

LIFELINE MALAWI ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st MARCH 2008

LIFELINE MALAWI ASSOCIATION

**FINANCIAL STATEMENTS
for the year ended 31st March 2008**

CONTENTS

Statement of trustees' responsibilities	1
Independent auditors' report	2
Income statement	3
Statement of changes in fund balances	4
Balance sheet	5
Statement of cash flows	6
Significant accounting policies	7 to 12
Notes to the financial statements	13 to 19

LIFELINE MALAWI ASSOCIATION

**STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT
for the year ended 31st March 2008**

The Trustees are required under the Trustees Incorporation Act of 1962, to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Association as at the end of the financial period and of the surplus or deficit of the Association for that period.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year to 31st March 2008. The Trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and which enable them to ensure that the financial statements comply with the Trustees Incorporation Act of 1962. They are responsible for safeguarding the assets of the Association and, hence, for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

No matters have come to the attention of the Trustees to indicate that the Association will not remain a going concern for at least the ensuing financial year.

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Association and of its operating results.

The financial statements of the Association were approved for issue by the Board of Trustees on _____ 2008 and were signed on its behalf by:

TRUSTEE

TRUSTEE

DATE **2008**

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF LIFELINE MALAWI ASSOCIATION

Report on the financial statements

We have audited the accompanying financial statements of Lifeline Malawi Association, which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 19

Trustees' responsibility for the financial statements

Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the provisions of Trustees Incorporation Act of 1962. This responsibility includes: 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.

Auditors' 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Lifeline Malawi Association as of 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Trustees Incorporations Act 1962.

**Certified Public Accountants and Business Advisors
Lilongwe, Malawi.**

Date 2008
-2-

LIFELINE MALAWI ASSOCIATION

INCOME STATEMENT for the year ended 31st March 2008 In Canadian Dollars

	<u>Note</u>	<u>Operating fund</u>	<u>Capital fund</u>	<u>2008</u>	<u>2007</u>
INCOME					
Donations	1	871,425	423,327	1,294,752	750,784
Grants	2	93,728	223,952	317,680	452,129
Interest		11,918	-	11,918	4,551
Other income		38,143	-	38,143	26,781
Total income		<u>1,015,213</u>	<u>647,280</u>	<u>1,662,493</u>	<u>1,234,245</u>
EXPENDITURE					
Operating costs		316,025	-	316,025	142,480
Staff costs		426,378	-	426,378	355,161
Service and repairs		115,791	-	115,791	148,103
Depreciation		-	199,552	199,552	161,770
Promotional costs		60,870	-	60,870	18,978
Administration		29,232	-	29,232	24,924
Loss on disposal of assets		1,198	-	1,198	-
Profession fees	3	23,459	-	23,459	23,168
Total expenditure		<u>972,954</u>	<u>199,552</u>	<u>1,172,506</u>	<u>874,584</u>
Surplus for the year		<u>42,259</u>	<u>447,728</u>	<u>489,986</u>	<u>359,661</u>

The financial statements are to be read in conjunction with accounting policies on pages 7 to 12 and notes on pages 13 to 19.

The independent auditors' report is on page 2.

**LIFELINE MALAWI ASSOCIATION
STATEMENT OF CHANGES IN FUND BALANCES**

**for the year ended 31st March 2008
In Canadian Dollars**

	<u>Capital funds</u>	<u>Internally restricted funds</u>	<u>Externally restricted funds</u>	<u>Unrestricted funds</u>	<u>Total</u>
Balance as at 1 April 2006	475,414	-	-	60,215	535,629
Surplus for the year	315,053	-	-	44,608	359,661
Interfund transfers	(83,341)	36,000	96,200	(48,859)	-
Balance as at 31 March 2007	<u>707,126</u>	<u>36,000</u>	<u>96,200</u>	<u>55,964</u>	<u>895,290</u>
Balance as at 1 April 2007	707,126	36,000	96,200	55,964	895,290
Reclassification	-	(36,000)	(96,200)	132,200	-
Surplus for the year	447,728	-	-	42,259	489,986
Interfund transfers	(328,218)	19,686	257,360	51,172	-
Balance as at 31 March 2008	<u>826,636</u>	<u>19,686</u>	<u>257,360</u>	<u>281,595</u>	<u>1,385,276</u>

Capital fund

The fund represents the value of property, plant and equipment that is yet to be depreciated and released to income statement.

Internally restricted funds

Internally restricted funds represent amounts received and set aside by the Board to cover future operating and capital expenditures.

Externally restricted funds

Externally restricted funds represent amounts received from private donors for a specific project or activity that has not yet been commissioned.

Unrestricted funds

Unrestricted funds represent retained surplus readily available for the running of the operations of the Association.

Pre-year end reclassification

This relates to the movement of amounts from restricted funds to unrestricted funds during the year once the related projects or activities have been commissioned by the Board.

The financial statements are to be read in conjunction with accounting policies on pages 7 to 12 and notes on pages 13 to 19.

The independent auditors' report is on page 2.

**LIFELINE MALAWI ASSOCIATION
BALANCE SHEET**

**AS AT 31st MARCH 2008
In Canadian Dollars**

ASSETS	Notes	Operating fund	Capital fund	2008	Total 2007
Non current assets					
Property, plant and equipment	4	-	826,636	826,636	693,287
Current assets					
Inventories	5	41,077	-	41,077	44,335
Receivables	6	6,948	-	6,948	8,809
Investments	7	-	486,072	486,072	151,702
Cash and cash equivalents	8	266,009	-	266,009	160,117
Total current assets		314,034	486,072	800,106	364,963
TOTAL ASSETS		314,034	1,312,708	1,626,742	1,058,250
FUND BALANCES AND LIABILITIES					
Fund balances					
Unrestricted funds		146,434	135,161	281,595	55,964
Internally restricted funds		19,686	-	19,686	36,000
Externally restricted funds		126,675	130,685	257,360	96,200
Capital funds		-	826,636	826,636	707,126
Total fund balances		292,795	1,092,482	1,385,276	895,290
Current liabilities					
Payables	9	21,240	-	21,240	22,625
Deferred income	10	-	220,226	220,226	140,335
Total current liabilities		21,240	220,226	241,466	162,960
TOTAL FUND BALANCES AND LIABILITIES		314,035	1,312,708	1,626,742	1,058,250

These financial statements were approved by the Board of Trustees on _____ 2008 and were signed on its behalf by:

_____ **Trustee**

_____ **Trustee**

The financial statements are to be read in conjunction with accounting policies on pages 7 to 12 and notes on pages 13 to 19.

The independent auditor's report is on page 2.

LIFELINE MALAWI ASSOCIATION

STATEMENT OF CASH FLOWS for the year ended 31st March 2008 In Canadian Dollars

	<u>Note</u>	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES			
Surplus for the year		489,986	359,661
Adjustment for:			
Depreciation	4	199,552	161,770
Operating cash flows before working capital changes		689,538	521,431
Changes in receivables		1,861	(4,676)
Changes in inventory		3,258	(44,335)
Changes in current liabilities		78,505	155,018
Net cash flows from operating activities		773,162	627,438
INVESTING ACTIVITIES			
Payments to acquire non current assets	4	(333,848)	(446,994)
Proceeds from non current asset disposal		947	7,351
Cash out flows to investing activities		(332,901)	(439,643)
Increase in cash and cash equivalent		440,262	187,795
Cash and cash equivalent brought forward		311,819	124,024
Cash and cash equivalent carried forward	8	752,081	311,819
ADDITIONAL INFORMATION			
Increase in net working capital		356,637	81,788

The financial statements are to be read in conjunction with accounting policies on pages 7 to 12 and notes on pages 13 to 19.

The independent auditors' report is on page 2.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

The principal accounting policies of the Association, which are set out below, have been consistently followed in all material respects.

(a) Nature of organization.

Lifeline Malawi Association is a private and independent Canadian organization. It was established in 2002 and incorporated as a not-for-profit Association under the laws of the Government of Canada on January 29, 2003. It is a charitable organization, headquartered in Calgary, Alberta which provides life-transforming hope and healing to the nation of Malawi through a community based medical clinic delivery model, leveraging partnerships with other like-minded and complimentary/specialty organizations. In Malawi, Lifeline is a registered charitable non-governmental organization.

The Association's principal place of business is Pual Kagame Road, Pinto Complex, Area 6, Lilongwe and its registered office is plot number 36/8, P O Box 30630, Lilongwe 3, Malawi.

(b) Statement of compliance.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

(c) Basis of preparation

The financial statements are presented in Canadian Dollars. Comparative information has been restated wherever necessary to conform to current year disclosures. The financial statements have been prepared on the historical basis except for the revaluation of assets. The accounting policies are consistent with those used in the previous year and changes where material is disclosed in the notes to the financial statements.

(d) Use of estimates and judgments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4— determination of residual values and economic useful life for property, plant and equipment.

(e) Fund accounting

The Association follows the restricted fund method of accounting for grants and donations. The operating fund reports the assets, liabilities, revenues and expense related to program delivery and administrative activities. The capital fund reports assets, liabilities, revenues and expenses related to the Association's capital assets.

(f) Revenue

Restricted grants and donations are recognized as revenue of the appropriate restricted fund, or if no appropriate restricted fund exists, they are recognized in the operating fund using the deferral method of accounting. Unrestricted grants and donations are recognized as revenue in the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

(f) Revenue (Continued...)

When grants and donations are recognized as revenue in the operating fund the amount is transferred to income statement. All other income is accounted for on an accrual basis.

(g) Donations in kind

Donations in kind are accounted for at fair value when amounts have been received

(h) Property, plant and equipment

Recognition and measurement

(i) Cost

Purchased capital property, plant and equipment are recorded in the capital fund at cost less accumulated depreciation and impairment losses. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Items of property, plant and equipment are stated at cost.

Certain leasehold land and buildings are revalued at periodic intervals.

(iii) Subsequent expenditure

The subsequent expenditure on property, plant and equipment is capitalized only when the expenditure improves the condition of the asset resulting in increased future economies benefits. All other expenditures are expensed in the income statement as they are incurred.

(iv) Depreciation

Depreciation is charged to income statement and also in the capital fund, is computed on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Infrastructure	5 years
Buildings	10 years
Motor vehicles	3 years
Equipment and furnishing	3 years

(i) Inventory

Inventories are valued at the lower of the cost and net realizable value. Cost is arrived at on a first in first out basis.

(j) Receivables

Receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(k) Short term investments

Guaranteed investments certificates generally held until maturity and are carried at cost interest receivable up to the year-end, unless there is a decline in value which is considered to be other than temporary in which case the investment is written down to its new recoverable value.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

(l) Provisions

Provisions are recognised when the Association has a present obligation as a result of a past event, and it is probable that the Association will be required to settle that obligation. Provisions are measured at the trustees' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(m) Payables

Payables are stated at amortized cost.

(n) Foreign currency

The financial statements are presented in the Association's functional currency which is Canadian Dollar, in which the Association's significant transactions are done and operating decisions based on.

In preparing the financial statements of the Association, transactions in currencies other than the Association's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

(o) Financial instruments

The Association's financial instruments recognized in the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

(p) Determination of fair values

A number of the Association's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The buildings, property and equipment held for use in the administrative purposes, are stated in the balance sheet at their depreciated replacement amounts, being the fair value at the revaluation date, less any subsequent accumulated depreciation and subsequent impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation is credited to the revaluation reserve and a decrease in carrying amount arising on the revaluation is charged to income statement to the extent that it exceeds the property's revaluation reserve relating to previous revaluations.

Depreciation on the revalued properties is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Motor vehicles, fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended purpose.

Depreciation is charged so as to write off the cost or revaluation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

(ii) Inventories

The fair values of inventories are stated at the lower of cost and net realizable value on first in first out basis. Cost comprises overheads incurred in bringing the inventories to their present location and condition. Net realizable value is estimated selling price in the ordinary course of business, less estimated costs and selling expense, and a reasonable profit margin based on the effort required to sell the inventories.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

(p) Determination of Fair Values (continued...)

(iii) Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(q) Financial risk management

The Association's financial instruments consist of cash and deposits with banks, treasury bills, short-term loans and customer deposits. The Association has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Association if counterparty to a financial instrument fails to meet its contractual obligations; however the Association since it's a charity it is not involved in selling of lending activities. The carrying amounts of cash and deposits with banks, guaranteed investments, appearing on the balance sheet represent the maximum amount exposed to credit risk.

(1) Short-term deposits

The Association limits its exposure to credit risk by depositing its excess cash only in Canadian Schedule I and II Guaranteed Investment Certificates or Term Deposits; Canadian, provincial, or federal government issues or guaranteed instruments; Commercial paper having a rating equivalent of at least R1 low by Dominion Bond Rating Service; Medium term notes or bonds having a rating equivalent of at least A low by Dominion Bond Rating Service. These are risk free financial instruments; management does not expect any institution to fail to meet its obligations with regards to investments in the above instruments.

(ii) Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

LIFELINE MALAWI ASSOCIATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31st March 2008

(q) Financial risk management (continued...)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31st March 2008, and have not been applied in preparing these financial statements.

- IFRS 8 Operating segments introduce the management approach to segment reporting. IFRS 8, which becomes mandatory for the Association's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Association's management. At the moment, this standard is not expected to have any impact on the Association's financial statements.
- Revised IAS 23 Borrowing costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Association's 2008 financial statements and will constitute a change in accounting policy for the Association. In accordance with the transitional provisions the Association will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.
- IFRIC 11 / IFRS 2 – Group and Treasury Share Transactions requires a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity settled share based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Association 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.
- IFRIC 12 Service Concession Arrangement provides guidance on certain recognition and measurement issues that arise in accounting for public to private service concession arrangements. IFRIC 12 will become mandatory for the Association's 2008 financial statements. It is not expected to have any impact on the financial statements.
- IFRIC 13 Customer Loyalty addresses the accounting by entities that operate, otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Association's 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Association's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.

LIFELINE MALAWI ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st March 2008.

In Canadian Dollars

1. DONATIONS	<u>2008</u>	<u>2007</u>
Donations in cash	1,139,644	640,293
Donations in kind	155,107	110,491
	<hr/> 1,294,752	<hr/> 750,784
2. GRANT		
Bridgeway Foundation	3,025	-
Integrated Child Labor Elimination Program	279,541	348,829
National Aids Commission	35,114	103,300
	<hr/> 317,680	<hr/> 452,129
3. PROFESSIONAL FEES		
Auditors' Remuneration fees	13,172	16,417
Consultancy	7,749	5,134
Insurance	1,945	1,587
Legal fees	593	30
	<hr/> 23,459	<hr/> 23,168

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Machinery & equipment</u>	<u>Motor vehicle</u>	<u>Furn. & Office equipment</u>	<u>Total</u>
Cost							
As at 1 April 2006	498	316,624	90,563	17,039	118,531	35,987	579,242
Additions	-	198,830	6,123	32,584	188,573	20,884	446,994
Disposals	-	-	-	-	(54,902)	(6,260)	(61,166)
As at 31 Mar 2007	<hr/> 498	<hr/> 515,454	<hr/> 96,686	<hr/> 49,623	<hr/> 252,198	<hr/> 50,611	<hr/> 965,070
Depreciation							
As at 1 April 2006	-	43,598	25,949	9,476	67,669	17,136	163,828
Charge for the year	-	27,048	17,166	6,637	94,439	16,480	161,770
Disposals	-	-	-	-	(49,642)	(4,173)	(53,815)
As at 31 Mar 2007	<hr/> -	<hr/> 70,646	<hr/> 43,115	<hr/> 16,113	<hr/> 112,466	<hr/> 29,443	<hr/> 271,783
Carrying amounts							
As at 31 Mar 2007	<hr/> 498	<hr/> 444,808	<hr/> 53,571	<hr/> 33,510	<hr/> 139,732	<hr/> 21,168	<hr/> 693,287

LIFELINE MALAWI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2008.
In Canadian Dollars

4. PROPERTY, PLANT AND EQUIPMENT (Continued...)

	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Machinery & equipment</u>	<u>Motor vehicle</u>	<u>Furn. & Office equipment</u>	<u>Total</u>
Cost							
As at 1 April 2007	498	515,454	96,686	49,623	252,198	50,611	965,070
Additions	-	229,717	9809	22,932	39,481	30,909	333,848
Disposals	-	-	-	-	(6,717)	-	(6,717)
As at 31 Mar 2008	498	745,171	106,495	72,555	284,962	82,520	1,292,201
Depreciation							
As at 1 April 2007	-	70,646	43,115	16,113	112,466	29,443	271,783
Charge for the year	-	63,645	19,128	21,763	77,486	17,530	199,552
Disposals	-	-	-	-	(5,768)	-	(5,768)
As at 31 Mar 2008	-	134,291	62,243	37,876	184,184	46,973	465,567
Carrying amounts							
As at 31 Mar 2008	498	610,880	44,252	34,679	100,779	35,547	826,636

The land on which the Lifeline Malawi buildings are located is owned in partnership with the Pentecostal Assemblies of Malawi (P.A.O.M.), who have provided such land in accordance with a duly executed partnership agreement.

5. INVENTORIES	2008	2007
Central pharmacy	41,077	44,335
6. RECEIVABLES		
Other receivables	6,948	8,809

The trustees consider that the carrying amount of receivables approximates to their fair value.

7. INVESTMENTS		
Guaranteed Investments Certificates	160,000	150,688
Q Trade	128,318	1,014
Q Trade – USD	116,872	-
Deposits in trusts	80,882	-
	486,072	151,702

Short-term investments are comprised of Guaranteed Investment Certificates and Q-trade Investments. The cost of the Guaranteed Certificates at 31 March 2008 was CAD160, 000 (2007: CAD150, 000) and the market value was CAD160, 000 (2007: CAD150, 688). The investments in Q-trades in CAD and USD as at 31 March 2008 had a market value of CAD128, 318 and CAD116, 872 respectively. (2007: 1,014 and Nil).

LIFELINE MALAWI ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2008.
In Canadian Dollars

8. CASH AND CASH EQUIVALENTS	<u>2008</u>	<u>2007</u>
Current accounts	262,834	155,349
Cash in hand	3,175	4,768
	<hr/>	<hr/>
	266,009	160,117
9. PAYABLES		
Sundry payables	21,240	22,625
	<hr/>	<hr/>
10. DEFERRED INCOME		
Opening balance	140,335	-
Additions during the year	220,226	140,335
Applied during the year	(140,335)	-
	<hr/>	<hr/>
Balance as at 31 March 2008	220,226	140,335
	<hr/>	<hr/>

Monies used for fund raising

As required under Section 7(2) of the Alberta Charitable Fundraising regulation, the following amounts are disclosed:

Amounts paid as remuneration to employees whose principal duties involve fundraising were Nil (2007: Nil); and total direct expenses incurred for the purpose of soliciting contributions amounted to CAD 14,623 (2007: CAD 6,979).

11. RELATED PARTY TRANSACTIONS

Related party transactions engaged by the Association are with its Grantors. These transactions are at arms length.

12. CAPITAL COMMITMENTS

The Association had no capital commitments at 31 March 2008 requiring disclosures in the financial statements.

13. CONTINGENT LIABILITIES

There are no contingent liabilities as at the year end requiring disclosures in the financial statements.

LIFELINE MALAWI ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st March 2008.

In Canadian Dollars

14. FINANCIAL RISK MANAGEMENT

Interest rate risk

As at 31st March 2008 the table below summaries the exposure to interest rate risk of the Association's interest-bearing financial instruments and the carrying amounts have been categorized by maturity dates:

Balance as at 31st March 2008

Assets	<u>Up to 1 Month</u>	<u>1 – 3 Months</u>	<u>3 – 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Short term investments	-	486,072	-	-	486,072
Cash and cash equivalent	266,009	-	-	-	266,009
Totals assets	266,009	486,072	-	-	752,081

Balance as at 31st March 2007

Assets	<u>Up to 1 Month</u>	<u>1 – 3 Months</u>	<u>3 – 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Short term investments	-	151,702	-	-	151,702
Cash and cash equivalent	160,117	-	-	-	160,117
Totals assets	160,117	151,702	-	-	311,819

The effective interest rate on these financial instruments is as follows:-

	<u>2008</u>	<u>2007</u>
Short term investments	3.5%-4.0%	3.0%-4.0%
Cash and cash equivalent	2.5%-3.0%	2.5%-3.0%

LIFELINE MALAWI ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st March 2008.

In Canadian Dollars

14. FINANCIAL RISK MANAGEMENT (Continued...)

Liquidity gap

The Association manages liquidity risk on the basis of expected maturity dates.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date at 31 March 2008.

Balance as at 31 March 2008	Carrying Amount	1 Year or less	More than 1 year
Reserves and liabilities			
Payables	21,240	21,240	-
Deferred income	220,226	220,226	-
Reserves	1,385,276	-	1,385,276
Total liabilities & shareholders funds	1,626,742	241,466	1,385,276
Assets			
Property, plant and equipment	826,636	-	826,636
Inventories	41,077	41,077	-
Receivables	6,948	6,948	-
Short term investments	486,072	486,072	-
Cash and cash equivalents	266,009	266,009	-
Total assets	1,626,742	800,106	826,636
Net Liquid gap	-	(558,640)	558,640
Balance as at 31 March 2007			
Reserves and liabilities			
Payables	22,625	22,625	-
Deferred income	140,335	140,335	-
Reserves	895,290	-	895,290
Total liabilities & shareholders funds	1,058,250	162,960	895,290
Assets			
Property, plant and equipment	693,287	-	693,287
Inventories	44,335	44,335	-
Receivables	8,809	8,809	-
Short term investments	151,702	151,702	-
Cash and cash equivalents	160,117	160,117	-
Total assets	1,058,250	364,963	693,287
Net Liquid gap	-	(202,003)	202,003

LIFELINE MALAWI ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st March 2008.

In Canadian Dollar

14. FINANCIAL RISK MANAGEMENT (Continued...)

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 March 2008 was:

Balance as at 31 March	<u>2008</u>	<u>2007</u>
Receivables	6,948	8,809
Short term Investments	486,072	151,702
	<u>493,020</u>	<u>160,511</u>

On short-term investments, the Association collects deal confirmation certificates which are secured under lock and key.

The Association believes that no impairment allowance is necessary in respect of receivables and short term investments.

15. FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Balances as at 31 March 2008	31 March 2008		31 March 2007	
	Carrying <u>Amount</u>	<u>Fair Value</u>	Carrying <u>Amount</u>	<u>Fair Value</u>
Short term investments	486,072	486,072	151,702	151,702
Receivables	6,948	6,948	8,809	8,809
Cash and cash equivalent	266,009	266,009	160,117	160,117
Payables	(22,240)	(21,240)	(22,625)	(22,625)
Deferred income	(220,226)	(220,226)	(140,335)	(140,335)
	<u>516,563</u>	<u>516,563</u>	<u>157,668</u>	<u>157,668</u>

The basis for determining fair values is disclosed in accounting policy number (p).

16. EXCHANGE RATE AND INFLATION RATE.

The year average foreign exchange rate of the major foreign currencies and National Consumer Index which represents the measure of inflation rate affecting the Association are stated below:

	<u>2008</u>	<u>2007</u>
Exchange rates as at 31 st March 2008		
United states dollar (US\$)	140.3	140.4
Canadian dollar (CAD\$)	140.3	140.4
Pound sterling (£)	285.4	270.0
Euro (€)	208.4	178.5
South African Rand	21.2	19.7
Inflation rate	<u>7.5%</u>	<u>13.9%</u>

LIFELINE MALAWI ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st March 2008.

In Canadian Dollars

17. SUBSEQUENT EVENTS.

There are no events that have occurred after year end which necessitates adjustments to or disclosure in the financial statements. However as at date of audit report the exchange and inflation rates had moved to:-

	<u>2008</u>	<u>2007</u>
United States dollar (US\$)	140.5	140.4
Canadian dollar (CAD\$)	140.5	140.4
Euro (€)	206.8	180.9
Pound sterling (£)	280.7	270.9
South African Rand	18.8	19.5
Inflation rate	<u>9.5%</u>	