

Centre for Higher Education Transformation Trust (CHET)

Annual Financial Statements

for the year ended 31 December 2004

Centre for Higher Education Transformation Trust (CHET)

(Reg No IT5352/95)

Annual Financial Statements

for the year ended 31 December 2004

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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 review 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 2004 set out on pages 4 to 15 were approved by the board of trustees on 26 August 2005 and are signed on its behalf by -

SKG Lenyai
(Chairman)

NJ Cloete
(Trustee)

B O'Connell
(Trustee)

Report of the independent auditors

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 13 for the year ended 31 December 2004. 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 2004 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 schedules set out on pages 14 - 15 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly do not express an opinion on them.

*Registered Accountants and Auditors
Chartered Accountants (SA)*

Per: MWC Blomkamp
Director
26 August 2005

Centre for Higher Education Transformation Trust (CHET)

Trustees' report

for the year ended 31 December 2004

The trustees have pleasure in presenting their report for the year ended 31 December 2004.

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.

Academic Autonomy

Carrying out a ten year review of changes in the relationship between government and higher education 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 2005/2006 year of assessment.

Centre for Higher Education Transformation Trust (CHET)

Trustees' report

for the year ended 31 December 2004

The Pretoria-based Governance Project funded by the United States Agency for International Development (USAID) concluded during the year under review, and the trust moved its operations from Pretoria to Cape Town.

The annual financial statements adequately reflect the state of affairs and the results of the business operations of the trust and no further explanations are considered necessary.

Trustees

The trustees in office at the date of this report are -

SKG Lenyai (Chairman)

NJ Cloete

BM Gourley

(Resigned 7 December 2004)

WJ Kamba

T Moja

B O'Connell

(Appointed 1 January 2004)

M O'Dowd

R Stumpf

26 August 2005

Centre for Higher Education Transformation Trust (CHET)

Income statement

for the year ended 31 December 2004

	<i>Note</i>	2004 R	2003 R
Revenue		1 769 198	4 488 111
Net operating expenditure		<u>(1 950 736)</u>	<u>(3 378 750)</u>
(Deficit)/surplus from operations	2	(181 538)	1 109 361
Interest received		<u>200 159</u>	<u>146 199</u>
Net surplus for the year		<u>18 621</u>	<u>1 255 560</u>

Centre for Higher Education Transformation Trust (CHET)

Balance sheet

at 31 December 2004

	<i>Note</i>	2004 R	2003 R
Assets			
Non-current assets			
Equipment	4	25 268	100 296
Current assets			
Accounts receivable		15 746	-
Cash and cash equivalents		3 147 116	3 217 313
Total assets		3 188 130	3 317 609
Reserves and liabilities			
Reserves			
Accumulated surplus		2 779 191	2 760 570
Current liabilities			
Accounts payable		223 678	371 778
SA Revenue Services	5	185 261	185 261
Total reserves and liabilities		3 188 130	3 317 609

Centre for Higher Education Transformation Trust (CHET)

Statement of changes in reserves

for the year ended 31 December 2004

	Accumulated surplus R
Balance at 1 January 2003	1 505 010
Net surplus for the year	<u>1 255 560</u>
Balance at 31 December 2003	<u>2 760 570</u>
Balance at 1 January 2004	2 760 570
Net surplus for the year	<u>18 621</u>
Balance at 31 December 2004	<u>2 779 191</u>

Centre for Higher Education Transformation Trust (CHET)

Cash flow statement

for the year ended 31 December 2004

	<i>Note</i>	2004 R	2003 R
Cash absorbed by operations	<i>8.1</i>	(267 222)	(538 260)
Interest received		<u>200 159</u>	<u>146 199</u>
Net cash outflow from operating activities		(67 063)	(392 061)
Cash flows from investing activities			
Acquisition of equipment			
- Additions		<u>(3 134)</u>	<u>(1 320)</u>
Net decrease in cash and cash equivalents		(70 197)	(393 381)
Cash and cash equivalents at beginning of year		<u>3 217 313</u>	<u>3 610 694</u>
Cash and cash equivalents at end of year	<i>5</i>	<u>3 147 116</u>	<u>3 217 313</u>

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2004

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 Equipment

Equipment comprising computer equipment, office equipment and office furniture is 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.

Subsequent expenditure relating to an item of 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.

1.3 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. 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 provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2004

1.4 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.

1.5 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.

	2004 R	2003 R
2. (Deficit)/surplus from operations		
is arrived at after taking into account		
Auditor's remuneration	34 029	28 671
- current year	20 577	23 826
- accounting fees	13 452	4 845
Depreciation of equipment	78 162	92 120
Trustee's remuneration		
- executive services	573 217	538 316
Operating lease charges		
- property rentals	20 023	109 409
Penalties and interest - SARS	-	83 034
	-	-

3. 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.

Centre for Higher Education Transformation Trust (CHET)

Notes to the financial statements

for the year ended 31 December 2004

6. Financial instruments

6.1 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.

6.2 Fair values

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

7. Related parties

7.1 Identity of related parties

The trustees as listed in the trustees' report.

7.2 Material related party transactions

Trustee's remuneration - refer note 2

2004	2003
R	R

8. Notes to the cash flow statement

8.1 Cash absorbed by operations

Operating (loss)/income	(181 538)	1 109 361
Adjustment for - Depreciation of equipment	78 162	92 120
Operating (loss)/income before working capital changes	(103 376)	1 201 481
(Increase)/decrease in accounts receivable	(15 746)	112 793
Decrease in accounts payable	(148 100)	(301 503)
Liability due to SARS	-	185 261
Decrease in deferred income	-	(1 736 292)
	(267 222)	(538 260)

Centre for Higher Education Transformation Trust (CHET)

Detailed income statement

for the year ended 31 December 2004

	2004 R	2003 R
Revenue	1 769 198	4 488 111
Carnegie Corporation	281 463	542 388
Institute of International Education	-	104 219
NUFFIC Grant	-	47 669
The Ford Foundation	1 487 735	2 283 317
United States Agency for International Development	-	1 424 138
University of New York	-	86 380
Other income	477 789	702 669
Book sales	19 452	-
Interest received	200 159	146 199
Admin fee recovered	79 887	266 797
Travel costs recovered	-	233 600
University of Oslo (GATS) - costs recovered	131 117	-
University of Port Elizabeth - costs recovered	46 306	-
Sundry income	868	56 073
	2 246 987	5 190 780
Expenditure (refer page 15)	2 228 366	3 935 220
Net surplus	18 621	1 255 560

Centre for Higher Education Transformation Trust (CHET)

Detailed income statement

for the year ended 31 December 2004 (continued)

	2004 R	2003 R
Expenditure	2 228 366	3 935 220
Administration fees	168 694	266 797
Audit and accounting fees	34 029	203 209
Bank charges	8 815	11 434
Conference and publication fees	-	34 601
Consulting fees and honoraria	235 319	829 527
Depreciation	78 162	92 120
Donations	-	10 000
Entertainment	2 336	13 400
Evaluation	-	80 000
Fines and penalties	-	83 034
Information technology	29 320	82 150
Insurance	27 831	31 506
Lease costs	3 420	-
Meetings, travel and workshops	534 861	454 224
Office supplies	41 730	7 747
Postage and courier	7 985	25 729
Printing and stationery	25 725	325 389
Rent	20 023	111 561
Repairs and maintenance	10 080	4 854
Salaries and related costs	819 623	976 717
Subscriptions	7 903	12 341
Sundry expenses	1 283	58 154
Technical services	126 357	173 707
Telephone and fax	44 870	47 019