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The Uniting Presbyterian Church in Southern Africa

Financial Statements

for the year ended 31 December 2006

AUDIT ■ TAX ■ ADVISORY

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The Uniting Presbyterian Church in Southern Africa

Financial Statements

for the year ended 31 December 2006

Contents

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The Uniting Presbyterian Church in Southern Africa

Responsibility statement of the Finance Committee

The finance committee are responsible for the preparation and fair presentation of the financial statements of The Uniting Presbyterian Church in Southern Africa, comprising the balance sheet at 31 December 2006, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice.

The finance committee's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The finance committee's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The finance committee has made an assessment of the entity's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of The Uniting Presbyterian Church in Southern Africa, as identified in the first paragraph, were approved by the finance committee on 16 November 2007 and are signed on its behalf by:

Name J. VIEIRA

Name B.M. HAWKSWORTH

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KPMG Crescent
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Independent auditor's report

To the General Assembly of The Uniting Presbyterian Church in Southern Africa

We have audited the financial statements of The Uniting Presbyterian Church in Southern Africa, which comprise the balance sheet at 31 December 2006, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 29.

Finance committees' responsibility for the financial statements
The finance committee are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion
In common with similar organisations, it is not feasible for the entity to institute accounting controls over cash receipts from donations and bequests and assessment income prior to the initial entry of the receipts in the accounting records. Due to the inherent limitations, it was impractical for us to extend the examination beyond receipts actually recorded.

The church was unable to provide title deeds and supporting documentation relating to certain properties occupied by the church of which the value is unknown. Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, existence and valuation of the property disclosed in the financial statements.

Opinion

In our opinion, except for the possible effects of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of The Uniting Presbyterian Church in Southern Africa at 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

Supplementary information

The supplementary schedule set out on page 30 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

KPMG Inc.

Per J Wessels
Chartered Accountant (SA)
Registered Auditor
Director
16 November 2007

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The Uniting Presbyterian Church in Southern Africa

Balance sheet

at 31 December 2006

	Note	2006 R	2005 R
Assets			
Non-current assets		**24 202 723**	21 046 832
Property, plant and equipment	2	**1 630 610**	1 849 823
Other investments	3	**20 738 194**	17 464 264
Trust investment – Guild Cottage	4	**1 649 045**	1 542 534
Loans receivable	5	**184 874**	190 211
Current assets		**8 062 683**	7 630 332
Trade and other receivable	6	**143 553**	413 193
Amount owing by related party	7	**85 720**	–
Cash and cash equivalents	8	**7 833 410**	7 217 139
Total assets		**32 265 406**	28 677 164
Equity and liabilities			
Equity		**16 556 123**	13 721 128
Retained earnings		**6 787 071**	6 611 864
Non-distributable reserve	9	**913 215**	913 215
Fair value reserve	10	**8 855 837**	6 196 049
Non current liabilities			
Restricted purpose funds	11	**12 967 366**	12 174 025
Current liabilities			
Trade and other payables	12	**2 741 917**	2 782 011
Total equity and liabilities		**32 265 406**	28 677 164

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The Uniting Presbyterian Church in Southern Africa

Income statement

for the year ended 31 December 2006

	Note	2006 R	2005 R
Revenue		**6 438 786**	6 231 228
Other income		**133 336**	120 000
Other operating expenses		**(7 200 103)**	(6 643 520)
Operating deficit before finance income/(cost)	*14*	**(627 981)**	(292 292)
Finance income		**914 466**	788 398
Finance costs		**(111 278)**	(150 200)
Surplus for the year		**175 207**	345 906

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The Uniting Presbyterian Church in Southern Africa

Statement of changes in equity

for the year ended 31 December 2006

	Retained earnings R	Non-distributable reserve R	Fair value reserve R	Total R
Balance at 1 January 2005	**6 265 958**	**913 215**	**4 138 906**	**11 318 079**
Surplus for the year	345 906	–	–	345 906
Fair value adjustments arising from available for sale financial instruments	–	–	2 057 143	2 057 143
Balance at 31 December 2005	**6 611 864**	**913 215**	**6 196 049**	**13 721 128**
Surplus for the year	175 207	–	–	175 207
Fair value adjustments arising from available for sale financial instruments	–	–	2 659 788	2 659 788
Balance at 31 December 2006	**6 787 071**	**913 215**	**8 855 837**	**16 556 123**

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The Uniting Presbyterian Church in Southern Africa

Cash flow statement

for the year ended 31 December 2006

	Note	2006 R	2005 R
Cash flows from operating activities			
Cash utilised by operations	15.1	(172 028)	(228 570)
Dividend and interest income		193 813	72 696
Finance costs		(111 278)	(150 200)
Cash outflow from operating activities		(89 493)	(306 074)
Cash outflow from investment activities		(1 857)	(265 631)
Acquisition of property, plant and equipment		(145 828)	(266 076)
Proceeds on disposal of property, plant and equipment		138 634	–
Loans receivable repaid		5 337	445
Cash inflow/(outflow) from financing activities		707 621	(1 607 475)
Loans advanced to related entity		(85 720)	–
Increase/(decrease) in restricted purpose funds		793 341	(1 607 475)
Net increase/(decrease) in cash and cash equivalents		616 271	(2 179 180)
Cash and cash equivalents at beginning of year		7 217 139	9 396 319
Cash and cash equivalents at end of year	8	7 833 410	7 217 139

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Notes to the financial statements
for the year ended 31 December 2006

1. Accounting policies

The financial statements incorporate the following principal accounting policies, set out below, which are consistent with those adopted in the previous year.

1.1 Statement of compliance

The financial statements are prepared in compliance with South African Statements of Generally Accepted Accounting Practice.

1.2 Basis of preparation

Basis of measurement
The financial statements have been prepared on historical cost basis except for the following:

– derivative financial instruments are measured at fair value.
– financial instruments at fair value through profit or loss are measured at fair value.
– available-for-sale financial assets are measured at fair value.

The methods used to measure fair values are discussed further in note 1.20.

Functional and presentation currency
These financial statements are presented in Rand, which is the entity's functional currency.

Use of estimates and judgments
The preparation of financial statements in accordance with South African Statements of Generally Accepted Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of South African Statements of Generally Accepted Accounting Practice that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.3 Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.3 Financial instruments *(continued)*

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other receivables
Trade receivables are initially recognised at fair value, and are subsequently classified as loans and receivables and measured at amortised cost using the effective interest rate method.

The impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analysis and events that exist at balance sheet date. The impairment adjustment is the difference between the carrying value and the present value.

Trade and other payables
Trade and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are initially recognised at fair value, and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the effective interest rate method.

Held-to-maturity investments
If the entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets
Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Offset
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost and is not depreciated as it is deemed to have an indefinite life. Cost includes expenditure that is directly attributable to the acquisition of the item of property, plant and equipment. The cost of self-constructed items of property, plant and equipment includes the cost of materials and direct labour, any other costs directly attributable to bringing the items of property, plant and equipment to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying items of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is the systematic allocation of the depreciable amount, to the income statement, on a straight line basis over the estimated useful lives of property, plant and equipment.

The depreciable amount is the difference between the cost of an item of property, plant and equipment and its residual value.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual value is the estimated amount that the entity would currently obtain from the disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the item of property, plant and equipment were already of age and in the condition expected at the end of its useful life, which are currently estimated to be:

Computers and office equipment	– 3 years
Office furniture	– 5 years
Motor vehicles	– 5 years
Manse furniture and equipment	– 5 years
Buildings	– 50 years

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of an item of property, plant and equipment and is recognised in income in the year of disposal.

Routine maintenance costs are charged to the income statement as it is incurred. The costs of major maintenance or overhaul of an item of property, plant and equipment are recognised as an expense, except if the cost had been recognised as a separate part of the cost of the asset, and that amount has already been depreciated to reflect the benefits that had been replaced or restored.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.5 Impairment *(continued)*

Non-financial assets (continued)
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses.

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.7 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.8 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the church from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

1.9 Employee benefits

Short term employee benefits
The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to wages, salaries and annual leave represent the amount which the church has a present obligation to pay as a result of employee's services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.9 Employee benefits *(continued)*

Short term employee benefits (continued)
A liability is recognised for the amount expected to be paid under short-term bonus plans if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefits
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.10 Finance income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established, which in the case of quoted securities is usually the ex-dividend date.

1.11 Balance sheet

The balance sheet does not reflect the assets and liabilities of congregations, presbyteries, schools and missions, even where assets and liabilities of those entities may be registered in the name of The Uniting Presbyterian Church in Southern Africa.

1.12 Zimbabwe operation

Income statement and balance sheet transactions relating to Zimbabwe have been excluded from these financial statements owing to the volatility of ruling exchange rates. This exclusion does not have a significant impact on the financial statements.

1.13 Revenue

Revenue comprises the following: donation income, assessment fees and interest. Only assessments on income of congregations for the current year which are received before year end or are received before the end of February of the following year, but relate to the current year, are brought into account.

1.14 Restricted purpose grants and donations

Donations and grants received to be utilised for specific purposes are recognised as non current liabilities on the date of receipt.

Any interest income incurred on the unspent funds is credited to the restricted purpose fund balance and is not recognised as finance income in the Church's income statement.

Any expenses incurred of the specified project is deducted from the restricted purpose fund and is not reflected as expenditure in the income statement.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.15 Taxation

The organisation has tax exemption as a public benefit organisation under Section 30 of the Income Tax Act.

1.16 Comparative figures

Where necessary comparative figures have been reclassified.

1.17 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning.

1.18 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In the ordinary course of business the church may pursue a claim against a customer.

1.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the church, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

1.20 Determination of fair values

A number of the entity's accounting policies and disclosures require the determination of fair values, 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.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

1. Accounting policies *(continued)*

1.20 Determination of fair values *(continued)*

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

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

1.21 Intangible assets

An intangible asset is an identified, non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable; the church has control over the asset; it is probable that economic benefits will flow to the church; and the cost of the asset can be measured reliably.

Capitalised software
Acquired computer software that is significant and unique to the business is capitalised as an intangible asset on the basis of the cost incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are capitalised as intangible assets only if they qualify for recognition. In all other cases these costs are recognised as an expense as incurred.

Software that is acquired by the church is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised on a systematic basis over its estimated useful life from the date it becomes available for use.

The current useful life is:

Capitalised software	2 years

Subsequent expenditure on capitalised intangible assets is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

2. Property, plant and equipment

2006	Cost or valuation R	Accumulated depreciation and impairment losses R	Carrying value R
Freehold land and buildings			
– Erven 35,36 and 1181 Umtata	–	–	–
– Blairgowrie Manse, Erf 1686, Blairgowrie	**650 000**	**37 600**	**612 400**
– Kensington Manse, Lot 7962, portion 2	**634 839**	**38 784**	**596 055**
Improvements to leasehold land and buildings			
– Klipspruit Manse	**11 546**	–	**11 546**
	1 296 385	**76 384**	**1 220 001**
Motor vehicles	**595 067**	**386 066**	**209 001**
Computers and office equipment	**506 104**	**338 472**	**167 632**
Office furniture	**123 303**	**94 826**	**28 477**
Manse furniture and equipment	**64 614**	**59 115**	**5 499**
	2 585 473	**954 863**	**1 630 610**

2005	Cost or valuation R	Accumulated depreciation and impairment losses R	Carrying value R
Freehold land and buildings			
– Erven 35,36 and 1181 Umtata	126 386	–	126 386
– Blairgowrie Manse, Erf 1686, Blairgowrie	650 000	28 200	621 800
– Kensington Manse, Lot 7962, portion 2	634 839	29 088	605 751
Improvements to leasehold land and buildings			
– Klipspruit Manse	11 546	–	11 546
	1 422 771	57 288	1 365 483
Motor vehicles	595 067	273 219	321 848
Computers and office equipment	387 881	242 203	145 678
Office furniture	95 698	89 038	6 660
Manse furniture and equipment	64 614	54 460	10 154
	2 566 031	716 208	1 849 823

Items of property, plant and equipment of congregations, presbyteries, schools and missions are not included in the balance sheet even where assets of those entities may be registered in the name of the Uniting Presbyterian Church of Southern Africa.

2. Property, plant and equipment *(continued)*

2006

Cost or valuation	**Land and buildings R**	**Motor vehicles R**	**Computers and office equipment R**	**Office furniture R**	**Manse furniture and equipment R**	**Total R**
Opening balance	1 422 771	595 067	387 881	95 698	64 614	2 566 031
Additions	–	–	118 223	27 605	–	145 828
Disposals	(126 386)	–	–	–	–	(126 386)
Closing balance	**1 296 385**	**595 067**	**506 104**	**123 303**	**64 614**	**2 585 473**
Accumulated depreciation and impairment losses						
Opening balance	57 288	273 219	242 203	89 038	54 460	716 208
Depreciation	19 096	112 847	96 269	5 788	4 655	238 655
Closing balance	**76 384**	**386 066**	**338 472**	**94 826**	**59 115**	**954 863**
Carrying value	**1 220 001**	**209 001**	**167 632**	**28 477**	**5 499**	**1 630 610**

2. Property, plant and equipment *(continued)*

2005

Cost or valuation	**Land and buildings R**	**Motor vehicles R**	**Computers and office equipment R**	**Office furniture R**	**Manse furniture and equipment R**	**Total R**
Opening balance	1 422 771	456 563	264 457	95 698	60 466	2 299 955
Additions	–	138 504	123 424	–	4 148	266 076
Closing balance	1 422 771	595 067	387 881	95 698	64 614	2 566 031
Accumulated depreciation and impairment losses						
Opening balance	38 192	159 180	174 443	84 219	49 151	505 185
Depreciation	19 096	114 039	67 760	4 819	5 309	211 023
Closing balance	57 288	273 219	242 203	89 038	54 460	716 208
Carrying value	1 365 483	321 848	145 678	6 660	10 154	1 849 823

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

		2006 R	2005 R
3.	**Other investments**		
	Available for sale instruments at fair value		
	Unit trusts – Allan Gray Stable fund	**20 738 194**	17 464 264
4.	**Trust investment – Guild Cottage**		
	Cash at call – Guild Cottage	**1 649 045**	1 542 534
5.	**Loans receivable**		
	The loans receivable balance consists of the following loans:		
	– Loans in respect of Church extensions	**1 074 874**	1 030 211
	– Thekwini Retirement Project	**100 000**	150 000
	– Impairment adjustment	**(990 000)**	(990 000)
		184 874	190 211

The loans are unsecured and interest fee with no fixed terms of repayment. In the absence of contractually agreed repayment terms, the fair value of these loans is deemed to be equal to the carrying value. Long outstanding loans and loans were repayments are not deemed likely are identified at each balance sheet date and assessed for impairment.

		2006 R	2005 R
6.	**Trade and other receivables**		
	Sundry receivables	**775 285**	**789 817**
	Less impairment write off	**(631 732)**	**(376 624)**
		143 553	**413 193**
7.	**Amount owing by related party**		
	The Sedibeng Trust	**85 720**	–

As per the agreement between the parties, the loan is currently interest free and no fixed repayment terms have been agreed. In the absence of a contractual repayment term or date, the fair value of the loan is deemed to be equal to the carrying value.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

		2006 R	2005 R
8.	**Cash and cash equivalents**		
	Cash at bank	**1 079 018**	1 656 526
	Cash on call	**6 734 123**	5 543 913
	Cash on hand	**20 269**	16 700
		7 833 410	7 217 139

In terms of South African Statements of Generally Accepted Accounting Practice, cash and cash equivalents at year end should be split between restricted use and non-restricted use balances.

The cash and cash equivalents relating to restricted purpose funds, as detailed in note 11, has not been disclosed as the information is not available. The balance of funds relating to restricted purpose funds is either invested in Investments, as noted in note 3, or retained in cash balances.

		2006 R	2005 R
9.	**Non-distributable reserve**		
	Revaluation reserve arising from the revaluation of land and buildings in a prior year	**913 215**	913 215
10.	**Fair value reserve**		
	Fair value adjustments on available for sale financial instruments recognised directly in equity		
	Balance at beginning of year	**6 196 049**	4 138 906
	Current year fair value adjustment	**2 659 788**	2 057 143
	Balance at end of year	**8 855 837**	6 196 049

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

11. Restricted purpose funds

	2006 R	2005 R
Exchange reserve	**83 721**	2 000
Justice and Social Development Funds	**610 488**	610 488
Church Growth Funds	**140 596**	140 596
Maintenance of the Ministry Funds	**1 536 384**	1 536 384
Ministry Funds	**1 441 606**	1 513 015
Emgwali Bangwali Mission Trust Fund	**62 981**	62 981
Gordon Memorial Trust Fund	**87 367**	87 367
T McLeod Bequest – for general benefit	**12 348**	12 348
Alexander and Mary Robertson Kerr Memorial Fund	**37 386**	34 584
Andrew Smith bursary Trust	**281 674**	281 674
Aylmer Hunter Fund	**83 628**	83 628
Centenary Fund	**1 188 546**	1 078 379
Centenary Thanksgiving Fund	**1 028 551**	1 087 951
EE Coutts Fund	**2 638 475**	2 611 625
External Mission Fund	**244 741**	244 741
Fedsem Educational Fund	**808 582**	762 011
Presbyterian Educational Fund	**932 346**	932 346
Sunday Schools Trust Fund	**30 710**	30 710
Youth Fund	**–**	65 049
Irene Cuthill bequest	**41 892**	41 892
RB Haggart Medical Aid Help fund	**162 973**	33 613
JA Swan Will Trust	**294 369**	811 899
Robert Niven Trust	**33 873**	41 873
Umtata fund	**67 042**	35 865
Guild Cottage Trust Fund	**106 514**	–
Tsunami Appeal fund	**–**	1 006
Alan Maker Commercial Centre Soweto Fund	**30 000**	30 000
KMC Duncan Legacy Will Trust	**980 573**	–
	12 967 366	12 174 025

Restricted purpose funds comprise donations and bequests which are to be used for specific purposes only. Donation and bequests received for restricted purposes are not recognised as income but are recognised as a liability. Similarly disbursements made from these funds are not recognised as expenditure in the income statement but is offset against the liability.

12. Trade and other payables

Non trade payables and accrued expenses	**1 220 571**	1 394 096
Long leave fund	**1 521 346**	1 387 915
	2 741 917	2 782 011

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

13. Grants

Grants include specific allocations made by the Ministry for training, accommodation and subsistence, university fees, student allowances against specific funds accounts shown as liabilities in the balance sheet, and allocations made from the centenary and thanksgivings funds for various denomination projects, and supplementary pension and medical aid subsidies (i.e. EE Coutts, various bursary allocations to be drawn on as and when required, ministerial training, ministerial formation, The FEDSEM educational fund, centenary and thanksgiving funds).

14. Operating deficit before finance income/(costs)

is arrived at after taking into account –

	2006 R	2005 R
Assessment fees	**6 106 026**	5 916 062
Donations and bequests	**302 412**	231 336
Profit on disposal of property, plant and equipment	**12 248**	–
Depreciation of property, plant and equipment	**238 655**	211 023
Staff costs	**1 969 814**	1 639 142
Number of employees	**13**	13

15. Note to the cash flow statement

15.1 Cash utilised by operations

	2006 R	2005 R
Surplus for the year	**175 207**	345 906
Profit on disposal of property, plant and equipment	**(12 248)**	–
Dividend and interest income	**(914 466)**	(788 398)
Finance costs	**111 278**	150 200
Depreciation of property, plant and equipment	**238 655**	211 023
Operating deficit before working capital changes	**(401 574)**	(81 269)
Working capital changes	**229 546**	(147 301)
Decrease in inventories	**–**	46 436
Decrease in trade and other receivables	**269 640**	1 780 494
Decrease in trade and other payables	**(40 094)**	(1 974 231)
Cash utilised by operations	**(172 028)**	(228 570)

16. Financial risk management

16.1 Overview

The church has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

This note presents information about the church's exposure to each of the above risks, the church's objectives, policies and processes for measuring and managing risk, and the church's management of capital. Further quantitative disclosures are included throughout these financials statements.

The finance committee has overall responsibility for the establishment and oversight of the church's risk management framework. The finance committee is responsible for developing and monitoring the church's risk management policies.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

16. Financial risk management *(continued)*

16.1 Overview *(continued)*

The church's risk management policies are established to identify and analyse the risks faced by the church, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the church's activities.

The finance committee oversees how management monitors compliance with the church's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the church.

The church's financial risk management objectives and policies are governed by a formalised investment policy and related procedures developed by the church's finance committee (i.e. a committee of the General Assembly). The means by which the risks referred to above are managed include the appointment of specialised investment managers. The investment managers are issued with specific mandates that include restrictions to manage the financial risks referred to above.

16.2 Credit risk

Credit risk is the risk of financial loss to the church if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the church's receivables from customers.

Trade and other receivables

The church's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the church's customer base, including the default risk of the industry and country in which customers operate, has less of an influence in credit risk. There is no concentration of credit risk in a single customer.

The church establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

16.3 Liquidity risk

Liquidity risk is the risk that the church will not be able to meet its financial obligations as they fall due. The church's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

17. Financial instruments

Basis of measurement

Assets	*Notes*	Total R	Investments at fair value directly in equity R	Loans and receivables R	Financial liabilities at amortised cost R
Other investments	*3*	20 738 194	20 738 194	–	–
Trust Investment-Guild Cottage	*4*	1 649 045	–	1 649 045	–
Loans receivable	*5*	184 874	–	184 874	–
Trade and other receivables	*6*	143 553	–	143 553	–
Cash and cash equivalents	*8*	7 833 410	–	7 833 410	–
Liabilities					
Trade and other payables	12	2 741 917	–	–	2 741 917

The church's principal financial instruments comprise the following:

Financial assets at fair value recognised directly in equity (including unit trust investments) and cash and cash equivalents. The main purpose of these financial instruments is to fund the church's current and future operations. The church has other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the church's financial instruments are interest rate risk and price risk.

17.1 Maturity and effective interest rate analyses

In respect of income-earning financial assets and liabilities, the table below indicates the maturity and effective interest rates.

	Note	Effective interest %	Total R	Within 1 year R	1-5 years R	More than 5 years R
Other investments	*3*		20 738 194	20 738 194	–	–
Trust investment – Guild Cottage	*4*	7,5	1 649 045	1 649 045	–	–
Cash and cash equivalents	*8*	7,5	7 833 410	7 833 410	–	–

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

17. Financial instruments *(continued)*

17.2 Fair value analyses

The fair values together with the carrying values of all financial instruments shown in the balance sheet are as follows:

	Fair value R	Carrying value R
Financial assets		
Other investments	20 738 194	20 738 194
Trust investment – Guild Cottage	1 649 045	1 649 045
Loans receivable	184 874	184 874
Trade and other receivables	143 553	143 553
Cash and cash equivalents	7 833 410	7 833 410
Financial liabilities		
Trade and other payables	2 741 917	2 741 917

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Unit trust investments

The fair value of unit trust investments is determined as the redemption value of these investments at the balance sheet date.

Funds on call – Trust investment Guild Cottage

The fair value of cash on call investments is determined by reference to the bank account balance at year end.

Accounts receivable/payable

For receivables and payables with a remaining useful life of less than one year, the notional amount is deemed to be the fair value.

18. Estimation and judgement applied by management in applying accounting policies

18.1 Impairment of long outstanding loans receivable and trade receivables

Management identifies impairment of receivables on an ongoing basis. The estimation of the requirement of impairment is based on the current collectibles of the receivables, as well as their experience of the collection history of the receivables.

Management believes that the impairment write off is conservative and there are no significant receivables that are doubtful and have not been impaired.

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The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

19. Standards and interpretations not yet effective

In terms of South African Statements of Generally Accepted Accounting Practice, the church is required to include in its financial statements disclosure about the future impact of standards and interpretations issued but not yet effective at the reporting date.

Standard Interpretation		Effective date
IAS 23 (AC 114)	Borrowings Costs	Annual periods commencing on or after 1 January 2009
IFRS 7 (AC 144)	Financial Instruments: Disclosures (including amendments to IAS 1 (AC 101), Presentation of Financial Statements: Capital Disclosures)	Annual periods commencing on or after 1 January 2007
IFRS 8 (AC 145)	Operating Segments	Annual periods commencing on or after 1 January 2009
IFRIC 7 (AC 440)	Applying the Restatement Approach under IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economies	Annual periods commencing on or after 1 March 2006
IFRIC 8 (AC 441)	Scope of IFRS 2 (AC 139)	Annual periods commencing on or after 1 May 2006
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives	Annual periods commencing on or after 1 June 2006
IFRIC 10 (AC 443)	Interim Financial Reporting and Impairment	Annual periods commencing on or after 1 November 2006
IFRIC 11 (AC 444)	IFRS 2 (AC 139) – Group and Treasury Share Transactions	Annual periods commencing on or after 1 March 2007
IFRIC 12 (AC 445)	Service Concession Arrangements	Annual periods commencing on or after 1 January 2008
AC 503	Accounting For Black Economic Empowerment (BEE) Transactions	Annual periods commencing on or after 1 May 2006

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

19. Standards and interpretations not yet effective *(continued)*

Standard Interpretation		Effective date
IFRIC 13 (AC 446)	Customer Loyalty Programmes	Annual periods commencing on or after 1 July 2008
IFRIC 14 (AC 447)	IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods commencing on or after 1 January 2008

IFRS 7 (AC 144)
The disclosures provided in respect of financial instruments in the financial statements for the period ending 31 December 2007, as well as comparative information, will be compliant with IFRS 7 (AC 144). The disclosure requirements of IFRS 7 (AC 144) require additional disclosure compared to the requirements in terms of existing accounting standards in respect of the following:

Qualitative disclosures
Further information regarding each type of financial instrument risk including the exposures to risk and how they arise; the church's objectives, policies and processes for managing the risk; the methods used to measure the risk; and any changes from the previous period.

Quantitative disclosures
Further information regarding each type of the church's financial instrument risk including a summary of quantitative data about exposure to that risk at the reporting date including any concentrations of credit risk; financial assets that are either past due or impaired; any collateral and other credit enhancements obtained; liquidity risk; market risk; and capital objective and policies.

The adoption of IFRS 7 (AC 144) will not have any impact on the accounting policies adopted for financial instruments.

IFRS 8 (AC 145) *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8 (AC 145), which becomes mandatory for the entity's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the church's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

Revised IAS 23 (AC 114) *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise 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 (AC 114) will become mandatory for the entity's 2009 financial statements. In accordance with the transitional provisions the entity will apply the revised IAS 23 (AC 114) to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2006 (continued)

19. Standards and interpretations not yet effective *(continued)*

IFRIC 12 (AC 445) *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 (AC 445), which becomes mandatory for the entity's 2008 financial statements, is not expected to have any effect on the financial statements.

IFRIC 13 (AC 446) *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. IFRIC 13 (AC 446), which becomes mandatory for the entity's 2009 financial statements, is not expected to have any impact on the financial statements.

IFRIC 14 (AC 447) IAS 19 (AC 116) – *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. IFRIC 14 (AC 447), which will become mandatory for the 2008 financial statements, is not expected to have an impact.

20. Related parties

20.1 Identity of related parties

Key management personnel are regarded as related parties.

The church makes payments to the medical aid and pension funds on behalf of its ministers.

20.2 Transactions with related parties

Related party transactions comprise

Trust investment – Guild cottage – refer note 4.
Amount owing by related party – refer note 7.

Assessment income of R6 106 026 (2005 – R5 916 062) was received by the church from various presbyteries.

Key management personnel are not remunerated by the church. Refer to note 14 for all staff costs incurred during the year.

The following amounts are receivable from ministers at year end:

	2006 **R**	2005 R
– medical aid contributions	**210 173**	104 529
– pension fund contributions	**285 108**	440 098
– church extension loans	**1 074 874**	1 030 211
– Thekwini Retirement Project loans	**100 000**	150 000

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The Uniting Presbyterian Church in Southern Africa

Detailed income statement

for the year ended 31 December 2006

	Note	2006 R	2005 R
Income		**7 486 588**	7 149 922
Sales		–	79 205
Assessment fees		**6 106 026**	5 916 062
Donations and bequests		**302 412**	231 336
Interest and dividends received		**914 466**	788 398
Rent received		**2 600**	4 624
Foreign exchange profits		–	10 297
Profit on sale of property, plant and equipment		**12 248**	–
Funds transfers		**120 000**	120 000
Other income		**28 836**	–
Expenses		**7 311 381**	6 804 016
Administration fees		**39 220**	35 662
Audit fees		**114 123**	145 852
Bank charges		**57 725**	52 658
Bad debts written off		**16 373**	–
Bursaries		**250 000**	198 975
Depreciation		**238 742**	211 023
Foreign exchange losses		**200**	–
G Duncan Pta University		**44 430**	–
Interest		**111 271**	150 200
Insurance		**146 447**	103 086
Legal fees		**115 506**	220 289
Maintenance		**106 975**	160 576
Ministry costs		**613 510**	581 328
Motor vehicles expenses		**145 627**	224 569
Pension fund administration expenses		**80 304**	68 413
Printing, postage and stationery		**382 733**	325 966
Property costs		**82 201**	57 963
Rental expenses		**155 497**	133 560
Resource purchases		–	142 726
Salaries and wages		**1 992 748**	1 642 667
Subscriptions		**2 000**	900
Telephone		**230 518**	192 853
Travel and conference expenses – committees		**685 252**	548 259
Sundry expenses – committees		**492 535**	442 537
Grants	*13*	**848 070**	891 741
Committee costs		**359 374**	272 213
Surplus for the year	*15.1*	**175 207**	345 906