

**PENINSULA SCHOOL FEEDING ASSOCIATION**  
**(Registration number 002-878 NPO)**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2007**

***Sprigg Abbott Incorporated***  
*Chartered Accountants (SA)*  
*Registered Auditors*

**PENINSULA SCHOOL FEEDING ASSOCIATION  
FINANCIAL STATEMENTS  
for the year ended 31 March 2007**

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

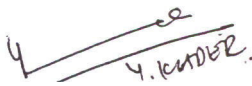
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The following supplementary schedule does not form part of the financial statements, and is unaudited.

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**Approval and statement of responsibility**

The financial statements which appear on pages 2 to 8 were approved by the committee on 19 June 2007 and signed on their behalf by:



A handwritten signature in black ink, appearing to read 'Y. KENDER', written over a horizontal line.

Chairman



A handwritten signature in black ink, written over a horizontal line.

Honorary Treasurer

# SPRIGG ABBOTT INCORPORATED

CHARTERED ACCOUNTANTS (SA)  
REGISTERED AUDITORS

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PENINSULA SCHOOL FEEDING ASSOCIATION

We have audited the annual financial statements of Peninsula School Feeding Association as set out on pages 2 to 8, which comprise the balance sheet as at 31 March 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 control 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 audit opinion.

### Qualification

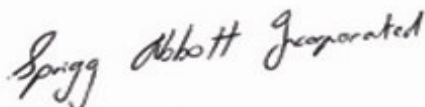
In common with similar organisations, it is not feasible for the association to institute accounting controls over cash collections from donations prior to initial entry of the collections in the accounting records. Accordingly, it was impracticable for us to extend our examination beyond the receipts actually recorded.

### Qualified audit opinion

In our opinion, except for the effect of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the association at 31 March 2007 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, appropriate to the organisation, and in terms of the Non Profit Organisations Act No 71 of 1997.

### Supplementary information

The supplementary schedule set out on page 9 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.



Chartered Accountants (SA)  
Registered Auditors

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Milnerton  
19 June 2007

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Consultant: LE Norman B Com, CA(SA); LC Botha B Compt, CTA, CA(SA)  
Assisted By: RE Norman B Com, CTA, CPA; JJ Smith B Econ

Registration Number: 2003/023087/21



**BALANCE SHEET**  
as at 31 March 2007

	Notes	2007 R	2006 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	274,511	224,692
Investments	3	19,444,286	19,665,000
<b>Current assets</b>			
Inventories		954,514	1,507,044
Trade and other receivables		3,191,925	190,468
Cash and cash equivalents		693,796	817,862
<b>Total assets</b>		24,559,032	22,405,066
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Accumulated funds		23,784,628	21,556,442
Reserves	7	549,014	552,677
<b>Current liabilities</b>			
Trade and other payables		225,390	295,947
<b>Total equity and liabilities</b>		24,559,032	22,405,066

**INCOME STATEMENT**  
for the year ended 31 March 2007

	Note	2007 R	2006 R
Gross revenue	4	27,253,946	25,322,728
Food expenditure		23,892,930	19,063,981
Gross surplus		3,361,016	6,258,747
Other income		18,000	197,787
Operating costs		(2,193,201)	(1,957,372)
Operating surplus		1,185,815	4,499,162
Investment income	5	1,042,371	878,719
Net surplus		2,228,186	5,377,881

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2007

	Reserves R	Distributable reserve R	Total R
Balance at 01 April 2005	584,961	16,178,561	16,763,522
Net deficit for the year		5,377,881	5,377,881
Net movement for the year	(32,284)		(32,284)
Balance at 01 April 2006	552,677	21,556,422	22,109,119
Net surplus for the year		2,228,186	2,228,186
Net movement for the year	(3,663)		(3,663)
Balance at 31 March 2007	549,014	23,784,628	24,333,642

**CASH FLOW STATEMENT**  
for the year ended 31 March 2007

	Notes	2007 R	2006 R
<b>Cash flows from operating activities</b>		(236,542)	4,320,890
Cash (utilized in) / generated by operating activities	9.1	(1,278,913)	3,442,171
Interest received		1,016,750	863,081
Dividends received		25,621	15,638
<b>Cash flows from investing activities</b>		116,138	(3,630,384)
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		(122,576)	(221,065)
Proceeds of disposals of property, plant and equipment		18,000	48,089
Decrease / (Increase) in investments		220,714	(3,457,408)
<b>Cash flows from financing activities</b>			
(Decrease) in reserves		(3,662)	(32,284)
(Decrease) / Increase in cash and cash equivalents		(124,066)	658,222
Cash and cash equivalents at beginning of the year	9.2	817,862	159,640
Cash and cash equivalents at end of the year	9.2	693,796	817,862

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 March 2007**

**1 Basis of preparation**

The financial statements are prepared in accordance with generally accepted accounting practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

Unless otherwise specifically stated, this basis is consistent with that of the previous year.

**1.1 Revenue recognition**

Subscriptions, collections and other fund raising donations are brought into account when received. Investment income and the NSNP grant are accrued.

Interest is recognised on a time proportion basis, which takes into account the effective yield on the asset over the period it is expected to be held.

**1.2 Investments**

Marketable securities are carried at market value. Other investments are shown at cost, and adjustments are made only where, in the opinion of the committee, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

**1.3 Property, plant and equipment**

All property, plant and equipment are initially recorded at cost and any impairment in value.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment, are as follows:

- Motor vehicles	25 %
- Office equipment	25 %
- Computer equipment	33.3 %
- Computer software	50 %
- Cooking equipment	100 %

**1.4 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventories.

**1.5 Government grants**

Government grants are recognised at their fair value, where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

**PENINSULA SCHOOL FEEDING ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 March 2007**

**2. Property, plant and equipment**

	2007			2006		
	Cost / valuation R	Accumulated depreciation R	Carrying value R	Cost / valuation R	Accumulated depreciation R	Carrying value R
<i>Owned assets</i>						
Motor vehicles	389,294	160,266	229,028	401,673	230,978	170,695
Cooking equipment	105,743	105,742	1	105,743	105,742	1
Office equipment	81,538	62,246	19,292	67,417	57,410	10,007
Computer equipment	246,577	224,532	22,045	242,214	199,358	42,856
Computer software	61,191	57,046	4,145	56,869	55,736	1,133
	<u>884,343</u>	<u>609,832</u>	<u>274,511</u>	<u>873,916</u>	<u>649,224</u>	<u>224,692</u>

The carrying amounts of property, plant and equipment can be reconciled as follows:

2007	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
<i>Owned assets</i>					
Motor vehicles	170,695	99,770	-	(41,437)	229,028
Cooking equipment	1	-	-	-	1
Office equipment	10,007	14,121	-	(4,836)	19,292
Computer equipment	42,856	4,363	-	(25,174)	22,045
Computer software	1,133	4,322	-	(1,310)	4,145
	<u>224,692</u>	<u>122,576</u>	<u>-</u>	<u>(72,757)</u>	<u>274,511</u>

**2007**  
**R**

**2006**  
**R**

**3. Investments**

The association held the following investments:

Stanlib Wealth Management	-	4,313,655
Dorhur (Pty) Ltd	420,000	420,000
Funds on deposit	14,568,472	14,878,221
Mortgage Bond Participations	30,000	30,000
Metlife Money Market Fund	24,874	23,123
Mining rights	1	1
Allan Gray	4,400,940	-
	<u>19,444,287</u>	<u>19,665,000</u>

An amount of R385 000 which was an investment in the Supreme Holdings Ltd Group, was written off in 1993. R96250 of this amount was recovered by the Peninsula School Feeding Association in 2004, and it is possible that the remainder may be recovered.

**PENINSULA SCHOOL FEEDING ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 March 2007**

During the year under review the Stanlib Wealth Management investment was transferred to Allan Gray. The market value of this investment at year end was R5,486,267 (2006: R4,639,427)

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>4. Gross revenue</b>		
Major classes of revenue comprise:		
Collections (Note 6)	1,865,727	1,594,680
Legacies	956,268	2,135,950
Trusts	641,118	673,208
NSNP Grant	23,191,979	20,882,890
NSNP Equipment Capitalisation	555,654	-
Community Chest	43,200	36,000
	<u>27,253,946</u>	<u>25,322,728</u>
<b>5. Investment income</b>		
Interest income		
- Interest received	1,016,750	863,081
Dividend income		
- Dividends received	25,621	15,638
	<u>1,042,371</u>	<u>878,719</u>
<b>6. Collections</b>		
Subscriptions and donations	470,507	324,632
Collections in schools	314,912	293,964
Collections in factories and offices	856	2,422
Fund raising (Including "Blisters for bread" campaign)	1,079,452	973,662
	<u>1,865,727</u>	<u>1,594,680</u>
<b>7. Reserves</b>		
Special reserve	329,519	329,519
Food garden	219,494	223,158
	<u>549,013</u>	<u>552,677</u>

The sale of the association's land and buildings during 1993 resulted in the surplus of R329 519. These funds were used to help finance the purchase of 100% of the shares in Dorhur (Pty) Ltd, the company which owns the premises from which the association now operates.

**PENINSULA SCHOOL FEEDING ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 March 2007**

**8. Government grant**

The association's major source of revenue is the NSNP grant. This grant is in terms of a contract between the Government and PSFA. The current contract expired on 31 March 2007. However the association is currently in the process of tendering for the contract in respect of the next two years. As a result of the delay in this process, the current contract has been extended to 30 September 2007.

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>9. Notes to the cash flow statement</b>		
<b>9.1 Cash generated by operating activities</b>		
Net profit	2,228,186	5,377,881
Adjustments for:		
Depreciation	72,756	70,322
Investment income	(1,042,371)	(878,719)
Profit on disposal of investments	-	(149,698)
Profit on disposal of property, plant and equipment	<u>(18,000)</u>	<u>(48,089)</u>
	1,240,571	4,371,697
Movements in working capital		
Decrease in inventories	552,530	1,987,514
(Increase) / Decrease in accounts receivable	(3,001,457)	141,704
(Decrease) in accounts payable	<u>(70,557)</u>	<u>(3,058,744)</u>
	<u>(1,278,913)</u>	<u>3,442,171</u>
<b>9.2 Cash and cash equivalents</b>		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and cash equivalents	<u>693,796</u>	<u>817,862</u>

**DETAILED INCOME STATEMENT**  
for the year ended 31 March 2007

	<b>2007</b> <b>R</b>	<b>2006</b> <b>R</b>
<b>Gross revenue</b>	27,253,946	25,322,728
<b>Food expenditure</b>		
Purchases	23,892,930	19,063,981
	<hr/>	<hr/>
<b>Gross surplus</b>	3,361,016	6,258,747
<b>Other income</b>	1,060,371	1,076,506
Dividends received	25,621	15,638
Interest received	1,016,750	863,081
Profit on disposal of investments	-	149,698
Profit on disposal of property, plant & equipment	18,000	48,089
	<hr/>	<hr/>
<b>Total income</b>	4,421,387	7,335,253
<b>Expenditure</b>	2,193,201	1,957,372
Advertising	36,528	5,515
AGM Expenses	2,862	1,950
Auditors' remuneration	42,403	29,105
Bank charges	28,199	26,551
Cleaning	371	460
Computer expenses	33,347	36,769
Depreciation	72,756	70,322
Donations	-	270
Electricity and water	10,779	9,480
Entertainment	1,408	1,453
Insurance	23,894	26,504
Legal expenses	3,774	3,931
Motor vehicle maintenance	6,302	15,261
Petrol and oil	45,238	35,819
Postage	25,286	21,520
Printing and stationery	57,771	47,497
Repairs and maintenance	32,849	47,956
Salaries	1,705,061	1,482,953
Security	2,319	2,630
Staff recruitment	3,000	20,100
Staff welfare	6,981	5,500
Subscriptions	(264)	2,749
Telephone and fax	47,257	45,960
Training	5,080	17,117
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<b>Surplus</b>	2,228,186	5,377,881
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