KPMG

OFF... OPY

The Uniting Presbyterian Church in Southern Africa

Financial Statements

for the year ended 31 December 2007

AUDIT ■ TAX ■ ADVISORY

The Uniting Presbyterian Church in Southern Africa

Financial Statements

for the year ended 31 December 2007

Contents

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 2007, 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 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 30 October 2008 and are signed on its behalf by:

Name

Name

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (11) 647 7111
Fax +27 (11) 647 8000
Docex 472 Johannesburg
Internet http://www.kpmg.co.za/

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 2007, 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 33.

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.

KPMG

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 2007, 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 34 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
30 October 2008

The Uniting Presbyterian Church in Southern Africa

Balance sheet

at 31 December 2007

	Notes	**2007** **R**	2006 R
Assets			
Non-current assets		**27 014 959**	24 202 723
Property, plant and equipment	*2*	**990 896**	1 630 610
Other investments	*3*	**24 030 970**	20 738 194
Trust investment – Guild Cottage	*4*	**1 797 594**	1 649 045
Loans receivable	*5*	**195 499**	184 874
Current assets		**11 688 897**	8 062 683
Non-current asset held for sale	*6*	**837 372**	–
Trade and other receivables	*7*	**340 970**	143 553
Amount owing by related party	*8*	**192 724**	85 720
Cash and cash equivalents	*9*	**10 317 831**	7 833 410
Total assets		**38 703 856**	32 265 406
Equity and liabilities			
Equity		**18 592 358**	16 556 123
Retained earnings		**7 367 418**	6 787 071
Non-distributable reserve	*10*	**913 215**	913 215
Fair value reserve	*11*	**10 311 725**	8 855 837
Non current liabilities			
Restricted purpose funds	*12*	**17 529 700**	12 967 366
Current liabilities			
Trade and other payables	*13*	**2 581 798**	2 741 917
Total equity and liabilities		**38 703 856**	32 265 406

KPMG

The Uniting Presbyterian Church in Southern Africa

Income statement

for the year ended 31 December 2007

	Note	**2007**	2006
		R	R
Revenue		**8 022 008**	6 438 786
Other income		**136 962**	133 336
Other operating expenses		**(8 231 418)**	(7 200 103)
Operating deficit before finance income/(cost)	*15*	**(72 448)**	(627 981)
Finance income		**1 324 574**	914 466
Finance costs		**(671 779)**	(111 278)
Surplus for the year		**580 347**	175 207

KPMG

The Uniting Presbyterian Church in Southern Africa

Statement of changes in equity

for the year ended 31 December 2007

	Retained earnings R	Non-distributable reserve R	Fair value reserve R	Total R
Balance at 1 January 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**
Surplus for the year	580 347	–	–	580 347
Fair value adjustments arising from available for sale financial instruments	–	–	1 455 888	1 455 888
Balance at 31 December 2007	**7 367 418**	**913 215**	**10 311 725**	**18 592 358**

The Uniting Presbyterian Church in Southern Africa

Cash flow statement

for the year ended 31 December 2007

	Note	2007 R	2006 R
Cash flows from operating activities			
Cash utilised by operations	*16.1*	**(217 429)**	(172 028)
Dividend and interest income		**468 668**	193 813
Finance costs		**(671 779)**	(111 278)
Cash outflow from operating activities		**(420 540)**	(89 493)
Cash outflow from investment activities		**(1 401 820)**	(1 857)
Acquisition of property, plant and equipment		**(430 214)**	(145 828)
Proceeds on disposal of property, plant and equipment		**20 000**	138 634
Loans receivable extensions		**(10 625)**	5 337
Increase in investment		**(980 981)**	–
Cash inflow from financing activities		**4 306 781**	707 621
Loans advanced to related entities		**(255 553)**	(85 720)
Increase in restricted purpose funds		**4 562 334**	793 341
Net increase in cash and cash equivalents		**2 484 421**	616 271
Cash and cash equivalents at beginning of year		**7 833 410**	7 217 139
Cash and cash equivalents at end of year	*9*	**10 317 831**	7 833 410

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007

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:

– 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 17.9.

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.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

1. Accounting policies *(continued)*

1.3 Financial instruments *(continued)*

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.

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.

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

1. Accounting policies *(continued)*

1.4 Property, plant and equipment

Recognition and measurement

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. 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

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.

Subsequent expenditure

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.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (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 2007 (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 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.

1.7 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.

1.8 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 salaries and annual leave represent the amount which the entity 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 2007 (continued)

1. Accounting policies *(continued)*

1.8 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.

1.9 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.

1.10 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.

1.11 Zimbabwe and Zambia operations

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

1.12 Revenue

Revenue comprises the following: donation income, assessment fees, interest and dividends. 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.

1.13 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 entity'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 2007 (continued)

1. Accounting policies *(continued)*

1.14 Taxation

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

1.15 Comparative figures

Where necessary comparative figures have been reclassified.

1.16 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.

1.17 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.

1.18 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.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

1. Accounting policies *(continued)*

1.19 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 entity 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 2007 (continued)

2. Property, plant and equipment

2007	**Cost or valuation R**	**Accumulated depreciation and impairment losses R**	**Carrying value R**
Freehold land and buildings			
– Blairgowrie Manse, Erf 1686, Blairgowrie	**650 000**	**47 000**	**603 000**
Improvements to leasehold land and buildings			
– Klipspruit Manse	**11 546**	**–**	**11 546**
	661 546	**47 000**	**614 546**
Motor vehicles	**609 589**	**351 134**	**258 455**
Computers and office equipment	**524 182**	**431 908**	**92 274**
Office furniture	**123 303**	**102 082**	**21 221**
Manse furniture and equipment	**64 614**	**60 214**	**4 400**
	1 983 234	**992 338**	**990 896**
2006			
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

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)*

2007

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	1 296 385	595 067	506 104	123 303	64 614	2 585 473
Additions	256 136	156 000	18 078	–	–	430 214
Disposals	–	(141 478)	–	–	–	(141 478)
Transfer to non-current asset held for sale	(890 975)	–	–	–	–	(890 975)
Closing balance	**661 546**	**609 589**	**524 182**	**123 303**	**64 614**	**1 983 234**
Accumulated depreciation and impairment losses						
Opening balance	76 384	386 066	338 472	94 826	59 115	954 863
Depreciation	24 219	106 545	93 436	7 256	1 099	232 555
Disposals	–	(141 477)	–	–	–	(141 477)
Transfer to non-current asset held for sale	(53 603)	–	–	–	–	(53 603)
Closing balance	**47 000**	**351 134**	**431 908**	**102 082**	**60 214**	**992 338**
Carrying value	**614 546**	**258 455**	**92 274**	**21 221**	**4 400**	**990 896**

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	76 834	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**

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

		2007 R	2006 R
3.	**Other investments**		
	Available for sale instruments at fair value		
	Unit trusts – Allan Gray Stable fund	**24 030 970**	20 738 194
4.	**Trust investment – Guild Cottage**		
	Cash at call – Guild Cottage	**1 797 594**	1 649 045
5.	**Loans receivable**		
	The loans receivable balance consists of the following loans:		
	– Loans in respect of Church extensions	**1 110 499**	1 074 874
	– Thekwini Retirement Project	**75 000**	100 000
	– Impairment adjustment	**(990 000)**	(990 000)
		195 499	184 874

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.

		2007 R	2006 R
6.	**Non-current asset held for sale**		
	– Kensington Manse, Lot 7962, Portion 2	**837 372**	–

A decision was taken by the Finance Committee to dispose of the property. Although a buyer has been identified, transfer of the property had not been concluded at 31 December 2007.

		2007 R	2006 R
7.	**Trade and other receivables**		
	Sundry receivables	**693 697**	775 285
	Less impairment write off	**(352 727)**	(631 732)
		340 970	143 553

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

		2007 R	2006 R
8.	**Amount owing by related party**		
	The Sedibeng Trust	**192 724**	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.

		2007 R	2006 R
9.	**Cash and cash equivalents**		
	Cash at bank	**1 355 713**	1 079 018
	Cash on call	**8 948 318**	6 734 123
	Cash on hand	**13 800**	20 269
		10 317 831	7 833 410

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.

		2007 R	2006 R
10.	**Non-distributable reserve**		
	Revaluation reserve arising from the revaluation of land and buildings in a prior year	**913 215**	913 215
11.	**Fair value reserve**		
	Fair value adjustments on available for sale financial instruments recognised directly in equity		
	Balance at beginning of year	**8 855 837**	6 196 049
	Current year fair value adjustment	**1 455 888**	2 659 788
	Balance at end of year	**10 311 725**	8 855 837

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R	2006 R
12. Restricted purpose funds		
Exchange reserve	**31 311**	83 721
Justice and Social Development Funds	**610 488**	610 488
Church Growth Funds	**190 844**	140 596
Maintenance of the Ministry Funds	**1 539 748**	1 536 384
Ministry Funds	**1 588 602**	1 441 606
Emgwali Bangwali Mission Trust Fund	**68 019**	62 981
Gordon Memorial Trust Fund	**93 325**	87 367
T McLeod Bequest – for general benefit	**13 418**	12 348
Alexander and Mary Robertson Kerr Memorial Fund	**40 377**	37 386
Andrew Smith bursary Trust	**306 085**	281 674
Aylmer Hunter Fund	**83 628**	83 628
Centenary Fund	**1 278 297**	1 188 546
Centenary Thanksgiving Fund	**1 037 985**	1 028 551
EE Coutts Fund	**2 749 203**	2 638 475
External Mission Fund	**264 320**	244 741
Fedsem Educational Fund	**862 487**	808 582
Presbyterian Educational Fund	**932 346**	932 346
Sunday Schools Trust Fund	**32 758**	30 710
Irene Cuthill bequest	**41 892**	41 892
RB Haggart Medical Aid Help fund	**104 412**	162 973
JA Swan Will Trust	**171 637**	294 369
Robert Niven Trust	**33 873**	33 873
Umtata fund	**113 075**	67 042
Guild Cottage Trust Fund	**255 059**	106 514
Alan Maker Commercial Centre Soweto Fund	**30 000**	30 000
KMC Duncan Legacy Will Trust	**980 578**	980 573
Mission Programme Support Fund	**4 075 933**	–
	17 529 700	12 967 366

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.

	2007 R	2006 R
13. Trade and other payables		
Non trade payables and accrued expenses	**1 052 663**	1 220 571
Long leave fund	**1 529 135**	1 521 346
	2 581 798	2 741 917

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

14. 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).

	2007 R	2006 R
15. Operating deficit before finance income/(costs) is arrived at after taking into account –		
Assessment fees	**7 396 186**	6 106 026
Donations and bequests	**303 133**	302 412
Profit on disposal of property, plant and equipment	**20 000**	12 248
Depreciation of property, plant and equipment	**232 555**	238 655
Staff costs	**2 077 765**	1 969 814
Number of employees	**12**	13

16. Note to the cash flow statement

16.1 Cash utilised by operations

	2007 R	2006 R
Surplus for the year	**580 347**	175 207
Profit on disposal of property, plant and equipment	**(20 000)**	(12 248)
Dividend and interest income	**(1 324 574)**	(914 466)
Finance costs	**671 779**	111 278
Depreciation of property, plant and equipment	**232 555**	238 655
Operating profit/(loss) before working capital changes	**140 107**	(401 574)
Working capital changes	**(357 536)**	229 546
(Increase)/decrease in trade and other receivables	**(197 417)**	269 640
Decrease in trade and other payables	**(160 119)**	(40 094)
Cash utilised by operations	**(217 429)**	(172 028)

17. Financial risk management

17.1 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 2007 (continued)

17. Financial risk management *(continued)*

17.1 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.

17.2 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 loans and receivables from churches and ministers and bank balances held with financial institutions.

Trade and other receivables

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

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.

17.3 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.

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

17. Financial risk management *(continued)*

17.4 Basis of measurement

	Notes	Total R	Investments at fair value directly in equity R	Loans and receivables R	Financial liabilities at amortised cost R
Assets					
Other investments	*3*	24 030 970	24 030 970	–	–
Trust Investment-Guild Cottage	*4*	1 797 594	–	1 797 594	–
Loans receivable	*5*	195 499	–	195 499	–
Trade and other receivables	*7*	340 970	–	340 970	–
Cash and cash equivalents	*9*	10 317 831	–	10 317 831	–
Liabilities					
Trade and other payables	13	2 581 798	–	–	2 581 798

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.

17.5 Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

	2007 R	2006 R
Loans receivable	**195 499**	184 874
Trade and other and receivables	**340 970**	143 553
Amount owing by related entity	**192 724**	85 720
Cash and cash equivalents	**10 317 831**	7 833 410
	11 047 024	8 247 557

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements
for the year ended 31 December 2007 (continued)

17. Financial risk management *(continued)*

17.5 Exposure to credit risk *(continued)*

	2007 **R**	2006 R
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was :		
Domestic	**340 970**	143 553

The ageing of loans and trade receivables at reporting date was:

	2007		2006	
	Gross	**Impairment**	Gross	Impairment
Not past due	–	–	–	–
Past due 30 days	–	–	–	–
Past due 30 – 120 days	**1 879 196**	**(1 342 727)**	1 950 159	(1 621 732)
	1 879 196	**(1 342 727)**	1 950 159	(1 621 732)

The movement on the allowance for impairment of trade receivables during the year was as follows:

	2007 **R**	2006 R
Balance at 1 July	**(1 621 732)**	(1 366 624)
Bad debts written off in current year	–	–
Impairment provision reversed/(created)	**279 005**	(255 108)
Balance at 30 June	**(1 342 727)**	(1 621 732)

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

17. Financial risk management *(continued)*

17.6 Liquidity risk

The following are the contractual maturities of financial liabilities.

2007	Carrying amount	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non derivative liabilities					
– trade and other payables	**2 581 798**	**2 581 798**	**1 492 663**	**1 089 135**	–

2006	Carrying amount	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non derivative liabilities					
– trade and other payables	2 741 917	2 741 917	1 656 677	1 085 240	–

17.7 Interest rate risk

Profile
The interest rate risk profile of the interest bearing financial instruments was:

	2007 Interest %	**2007 R**	2006 Interest %	2006 R
Fixed rate instruments				
– none	–	–	–	–
Variable rate instruments				
– cash and cash equivalents	6,5 – 10,0%	10 317 831	6,5 – 10,0%	7 833 410

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

17. Financial risk management *(continued)*

17.7 Interest rate risk *(continued)*

Sensitivity analyses

A charge of 100 basis point in interest rates on the reporting date would have increased/(decreased) the surplus as follows:

	100 bp increase	100 bp decrease
2007		
Surplus	**6 527**	**(6 527)**
2006		
Surplus	8 032	(8 032)

17.8 Fair value analyses

	2007		2006	
	Carrying value	**Fair value**	Carrying value	Fair value
Assets				
Other investments	**24 030 970**	**24 030 970**	20 738 194	20 738 194
Trust investment – Guild Cottage	**1 797 594**	**1 797 594**	1 649 045	1 649 045
Loans receivable	**195 499**	**195 499**	184 874	184 874
Amount owing by related entity	**192 724**	**192 724**	85 720	85 720
Trade and other receivables	**340 970**	**340 970**	143 553	143 553
Cash and cash equivalents	**10 317 831**	**10 317 831**	7 833 410	7 833 410
Liabilities				
Trade and other payables	**2 581 798**	**2 581 798**	2 741 917	2 741 917

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

17. Financial risk management *(continued)*

17.9 Estimation of fair values

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

Trade and other receivables/payables
For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine 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.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

19. Standards and interpretations not yet effective

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

At the date of authorisation of the financial statements of the Uniting Presbyterian Church in Southern Africa for the year ended 31 December 2007, the following standards and interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
IAS 1 (AC 101)	Presentation of Financial Statements	Annual periods commencing on or after 1 January 2009
IAS 23 (AC 114)	Borrowings Costs	Annual periods commencing on or after 1 January 2009
IAS 27 (AC 132) amendment	Consolidated and Separate Financial Statements	Annual periods commencing on or after 1 July 2009
IAS 32 (AC 125) & IAS 1 (AC 101) amendment	IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods commencing on or after 1 January 2009
IAS 27 (AC 132) & IFRS 1 (AC 138) amendment	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Annual periods commencing on or after 1 January 2009
IAS 39 (AC 133) amendment	Eligible hedged items	Annual periods commencing on or after 1 July 2009
IFRS 2 (AC 139) amendment	IFRS 2 (AC 139) Share-based Payment: Vesting Conditions and Cancellations	Annual periods commencing on or after 1 January 2009
IFRS 3 (AC 140)	Business Combinations	Annual periods commencing on or after 1 July 2009
IFRS 5 (AC 142) amendment	Improvements to IFRSs	Annual periods commencing on or after 1 July 2009

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

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

Standard/Interpretation		Effective date
IFRS 8 (AC 145)	Operating Segments	Annual periods commencing on or after 1 January 2009
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
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
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate	Annual periods commencing on or after 1 January 2009
IFRIC 16 (AC 449)	Hedges of a Net Investment in a Foreign Operation	Annual periods commencing on or after 1 October 2008
Various	Improvements to IFRSs (excluding IFRS 5 amendment)	Annual periods commencing on or after 1 January 2009

All standards and interpretations will be adopted at their effective dates (except for the effect of those standards and interpretations that are not applicable to the entity).

KPMG

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

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

IAS 23 (AC 114), IAS 27 (AC 132), IAS 39 (AC 133), IFRS 2 (AC 139), IFRS 3 (AC 140), IFRS 8 (AC 145), IFRIC 11 (AC 444), IFRIC 12 (AC445), IFRIC 13 (AC 446), IFRIC 14 (AC 447), IFRIC 15 (AC 448) and IFRIC 16 (AC 449) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IAS 1 (AC 101)

IAS 1 (AC 101) will be adopted by the church for the first time for its financial reporting period ending 31 December 2009.

The church will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the movement in reserves note in the financial statements.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income.

IAS 32 (AC 125) and IAS 1 (AC 101) amendment

The amendment to IAS 32 (AC 125) and IAS 1 (AC 101) will be adopted by the church for the first time for its financial reporting period ending 31 December 2009.

The church will reclassify instruments that impose on the company an obligation to deliver to another party a *pro rata* share of the net assets of the church only on liquidation. The church will reclassify a financial liability as equity from the date when the instrument has all of the features and meets the conditions set out in IAS 32 (AC 125). An equity instrument shall be measured at the carrying value of the financial liability at the date of reclassification.

IFRS 5 (AC 142) amendment

It is not envisaged that the statement will significantly affect the church given the level of non-current assets held for sale on hand as at 31 December 2007.

Various

All improvements to existing IFRS standards and interpretations that affect the church will be adopted at their effective dates.

The Uniting Presbyterian Church in Southern Africa

Notes to the financial statements

for the year ended 31 December 2007 (continued)

20. Related parties

20.1 Identity of related parties

Key management personnel are regarded as related parties.

The church collects subscriptions for medical aid and contributions for 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 8.

Assessment income of R7 396 186 (2006 – R6 106 026) was received by the church from various presbyteries.

Key management personnel are not remunerated by the church. Refer to note 15 for all staff costs incurred during the year.

The following amounts are receivable from ministers at year end:

	2007 R	2006 R
– medical aid contributions	**93 876**	210 173
– pension fund contributions	**310 739**	285 108
– church extension loans	**1 110 499**	1 074 874
– Thekwini Retirement Project loans	**75 000**	100 000

KPMG

The Uniting Presbyterian Church in Southern Africa

Detailed income statement

for the year ended 31 December 2007

	Note	2007 R	2006 R
Income		**9 486 583**	7 486 588
Sales		**203 090**	–
Assessment fees		**7 396 186**	6 106 026
Donations and bequests		**303 133**	302 412
Interest and dividends received		**1 324 574**	914 466
Rent received		**3 600**	2 600
Profit on sale of property, plant and equipment		**20 000**	12 248
Funds transfers		**120 000**	120 000
Other income		**116 000**	28 836
Expenses		**8 906 236**	7 311 381
Administration fees		**15 385**	39 220
Audit fees		**185 877**	114 123
Bank charges		**62 835**	57 725
Bad debts written off		**36 210**	16 373
Bursaries		**191 551**	250 000
Depreciation		**232 555**	238 742
Foreign exchange losses		–	200
G Duncan Pta University		**105 468**	44 430
Interest		**671 779**	111 271
Insurance		**135 725**	146 447
Legal fees		**550 583**	115 506
Maintenance		**174 193**	106 975
Motor vehicles expenses		**199 065**	145 627
Pension fund administration expenses		**47 544**	80 304
Printing, postage and stationery		**318 786**	382 733
Property costs		**132 776**	82 201
Rental expenses		**124 126**	155 497
Resource purchases		**437 550**	–
Salaries and wages		**2 077 765**	1 992 748
Telephone		**222 260**	230 518
Travel and conference expenses – committees		**821 042**	685 252
Grants	*14*	**1 031 855**	848 070
Sundry expenses – ministry and committees		**1 131 306**	1 467 419
Surplus for the year	*16.1*	**580 347**	175 207