauss	Secretary General
B Wessels	Exco Member
M Pieterse	Exco Member
E Stoch	Exco Member
S Bruckner	Exco Member
L May	Exco Member

6. Auditors

PricewaterhouseCoopers Inc. were appointed as auditors for the federation for the 2016 financial year.



Independent Auditors' Report

To the shareholders of South African Equestrian Federation

Other matter 1

Additional text

Partner's name
Partner

29 November 2017

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Statement of Financial Position as at 31 December 2016

	Notes	2016 R	2015 R
Assets			
Current Assets			
Inventories	2	56,345	37,018
Trade and other receivables	3	1,758,277	424,962
Cash and cash equivalents	4	1,717,588	1,809,577
		<u>3,532,210</u>	<u>2,271,557</u>
Non-Current Assets			
Property, plant and equipment	5	25,486	22,734
Total Assets		<u>3,557,696</u>	<u>2,294,291</u>
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	6	1,920,454	1,718,686
Equity			
Reserves	7	66,880	66,880
Retained income		1,570,362	508,725
		<u>1,637,242</u>	<u>575,605</u>
Total Equity and Liabilities		<u>3,557,696</u>	<u>2,294,291</u>

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the annual financial statements.

South African Equestrian Federation
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Statement of Comprehensive Income

	Notes	2016 R	2015 R
Revenue	8	2,444,741	2,271,891
Cost of sales		(1,650,942)	(1,165,776)
Gross profit		793,799	1,106,115
Other income	9	1,781,555	1,281,216
Operating expenses		(1,518,330)	(2,697,306)
Operating profit (loss)	10	1,057,024	(309,975)
Finance income	11	25,635	14,384
Finance costs	12	(21,022)	(8,065)
Profit (loss) for the year		1,061,637	(303,656)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		1,061,637	(303,656)

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the annual financial statements.

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Statement of Changes in Equity

	Specific reserve R	Retained income R	Total equity R
Balance at 01 January 2015	66,880	812,381	879,261
Loss for the year	-	(303,656)	(303,656)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(303,656)	(303,656)
Balance at 01 January 2016	66,880	508,725	575,605
Profit for the year	-	1,061,637	1,061,637
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,061,637	1,061,637
Balance at 31 December 2016	66,880	1,570,362	1,637,242

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the annual financial statements.

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Statement of Cash Flows

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash used in operations	15	(78,082)	(172,923)
Finance income		25,635	14,384
Finance costs		(21,022)	(5,858)
Net cash from operating activities		<u>(73,469)</u>	<u>(164,397)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	<u>(18,520)</u>	<u>(10,195)</u>
Total cash movement for the year		(91,989)	(174,592)
Cash at the beginning of the year		<u>1,809,577</u>	<u>1,984,169</u>
Total cash at end of the year	4	<u>1,717,588</u>	<u>1,809,577</u>

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of annual financial statements

South African Equestrian Federation is a federation established in South Africa. Their principal activity is to act as the national controlling body of equestrian sport in South Africa.

The annual financial statements have been prepared in accordance with the federation's own accounting policies, and the constitution of the federation. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Key sources of estimation uncertainty

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material misjudgment in the following financial year as a result of key estimation assumptions.

Residual value and useful lives of property, plant and equipment

The members reviewed the residual values, useful lives and carrying amounts of property, plant and equipment to determine the appropriate level of depreciation and whether there is an indication that those assets have suffered impairment loss. The members judged the residual values as zero as a result of the fact that the property, plant and equipment are held for trading, and normally scrapped.

1.2 Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the federation will not be able to collect all amounts due according to the original terms of the receivables.

Most sales, fees levied and revenue are raised on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest rate method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

1.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

1.4 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest.

Accounting Policies

1.5 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.6 Property, plant and equipment

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

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Average useful life
Office equipment	4 years
Computer equipment	3 years
Computer software	2 years

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1.7 Tax

Tax expenses

The federation has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act and as such is exempt from income tax in terms of section 10(1)(cN) of the Income Tax Act.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

Accounting Policies

1.10 Impairment of non-financial assets

The federation assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

1.12 Provisions and contingencies

Provisions are recognised when:

- the federation has an obligation at the reporting date as a result of a past event;
- it is probable that the federation will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.13 Revenue

Membership fees, registration fees, passport fees, sponsorship fees and fees from the World Equestrian Games are recognised, in profit or loss, when the federation's right to receive payment has been established.

Club voting fees and grievance fees are recognised, in profit or loss, when the federation's right to receive payment has been established.

Interest is recognised, in profit or loss, using the effective interest rate method.

Accounting Policies

1.14 Foreign exchange

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency of the federation, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income or directly in equity, any exchange component of that gain or loss is recognised in other comprehensive income or directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

1.15 Government grants

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

1.16 Reserves

Specific reserves are created by the Federation as required by Sports and Recreation South Africa (SRSA) as well as by the South African Sports Council and Olympic Committee (SASCOC), to ensure that future commitments relating to database development of the Federation are met. Depreciation, impairments, acquisitions and disposals are adjusted annually against the specific reserves.

Notes to the Annual Financial Statements

	2016 R	2015 R
2. Inventories		
Horse passport books	<u>56,345</u>	<u>37,018</u>
3. Trade and other receivables		
Trade receivables	1,424,751	1,339,602
Provision for impairment	<u>(113,940)</u>	<u>(937,197)</u>
	1,310,811	402,405
Deposits	3,500	3,500
Grant debtors	393,125	19,057
Other receivables	50,841	-
	<u>1,758,277</u>	<u>424,962</u>

The company recognised an impairment loss of R 113,940 (2015: R 937,197) against trade receivables due to default by Discipline, Provincial and District Members.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	165	90
Bank balances	<u>1,717,423</u>	<u>1,809,487</u>
	<u>1,717,588</u>	<u>1,809,577</u>

5. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	52,116	(30,846)	21,270	33,596	(18,975)	14,621
Computer equipment	36,929	(32,713)	4,216	36,929	(28,820)	8,109
Computer software	16,200	(16,200)	-	16,200	(16,196)	4
Total	105,245	(79,759)	25,486	86,725	(63,991)	22,734

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Office equipment	14,621	18,520	(11,871)	21,270
Computer equipment	8,109	-	(3,893)	4,216
Computer software	4	-	(4)	-
	<u>22,734</u>	<u>18,520</u>	<u>(15,768)</u>	<u>25,486</u>

Notes to the Annual Financial Statements

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Office equipment	18,750	3,596	-	(7,725)	14,621
Computer equipment	12,677	6,599	(3,333)	(7,834)	8,109
Computer software	4	-	-	-	4
	31,431	10,195	(3,333)	(15,559)	22,734

2016
R

2015
R

6. Trade and other payables

Trade payables	1,051,720	441,790
Accrued audit fees	63,765	63,765
Income received in advance	54,856	28,568
FEI solidarity fund	188,119	161,670
FEI group funds	17,139	17,139
Lotto grant 24932	220,296	310,187
Lotto grant 38110	153,065	519,742
Lotto grants 46693	1,373	1,373
SARS accrual	53,252	22,671
Sundry accruals	19,590	13,256
VAT	46,700	87,946
World Equestrian Games	50,579	50,579
	1,920,454	1,718,686

7. Specific reserves

Database development	66,880	66,880
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It is a requirement of Sport and Recreation South Africa (SRSA) as well the South African Sports Council and Olympic Committee (SASCOC) that every sports federation keep a database of all its members. An amount of R100,000 was budgeted and approved for Database Development in 2012. No expenses were incurred in 2015 and 2016 for the development of the database.

8. Revenue

Club registration fees	5,263	5,930
Membership fees	1,704,384	1,773,263
Rider/horse registration fees	262,900	100,448
Showholding body registration fees	-	219
Passport fees	472,194	392,031
	2,444,741	2,271,891

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Notes to the Annual Financial Statements

	2016 R	2015 R
9. Other income		
Discount received	-	6
Insurance claim received	-	3,301
Lotto grants	-	120,874
Profit on exchange differences	17,719	-
Recoveries	1,763,836	1,007,035
SRSA Grant	-	150,000
	<u>1,781,555</u>	<u>1,281,216</u>
10. Operating profit (loss)		
Operating profit (loss) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	72,544	154,386
Equipment		
• Contractual amounts	1,160	14,155
	<u>73,704</u>	<u>168,541</u>
Loss on sale of property, plant and equipment	-	3,333
(Profit) loss on exchange differences	(17,719)	49,812
Depreciation on property, plant and equipment	15,768	15,559
Employee costs	1,108,832	1,277,516
	<u>-</u>	<u>3,333</u>
11. Finance income		
Interest received		
Bank	25,635	14,384
	<u>25,635</u>	<u>14,384</u>
12. Finance costs		
Bank	2,930	5,858
Late payment of tax - payroll	18,092	2,207
	<u>21,022</u>	<u>8,065</u>
13. Taxation		
The federation is exempt from tax under section 10(1)(cN) of the Income Tax Act as it is registered as a public benefit organisation.		
14. Auditor's remuneration		
Fees	43,823	61,365
Fees for compilation	-	3,000
	<u>43,823</u>	<u>64,365</u>

Notes to the Annual Financial Statements

	2016 R	2015 R
15. Cash used in operations		
Profit (loss) before taxation	1,061,637	(303,656)
Adjustments for:		
Depreciation	15,768	15,559
Loss on sale of property, plant and equipment	-	3,333
Finance income	(25,635)	(14,384)
Finance costs	21,022	5,858
Changes in working capital:		
Inventories	(19,327)	8,752
Trade and other receivables	(1,333,315)	2,285,495
Trade and other payables	201,768	(2,173,880)
	<u>(78,082)</u>	<u>(172,923)</u>

16. Prescribed Officers' remuneration

Emoluments amounting to R628,086 for the financial year ending 31 December 2016, was paid to individuals holding a prescribed office during the year.

17. Going concern

The Executive Board believe that the federation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Executive Board have satisfied themselves that the federation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Executive Board are not aware of any new material changes that may adversely impact the federation. The Executive Board are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the federation.

The ability of the federation to continue as a going concern is dependent on a number of factors. The most significant of these are:

- The Executive Board complies with all legal requirements in terms of the constitution of the federation and any amendments thereto; and/or
- The alignment of the constitution to SASCO requirements by specified dates.

18. Events after the reporting period

The Executive Board are not aware of any material event which occurred after the reporting date and up to the date of this report that would have a material impact on these annual financial statements.

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Detailed Income Statement

	Notes	2016 R	2015 R
Revenue			
Club registration fees		5,263	5,930
Membership fees		1,704,384	1,773,263
Rider/horse registration fees		262,900	100,448
Showholding body registration fees		-	219
Passport fees		472,194	392,031
	8	<u>2,444,741</u>	<u>2,271,891</u>
Cost of sales			
		<u>(1,650,942)</u>	<u>(1,165,776)</u>
Gross profit			
		793,799	1,106,115
Other income			
Discount received		-	6
Insurance claims received		-	3,301
Interest received	11	25,635	14,384
Lotto grants		-	120,874
Profit on exchange differences		17,719	-
Recoveries		1,763,836	1,007,035
SRSA grant		-	150,000
		<u>1,807,190</u>	<u>1,295,600</u>
Expenses (Refer to page 21)			
		<u>(1,518,330)</u>	<u>(2,697,306)</u>
Operating profit (loss)			
	10	1,082,659	(295,591)
Finance costs	12	(21,022)	(8,065)
Profit (loss) for the year			
		<u>1,061,637</u>	<u>(303,656)</u>

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Detailed Income Statement

	Note	2016 R	2015 R
Operating expenses			
Accounting fees		127,528	2,500
Advertising		-	2,389
Auditors' remuneration	14	43,823	64,365
Bad debts (reversal)		(823,257)	644,012
Bank charges		15,769	15,086
Cleaning		1,744	2,799
Club voting fees		-	1,700
Commission paid		42,465	37,464
Computer expenses		24,211	31,073
Consulting fees		-	5,000
Depreciation		15,768	15,559
Employee costs		1,108,832	1,277,516
Entertainment		6,552	25,039
Insurance		110,714	11,733
Lease rentals on operating lease		73,704	168,541
Legal expenses		41,260	41,194
Loss on exchange differences		-	49,812
Loss on sale of property, plant and equipment		-	3,333
Motor vehicle expenses		868	-
Printing and stationery		328,114	39,966
Repairs and maintenance		3,230	-
Security		4,760	7,440
Staff welfare		9,236	7,839
Telephone and fax		58,444	55,153
Travel - local		324,565	187,793
		<u>1,518,330</u>	<u>2,697,306</u>