

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE COUNCIL ON HIGHER EDUCATION FOR THE YEAR ENDED 31 MARCH 2002



1. AUDIT ASSIGNMENT

The financial statements as set out on pages [87] to [95], for the year ended 31 March 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No.12 of 1995) and section 18 of the Higher Education Act, 1997 (Act No.101 of 1997). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that 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;
- ⊗ assessing the accounting principles used and significant estimates made by management, and
- ⊗ evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Council on Higher Education (council) at 31 March 2003 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in a manner required by the Public Finance Management Act, 1999 (Act No.1 of 1999).

4. APPRECIATION

The assistance rendered by the staff of the council during the audit is sincerely appreciated.



N. Puren
For Auditor-General
Pretoria
20/08/2003

REPORT BY THE CHAIR OF THE AUDIT COMMITTEE

This report has been prepared in accordance with the Treasury Regulations for public entities issued in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999). The CHE is listed as a national public entity in Schedule 3A of the Act.

During the period under review the Audit Committee convened on 11 November 2002 and 18 March 2003 and consisted of Mr A de Wet (Chairperson); Mr S Isaacs; Prof G Lenyai.

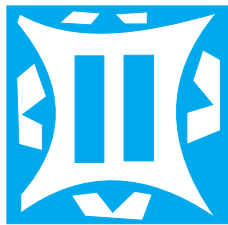
Persons in attendance at Committee meetings regularly include the Chief Executive Officer and the Financial Manager.

The Committee reviewed the Terms of Reference of the Audit Committee and the requirements according to the PFMA. The Audit Committee Charter was approved. The Risk Assessment and Risk Management Plan is in the process of being finalised. The Internal Audit Unit of the Department of Education performed the internal audit function for the year under review. Management has satisfactorily resolved all matters raised.

The Committee has noted its satisfaction that management has put in place the necessary controls and structures to address the business needs of the Council on Higher Education, as well as establish risk management measures. Despite the young age and the small size of the organisation, the CHE has now complied with the relevant Regulations. The audit matters raised by the Auditor General are receiving the attention of management. The Auditor General issued the CHE with a clear unqualified report for the year-end 31st March 2003. The CHE has substantially increased its funding base, thus establishing a stable and accountable foundation for an efficient and effective service to all its stakeholders.



ANDRE DE WET
CHAIRPERSON: AUDIT COMMITTEE
31 March 2003



CHE

COUNCIL ON HIGHER EDUCATION

AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2003

COUNCIL ON HIGHER EDUCATION

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

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Director's approval of the annual financial statements

The annual financial statements for the year ended 31 March 2003 set out on pages 84 to 91 were approved and are signed by -



Prof M S Badat
(Chief Executive Officer)

MANAGEMENT DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 2002

**Report by the Accounting Officer to the Executive Authority and Parliament
of the Republic of South Africa**

The Council on Higher Education (CHE) was established as an independent statutory body in May 1998 in terms of the Higher Education Act, No 101 of 1997. The Higher Education Act and Education White Paper 3 of 1997: A Programme for the Transformation of Higher Education set out the mandate and responsibilities of the CHE.

The CHE's mission is to contribute to the development of a higher education system characterised by quality and excellence, equity, responsiveness to economic and social development needs and effective and efficient provision, governance and management.

The CHE seeks to make this contribution

- By providing informed, considered, independent and strategic advice on higher education (HE) issues to the Minister of Education;
- Through the quality assurance activities of its sub-committee, the Higher Education Quality Committee (HEQC);
- Through publications and through broader dissemination of information, and through conferences and workshops on HE and other focused activities.

The responsibilities of the CHE, as identified by the Higher Education Act and the Education White Paper 3 of 1997 include

- Advising the Minister on all HE issues on which the CHE's advice is sought;
- Advising the Minister on its own initiative on HE issues which the CHE regards as important;
- Designing and implementing a system for quality assurance in HE and establishing the HEQC;
- Advising the Minister on the appropriate shape and size of the HE system, including its desired institutional configuration;
- Advising the Minister in particular on the new funding arrangements for HE and on language policy in HE;
- Developing a means for monitoring and evaluating whether, how, to what extent and with what consequences the vision, policy goals and objectives for HE defined in the *White Paper* on HE are being realised;
- Promoting the access of students to HE;
- Providing advice to the Minister on the proposed new Education Management Information System for HE;
- Formulating advice for the Minister on a new academic policy for HE, including a diploma/degree structure which would advance the policy objectives of the *White Paper*;
- Formulating advice for the Minister on stimulating greater institutional responsiveness to societal needs, especially those linked to stimulating South Africa's economy, such as greater HE-industry partnerships;

- Appointing an independent assessment panel from which the Minister is able to appoint assessors to conduct investigations into particular issues at public HE institutions;
- Establishing healthy interactions with HE stakeholders on the CHE's work;
- Producing an Annual Report on the state of HE for submission to parliament;
- Convening an annual consultative conference of HE stakeholders; and
- Participating in the development of a coherent human resource development framework for South Africa in concert with other organisations.

The numerous and varied responsibilities require the CHE to engage in many different forms, kinds and types of activities. In summary, the work of the CHE involves different kinds of activities:

- Advising the Minister at his/her request or proactively on all matters related to higher education;
- Assuming executive responsibility for quality assurance within higher education and training - including programme accreditation, institutional audits, programme evaluation and quality promotion and capacity building;
- Monitoring and evaluating whether, how, to what extent and with what consequences the vision, policy goals and objectives for higher education are being realised;
- Contributing to developing higher education - giving leadership around key national and systemic issues, producing publications and holding conferences and research to sensitise government and stakeholders to immediate and long-term challenges of higher education;
- Reporting annually to parliament on higher education; and
- Consulting with stakeholders around higher education.

The CHE's activities are shaped by a number of factors. These include:

- The legislative framework for higher education and the values, principles and policy goals and objectives contained in the White Paper and the National plan for higher education;
- The changing requirements of economy and society and different social groups;
- The goals, aims, aspirations and initiatives of national stakeholders and higher education institutions and science and technology institutions;
- The local and international knowledge and information base with respect to higher education issues, questions and practices, and
- The financial and human resources capacities of the CHE.

General review of the state of financial affairs

The CHE derives its income from three sources:

- About 50% from the National Treasury (through the Department of Education)
- About 40% from donors
- Some 10% from statutorily mandated quality assurance services provided to the providers to private higher education on a cost-recovery basis.

The CHE is empowered by the Higher Education Act to levy fees for quality assurance activities. It does so with respect to private providers of higher education and training. However, all income derived from private providers is utilised in the provision of quality assurance services to such providers.

With respect to services to public higher education institutions, the CHE has argued that a top slice of the budget for higher education is the most sensible and effective means of covering the HEQC's quality assurance activities. Alternatively, the HEQC will have to levy public higher education institutions for all quality assurance related activities. This, however, is not a preferred approach since it will simply mean that funds will accrue to the HEQC through the institutions rather than the DoE directly and will place unnecessary pressures on the CHE related to collection of levies and will also require additional staff to manage finances.

To date, the CHE has received generous support from donors. Communication with donors, however, makes it clear that no further financial support will be forthcoming for general operational requirements related to quality assurance and that support will only be considered for specific research and development projects and activities. A major policy and strategic issue, therefore, is the sustainability of the CHE, and particularly the quality assurance activities of the HEQC.

The Department of Education (DoE) has expressed its commitment to the adequate funding of the CHE, and has also provided strong support for securing donor funds through bilateral agreements with donors. The CHE believes that the principle should be that government meets all core personnel costs of the CHE/HEQC. The overall targets should be that by 2006/2007, government meets 80% of the CHE portion of the budget and 90% of the HEQC portion of the budget. Unless there is a move in this direction, sustainability will be a problem.

The CHE has commissioned an extensive and detailed investigation to cost all its quality assurance activities and the options that are available for financing of activities. This investigation will provide the basis for an informed discussion with the DoE regarding the future financing of quality assurance activities.

With respect to spending, 83% of the 2002-2003 budget of R 20 097 960-00 was expended in the execution of responsibilities. Of the total expenditure of R 16 645 749-00, expenses incurred on quality assurance activities constituted 63.3%, while the advisory, monitoring and reporting functions of the CHE and financial and administrative operations constituted 36.7%.

Personnel costs constituted 38 % and the bulk of overall CHE expenditure. This is appropriate since CHE activities are knowledge and information intensive and therefore also personnel intensive. However, since payments to programme accreditation evaluators and consultants on advisory, monitoring and reporting projects are made from donor and project budgets, the actual expenditure on all personnel was higher. Other major areas of expenditure were programme accreditation and co-ordination (19%), advisory and monitoring projects (13%), quality promotion and capacity development (6%) and institutional audits (5%). Almost 4% of total expenditure was on the development of an information and communication technology infrastructure, including data management systems and databases for key CHE activities. This figure of 4% will decrease considerably once the information and communication technology infrastructure and data management systems are established. All other activities of the CHE constituted between 0.03% and 2.9% of total expenditure.

The CHE was informed during 2002-2003 financial year that it could be liable for the payment of VAT on all transfer payments to it from the DoE. Provision has thus been made for such a liability of R 1 336 million and discussions have been held with both the DoE and SARS regarding this matter, which of course has major implications for the future financial requests from the CHE to the DoE and possibly donors.

Services rendered by the CHE

In summary, the services rendered by the CHE relate to the mandate and responsibilities accorded to the CHE:

- ⊙ Advising the Minister on all matters related to higher education. This frequently requires the establishment of task teams and projects to undertake investigations to gather knowledge and information on an issue, and processes that ensure that informed and considered advice is provided to the Minister within a stipulated time frame.
- ⊙ As part of the executive responsibility for quality assurance, undertaking the accreditation of all new learning programmes of higher education institutions; the re-accreditation of select programmes; co-operation and co-ordination of activities with other bodies such as professional councils and Sector education and Training Authorities; conducting audits of the internal quality management systems of higher education institutions, and a wide range of quality promotion and capacity building activities, including production of materials, training of auditors and evaluators, workshops and seminars and dissemination of publications.
- ⊙ Monitoring and evaluating the achievement of policy goals through a large project that seeks to establish a monitoring and evaluation system, undertake investigations around select policy goals to determine progress and to disseminate through publications the results of monitoring so that there is critical debate about policy and its efficacy and changes that may be needed
- ⊙ Contributing to developing higher education through research, publications and forums that sensitise government and stakeholders to immediate and long-term challenges of higher education.
- ⊙ Reporting to parliament on the state of South African higher education through a extensively researched report that is widely distributed to all key constituencies
- ⊙ Consulting with stakeholders around higher education through bilateral meetings as well as through an annual consultative conference.

Details of activities and services provided by the CHE are comprehensively covered in its Annual Report for 2001-2002.

Under/Over spending

Under-spending in the 2002-2003 financial year has been 17% of the total budget, resulting in a surplus of R 3.5 million (R 2.2 million if the payment for VAT on DoE transfers has to be made to SARS). Under-spending has been principally on donor funded projects related to research and development and systems development initiatives, the roll-out of the data management systems and databases and to small extent on personnel. There are three reasons for under-spending. First, in some instances suitable personnel could not be secured and/or contract staff were appointed against established posts at a lower remuneration. Second, all of the donor projects could not be executed within the

established timeframes owing to unavailability of specialist consultants and/or for circumstances outside the control of the CHE. Finally, the roll-out of the data management systems and databases has been a complex exercise that has taken considerably more time to conceptualise and implement than was originally envisaged.

Under-spending in itself has had no significant impact on the effectiveness of the operations of the CHE. However, in successive years the budget formulation process of the CHE has become more comprehensive, the timeframes for projects have become more realistic and the calculation of annual expenditure has become more accurate. Together with the costing of quality assurance investigation that it has commissioned, the CHE is confident that will be no significant or major departures from budgets and under-spending in coming years.

Capacity constraints

The capacity problems of the CHE relate principally to the personpower at its disposal. In this regard, there are three related pressures on the CHE.

First, is the size of the full-time personnel complement that is available to the CHE, both for its advisory and monitoring responsibilities and especially for its quality assurance mandate. It has become clear that there has been a gross underestimation of the complement that is actually required for the CHE to deliver value-added, effective and efficient services. The CHE has requested that its personnel complement be increased from 24 to 36 persons. However, this expanded complement may also be insufficient and also does not provide for new activities that could be accorded to the CHE following the review of the National Qualifications Framework by a Ministerial study team.

In view of the often vague and generalised references that are made to 'capacity constraints', it is necessary to stress that the CHE is not lacking in intellectual, conceptual, strategic and implementation capacities. Indeed, it possesses an excellent senior- and middle-management that is highly qualified, has extensive specialist expertise, competencies and skills and is professional, supported by skilled and dedicated administrative personnel. However, the constraint is in augmenting its current personnel, especially at the senior and middle levels because of a lack of approved posts and finances.

Second, the CHE is deeply committed to employment equity and pays serious attention to its equity profile. It has not been easy to find highly qualified black and women personnel, especially in quality assurance, which is a relatively new and highly specialised field. On occasions, appointments have had to be put on hold, and secondments and short-term contracts have had to be utilised in order to ensure that the overall profile of the CHE in terms of 'race' and gender is in keeping with the demographics of our country and goals of employment equity and broad-based black economic empowerment.

Third, the CHE faces the continuous challenge of retaining its experienced staff, in whom it has made a considerable investment in terms of training. It experiences strong pressure from other bodies in the education and training sector that have larger budgets and are able to attract CHE staff with offers of larger remuneration packages. Thus, personnel capacity to execute all responsibilities will be an ongoing challenge, requiring continuous further education and training of personnel, effective mentoring and also succession planning.

In the near future, the capacity constraints could also extend to the finances that are available to the CHE to undertake all its responsibilities.

Utilisation of donor funds

The CHE has been highly successful in writing project proposals and mobilising donor funding, which have been crucial for supporting the research and development activities, systems development initiatives and capacity building programmes of the CHE. The record of utilisation of donor funds is that in most cases funds have been used effectively within the times specified. In some cases, however, it has not been possible to utilise all the funds within the specified periods because of difficulties or delays in securing specialist expertise and thus lack of capacity to implement initiatives and projects. In these cases a rollover of funds has been requested and always obtained.

Corporate governance arrangements

The CHE has in place effective and transparent financial management and internal control systems, policies and procedures that have been designed to satisfy the requirements of the Public Finance Management Act. These systems were established by a financial consultant and are revised and updated on the advice and recommendations of the Auditor General, the internal auditors, the CHE Audit Committee and the Executive Committee of the CHE.

Scrutiny of finances and financial systems occurs through:

- The annual audit of the office of the Auditor General, which is both rigorous and also formative in contributing to the enhancement of systems, policies and procedures
- Internal audits conducted by the Department of Education, which are important in identifying areas that may require attention
- The CHE Audit Committee, which has been constituted in accordance with regulations
- The CHE Executive Committee
- The CHE Council
- The CHE Chief Executive Officer.

The CHE budget is approved by the CHE Council, which is regularly updated on income and expenditure and provided a variance report. The Executive Committee of the CHE maintains oversight of finances through reporting every two months by the CEO on income and expenditure, including a variance report. A three-person team manages and administers CHE finances: an extremely diligent, skilled and competent full-time Finance Manager; a Finance Administrator that deals specifically with income and expenditure related to private higher education providers, and a Finance Secretary. The Chief Executive Officer maintains strong oversight on finances.

The varied and ongoing scrutiny of CHE financial systems has been important in revealing possible areas of risk, which are then addressed. In addition, the CHE recently commissioned the South African Bureau of Standards to conduct an independent and comprehensive assessment of risk and to advise on

strategies and mechanisms to reduce and/or eliminate risk. Risk will be closely monitored by the CHE Audit Committee. The CHE is confident that it has the necessary financial systems, policies and procedures and, above all, the finance personnel, to prevent or significantly reduce fraud. The prevention of fraud will also be addressed through the risk assessment and the development of mechanisms in this regard.

Finally, policies and procedures - related to signing powers, declaration of interest, non-acceptance of gifts from providers of higher education, etc. exist to ensure that conflict of interest is either eliminated or minimised. A Code of Conduct for both CHE members and personnel also exists in this regard.

Discontinued activities/Activities to be discontinued

The Higher Education Act and the White Paper on higher education specify the mandate and responsibilities of the CHE. Since there have been no amendments or modifications to these documents withdrawing any responsibilities, all the current activities of the CHE have continued as in the past, will continue and no activities will be discontinued.

However, the balance of activities between advising the Minister, quality assurance, monitoring and evaluating, contributing to developing higher education, reporting to parliament and consulting with stakeholders around higher education does change, as certain activities come to the fore during and others move into the background. The CHE Annual Report for 2001-2002 provides a good indication of the range, extent and depth of the different activities.

New/Proposed activities

The 2001-2002 CHE Annual Report and the CHE and HEQC Action Plans for 2003-2004 that were approved by the CHE and HEQC provide a good indication of all forthcoming activities. Further, the new five-year Programme of the CHE for the period 2004-2009 that is currently being developed will provide a further and detailed indication of all proposed and any new activities, including their personnel and financial implications.

With specific regard to new activities, as a consequence of the new regulations for the registration of private providers of higher education that come into effect on 1 April 2003, it is a condition of registration of providers with the DoE that the CHE is the body that ultimately accredits the higher education programmes of all private providers. This extends the activity of the CHE in the domain of programme accreditation and co-ordination and has financial and personnel implications that are the subject of discussions with the DoE.

The CHE is also cognisant that following the review of the National Qualifications Framework by a Ministerial study team and ongoing discussions between the Ministries of Education and Labour, it may need to make provision for and prepare to take on one additional and major new activity, that of setting standards for all higher education qualifications. The organisational, financial and personnel implications of this new activity is again the subject of discussions with the DoE.

All the new activities will be supported either by new donor funds or levy income from private providers or by government funding or a combination of these.

Approval

The annual financial statements set out on pages 84 to 91 have been approved by the Chief Executive Officer and Chief Accounting Officer

Name: Prof. Saleem Badat

Title: Chief Executive Officer (Chief Accounting Officer)

Date: **30 May 2003**

BALANCE SHEET
AT 31 MARCH 2003

	Note	2003 R	2002 R
ASSETS			
Non-current assets			
		762 327	434 420
Property, Plant & Equipment	4	762 327	434 420
Current assets			
		15 059 803	12 135 689
Accounts receivable	5	483 320	16 435
Short Term Investments		14 567 894	11 978 057
Cash and cash equivalents		8 589	141 197
		15 822 130	12 570 109
EQUITY AND LIABILITIES			
Capital and reserves			
		10 816 940	6 582 380
Distributable reserve		10 816 940	6 582 380
Non Current Liabilities			
		5 005 190	5 987 729
Accounts payable		643 254	225 081
Deferred Income		4 361 936	5 762 648
		15 822 130	12 570 109

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 R	2002 R
Revenue	2	<u>19 307 027</u>	<u>5 655 855</u>
Operating surplus / (deficit)	6	2 795 549	(2 769 983)
Net finance income	7	<u>1 399 191</u>	<u>519 044</u>
Net surplus / (deficit)		<u>4 194 740</u>	<u>(2 250 939)</u>

STATEMENT OF CHANGES IN NET ASSETS / EQUITY
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 R	2002 R
		Distributable Reserve	Total
Balance at 1 April 2001		4 397 658	4 397 658
Net (deficit) for the period		(2 250 939)	(2 250 939)
Extra-ordinary item			
Transfer from Sertec		<u>4 435 661</u>	<u>4 435 661</u>
Balance at 31 March 2002		6 582 380	6 582 380
Net surplus for the period		4 194 740	4 194 740
Extra ordinary item			
Transfer from Sertec	3	39 820	39 820
Balance at 31 March 2003		<u><u>10 816 940</u></u>	<u><u>10 816 940</u></u>

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 R	2002 R
Cash flows from operating activities			
Cash generated by operations	8	1 547 184	3 123 326
Net interest received	7	1 399 191	519 044
Net cash (outflow)/inflow from operating activities		<u>2 946 375</u>	<u>3 642 370</u>
Cash flows from investing activities			
Investment to maintain Operations - additions to property and equipment	4	(528 966)	(291 098)
Net cash outflow from investing activities		<u>(528 966)</u>	<u>(291 098)</u>
Cash flows from financing activities			
Increase in transfer of assets from SERTEC	3	39 820	4 435 663
Net cash inflow from financing activities		<u>39 820</u>	<u>4 435 663</u>
Net increase in cash and cash equivalents		2 457 229	7 786 935
Cash and cash equivalents at beginning of period		12 119 254	4 332 319
Cash and cash equivalents at end of period		<u>14 576 483</u>	<u>12 119 254</u>

NOTES TO THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING
31 MARCH 2003

1. Accounting policies

The financial statements are prepared in accordance with the historical cost basis, and incorporate the following accounting policies that are consistent with those adopted in the previous year.

1.1 Property, plant and equipment

Tangible assets are stated at historical cost less accumulated depreciation. Subsequent expenditure relating to an item of property 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 cost of tangible assets less the estimated residual value is written off by equal annual instalments over the expected useful lives of the assets as follows:

Furniture and fittings	10 years
Computer hardware	3 years
Office equipment	5 years
Software	All software will be written off completely in the year of purchase

The cost of tangible assets less than R2 000 (two thousand rand) are written off in full in year of acquisition.

1.2 Revenue

Revenue represent state subsidy received from Department of Education, donations received and fees charged for accreditation of courses provided by Private Higher Education providers. Charges for accreditation are recognised when work done is billed to providers and excludes Value Added Taxation. Income received from grants, donations and income for specific projects are recorded as deferred income and disclosed on the balance sheet with non-current liabilities. These incomes are brought to the income statement in the financial period, when the CHE is entitled to use these funds.

1.4 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.

NOTES TO THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING
31 MARCH 2003

Trade and other receivables

Trade and other receivables originated by the council are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.5 Provisions

Provisions are recognised when the company 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, and where a reliable estimate can be made of the amount of the obligation.

	2003	2002
	R	R
2. Revenue		
Government grants	10 886 000	4 000 000
Donations received	5 923 828	916 353
Accreditation private providers	2 284 767	637 000
Miscellaneous	212 432	102 503
	<u>19 307 027</u>	<u>5 655 856</u>

3. Extraordinary item

Operations of SERTEC were incorporated into the CHE's Quality Assurance Unit. A final transfer of R39 820 was made to the CHE.

NOTES TO THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING
31 MARCH 2003

	2003 R	2002 R
4. Property and equipment		
Cost		
<i>Owned assets</i>		
Computer equipment	575 083	344 976
Office equipment	243 041	62 103
Furniture and fittings	223 370	113 566
	<u>1 041 494</u>	<u>520 645</u>
Accumulated depreciation		
<i>Owned assets</i>		
Computer equipment	207 002	64 537
Office equipment	45 658	11 117
Furniture and fittings	26 507	10 571
	<u>279 167</u>	<u>86 225</u>
Net book value		
<i>Owned assets</i>		
Computer equipment	368 081	282 995
Office equipment	197 383	48 430
Furniture and fittings	196 863	102 995
	<u>762 327</u>	<u>434 420</u>

	Computer equipment	Office equipment	Furniture and fittings	Total
	R	R	R	R
Nett book value				
Opening balance	282 995	48 430	102 995	434 420
Additions	235 668	183 494	109 804	528 966
Depreciation	150 582	34 541	15 936	201 059
	<u>368 081</u>	<u>197 383</u>	<u>196 863</u>	<u>762 327</u>

NOTES TO THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING
31 MARCH 2003

	2003	2002
	R	R
5. Accounts receivable		
Staff Loans	81 570	16 435
SARS VAT Reimbursement	81 558	-
Accrued Income	320 192	-
	<u>483 320</u>	<u>16 435</u>
6. Operating surplus		
Operating surplus is stated after taking the following into account:		
Auditor's remuneration	24 970	33 070
Depreciation	201 059	71 528
- computer equipment	150 582	52 003
- office equipment	34 541	9 503
- furniture	15 936	10 022
Operating lease payment	389 827	-
- equipment	25 367	-
- building	364 460	-
Directors' emoluments	1 308 748	1 208 620
- services as directors	106 417	111 700
- managerial services	1 202 331	1 096 920
7. Net finance income		
Interest received	1 399 191	519 044
	<u>1 399 191</u>	<u>519 044</u>
8. Cash generated by operations		
Operating income/(loss)	2 801 236	(2 769 938)
Loss on write off fixed asset	(5 678)	-
Operating surplus/ (deficit)	2 759 549	(2 769 983)
Adjustment for depreciation	201 059	71 528
Operating profit before working capital changes	2 996 608	(2 698 455)
Decrease/(Increase) in accounts receivable	(466 885)	3 955
Decrease/increase in accounts payable	(982 539)	5 817 826
Cash (utilised)/generated by operations	<u>1 547 184</u>	<u>3 123 326</u>

NOTES TO THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING
31 MARCH 2003

	2003	2002
	R	R
9. Operating lease		
9.1 Equipment		
Lease agreement with Kyocero for the leasing of 2 photocopiers. The period of the lease is 3 years.		
Minimum lease payments		
Payable: within 1 year	92 976	-
1-3 years	185 953	-
	<u>278 929</u>	<u>-</u>
9.2 Buildings		
Lease agreement with FEST (Foundation for Education, Science & Technology) for rent. The first lease period is from 1 May 2002 to April 2003. We have entered into a new agreement starting 1 May 2003 to April 2008.		
Minimum lease payments		
Payable: within 1 year	541 200	-
1-5 years	3 070 952	-
	<u>3 612 152</u>	<u>-</u>