

Centre for Higher Education Transformation Trust (CHET)

Annual Financial Statements

for the year ended 31 December 2005

Draft

Centre for Higher Education Transformation Trust (CHET)

(Reg No IT5352/95)

Annual Financial Statements

for the year ended 31 December 2005

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Centre for Higher Education Transformation Trust (CHET)

Trustees' responsibility for the annual financial statements

The trustees are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the trustees to discharge their responsibilities, management has developed and continues to maintain a system of internal control. The trustees have ultimate responsibility for the system of internal control and reviews its operation.

The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the trust. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The trustees believe that the trust will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31 December 2005 set out on pages 4 to 15 were approved by the board of trustees on 31 July 2006 and are signed on its behalf by -

SKG Lenyai
(Chairman)

NJ Cloete
(Trustee)

B O'Connell
(Trustee)

Independent auditors' report

To the trustees of Centre for Higher Education Transformation Trust (CHET)

We have audited the annual financial statements of Centre for Higher Education Transformation Trust (CHET) set out on pages 4 to 14 for the year ended 31 December 2005. These financial statements are the responsibility of the trust's trustees. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust at 31 December 2005 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, and in the manner required by the Trust Deed.

The supplementary schedule set out on page 15 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.

KPMG Inc.

Registered Accountants and Auditors

Chartered Accountants (SA)

Per CA Steven-Jennings

Director

31 July 2006

Centre for Higher Education Transformation Trust (CHET)

Trustees' report

for the year ended 31 December 2005

The trustees have pleasure in presenting their report for the year ended 31 December 2005.

Business activities

The Trust's main programmes are as follows:

Policy/Change Dialogues

This is a web-based programme that distributes information with regard to current issues in higher education to 2 000 subscribers. The information is obtained through commissioned research and seminars.

Performance Indicators

This is an exploratory project that aims to:

- suggest ways in which sets of efficiency indicators can be produced for the South African and African higher education systems, and
- develop and implement a project on performance indicators in six other African countries.

African Higher Education Expertise Network

There are two strands to an African Higher Education Expertise Network, namely:

- higher education studies and research, and
- leadership development and management training.

CHET has received a planning grant to develop a proposal on how to establish such a network, which will provide a means of communication and exchange between student leaders located in very different regions and contexts in Africa. In addition to learning from each other, this will provide an expert group that can identify and supply students with information about governance matters, which they can implement in their own institutions.

General review of operations

CHET is a network organisation, which "mobilises trans-disciplinary skills for specific projects by tapping available expertise in the national and international higher education sector".

There are two full-time employees, namely, the Director and Website Manager. Approximately 40 people deliver paid services, ranging from secretarial to commissioning research; another 50 serve on various project advisory groups; and 2 000 subscribe to the web network.

In terms of funding, new proposals are being developed for the Policy/Change Dialogues and Performance Indicators for the 2006/2007 year of assessment..

Centre for Higher Education Transformation Trust (CHET)

Trustees' report

for the year ended 31 December 2005

Trustees

The trustees in office during the year and up to the date of this report are -

SKG Lenyai (Chairman)

NJ Cloete

WJ Kamba

T Moja

B O'Connell

M O'Dowd

R Stumpf

(Deceased 15 March 2006)

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Centre for Higher Education Transformation Trust (CHET)

Income statement

for the year ended 31 December 2005

	<i>Note</i>	2005 R	2004 R
Revenue		1 737 662	1 769 198
Operating expenditure		(3 256 404)	(2 228 366)
Other operating income	2	328 812	<u>277 630</u>
Deficit from operations	3	(1 189 930)	(181 538)
Interest received		156 664	<u>200 159</u>
Net (deficit)/surplus for the year		(1 033 266)	<u>18 621</u>

Centre for Higher Education Transformation Trust (CHET)

Balance sheet

at 31 December 2005

	<i>Note</i>	2005 R	2004 R
Assets			
Non-current assets			
Property, plant and equipment	54	5 224	25 268
Current assets			
Accounts receivable		285 826	15 746
Cash and cash equivalents		1 920 051	3 147 116
Total assets		2 211 101	3 188 130
Equity and liabilities			
Capital			
Accumulated surplus		1 745 925	2 779 191
Current liabilities			
Accounts payable		291 686	223 678
SA Revenue Services	5	173 490	185 261
Total equity and liabilities		2 211 101	3 188 130

Centre for Higher Education Transformation Trust (CHET)

Statement of changes in reserves

for the year ended 31 December 2005

	Accumulated surplus R
Balance at 1 January 2004	2 760 570
Net surplus for the year	18 621
Balance at 31 December 2004	2 779 191
Balance at 1 January 2005	2 779 191
Net deficit for the year	(1 033 266)
Balance at 31 December 2005	1 745 925

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Centre for Higher Education Transformation Trust (CHET)

Cash flow statement

for the year ended 31 December 2005

	<i>Note</i>	2005 R	2004 R
Cash absorbed by operations	<i>9.1</i>	(1 378 505)	(267 222)
Interest received		<u>156 664</u>	<u>200 159</u>
Net cash outflow from operating activities		(1 221 841)	(67 063)
Cash flows from investing activities			
Acquisition of property, plant and equipment - Additions		<u>(5 224)</u>	<u>(3 134)</u>
Net decrease in cash and cash equivalents		(1 227 065)	(70 197)
Cash and cash equivalents at beginning of year		<u>3 147 116</u>	<u>3 217 313</u>
Cash and cash equivalents at end of year		<u>1 920 051</u>	<u>3 147 116</u>

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2005

1 Accounting policies

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

1.1 Statement of compliance

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

1.2 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis, over the estimated useful lives of assets. Residual values, if not insignificant, are reassessed annually.

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 asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.3 Expenses

Operating lease payments

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.

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2005

1.4 Impairment

The carrying amounts of the trust's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cashflows 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.

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.

1.5 Financial instruments

Measurement

Financial instruments are initially measured at cost. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the trust are stated at cost less impairment losses (see note 1.4).

Trade and other payables

Trade and other payables are stated at cost.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2005

1.6 Revenue

Revenue comprises funding received by way of grants and is recognised to the extent that reimbursive expenditure has been incurred in terms of specified funding agreements. To allow for planning, where specific donations are received in respect of grant expenditure committed for future years, they are carried forward and disclosed as deferred income.

All income received by way of independent appeals and donations will be brought into account on a cash received basis. Revenue receivable in respect of work undertaken is brought into account in terms of the particular contract.

1.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the trust unless otherwise stated.

	2005 R	2004 R
2. Other operating income		
Administration fee recovered	277 634	79 887
Profit on foreign exchange	15 828	-
Book sales	7 415	19 452
Sundry income	27 935	868
Cost recoveries	-	177 423
	<u>328 812</u>	<u>277 630</u>
3. Deficit from operations		
is arrived at after taking into account		
Auditor's remuneration	25 764	34 029
- current year	1 938	20 577
Accounting fees	23 826	13 452
Depreciation of property, plant and equipment	25 268	78 162
- executive services	603 285	573 217
Operating lease charges		
- property rentals	15 464	20 023

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2005

4. Income tax expense

Provision has not been made for SA normal taxation as the trust has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act, and is exempt from income tax in terms of section 10(1)(cN) of the Act.

5. Property, plant and equipment

	Depreciation rate %	Cost R	Accumulated depreciation R	Carrying amount R
2005				
Furniture and fittings	16.67	331 373	331 373	-
Computer equipment	33.33	191 534	186 310	5 224
		<u>522 907</u>	<u>517 683</u>	<u>5 224</u>
2004				
Furniture and fittings	16.67	331 373	306 105	25 268
Computer equipment	33.33	186 310	186 310	-
		<u>517 683</u>	<u>492 415</u>	<u>25 268</u>
	Carrying amount at beginning of year R	Additions R	Depreciation R	Carrying amount at end of year R
2005				
Furniture and fittings	25 268	-	(25 268)	-
Computer equipment	-	5 224	-	5 224
	<u>25 268</u>	<u>5 224</u>	<u>(25 268)</u>	<u>5 224</u>
2004				
Furniture and fittings	77 287	3 134	(55 153)	25 268
Computer equipment	23 009	-	(23 009)	-
	<u>100 296</u>	<u>3 134</u>	<u>(78 162)</u>	<u>25 268</u>

6. Accounts payable

This amount owing to the South African Revenue Services, is in respect of short-payment of PAYE for the years ended 31 December 2000 to 31 December 2003, and the related penalties and interest incurred.

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2005

7. Financial instruments

7.1 Credit risk

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

7.2 Fair values

The fair values of all financial instruments are substantially identical to carrying amount reflected in the balance sheet.

8. Related parties

8.1 Identity of related parties

The trustees are listed in the trustees' report.

8.2 Material related party transactions

Trustee's remuneration - refer note 3

2005	2004
R	R

9. Notes to the cash flow statement

9.1 Cash absorbed by operations

Operating loss	(1 189 930)	(181 538)
Adjustment for -		
Depreciation of property, plant and equipment	<u>25 268</u>	<u>78 162</u>
Operating loss before working capital changes	(1 164 662)	(103 376)
Increase in accounts receivable	(270 080)	(15 746)
Increase/(decrease) in accounts payable	68 008	(148 100)
Decrease in SA Revenue Services Liability	<u>(11 771)</u>	<u>-</u>
	<u>(1 378 505)</u>	<u>(267 222)</u>

Centre for Higher Education Transformation Trust (CHET)

Detailed income statement

for the year ended 31 December 2005

	2005 R	2004 R
Revenue	1 737 662	1 769 198
Carnegie Corporation	1 063 023	281 463
The Ford Foundation	674 639	1 487 735
Other income	485 476	477 789
Admin fee recovered	277 634	79 887
Book sales	7 415	19 452
Interest	156 664	200 159
Profit on foreign exchange	15 828	-
Sundry income	27 935	868
University of Oslo (GATS) - costs recovered	-	131 117
University of Port Elizabeth - costs recovered	-	46 306
	2 223 138	2 246 987
Expenditure	(3 256 404)	(2 228 366)
Administration fees	392 811	168 694
Auditors remuneration	25 764	34 029
Bank charges	10 979	8 815
Conference and publication fees	215 181	-
Consulting fees and honoraria	330 533	235 319
Depreciation	25 268	78 162
Entertainment	3 738	2 336
Information technology	186 450	29 320
Insurance	1 665	27 831
Lease costs	1 436	3 420
Meetings, travel and workshops	586 212	534 861
Office supplies	1 499	41 730
Postage and courier	6 782	7 985
Printing and stationery	12 846	25 725
Rent	15 464	20 023
Repairs and maintenance	1 925	10 080
Salaries and related costs	586 554	819 623
Subscriptions	-	7 903
Sundry expenses	926	1 283
Support services - students	140 047	-
Technical services	644 728	126 357
Telephone and fax	42 596	44 870
Freight and courier	14 000	-
Security	9 000	-
Net (deficit)/surplus	(1 033 266)	18 621