

**SUMMIT EDUCATIONAL TRUST**  
**(Registration number IT1634/1994)**  
**Annual financial statements**  
**for the year ended 31 December 2021**

**SUMMIT EDUCATIONAL TRUST**  
**(Registration number: IT1634/1994)**  
**Annual Financial Statements for the year ended 31 December 2021**

**General Information**

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<b>Country of incorporation and domicile</b>	South Africa	
<b>Trustees</b>	A.E. Wentzel G.E. Kerr-Phillips G.L. Korner L.L. Lalla N.T. Mapetla M.D. Stalley	Chairman
<b>Registered office</b>	Building 7, Perspective Place Sunninghill Office Park Peltier Drive Sunninghill 2191	
<b>Business address</b>	Building 7, Perspective Place Sunninghill Office Park Peltier Drive Sunninghill 2191	
<b>Bankers</b>	First National Bank, a division of FirstRand Bank Limited Investec Private Bank	
<b>Auditors</b>	Orkin Brown and Associates Chartered Accountants (S.A.) Registered Accountants and Auditors	
<b>Trust registration number</b>	IT1634/1994	
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the trust deed.	
<b>Issued</b>	27 May 2022	
<b>NPO</b>	011/413 NPO	

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

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**SUMMIT EDUCATIONAL TRUST**  
**(Registration number: IT1634/1994)**  
**Annual Financial Statements for the year ended 31 December 2021**  
**Trustees' Responsibilities and Approval**

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The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the trust as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the trust and all employees are required to maintain the highest ethical standards in ensuring the trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the trust's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the trust's annual financial statements. The annual financial statements have been examined by the trust's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 8 to 20, which have been prepared on the going concern basis, were approved by the trustees on 27 May 2022 and were signed on their behalf by:

*Allan E Wentzel*

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Trustee

*Graeme Korner*

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Trustee

## **Independent Auditor's Report**

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### **To the Trustees of Summit Educational Trust**

#### **Opinion**

We have audited the annual financial statements of Summit Educational Trust (the trust) set out on pages 8 to 16, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Summit Educational Trust as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Trust Property Control Act 57 of 1988.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the trust in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The trustees are responsible for the other information. The other information comprises the information included in the document titled "Summit Educational Trust annual financial statements for the year ended 31 December 2021", which includes the Trustees' Report as required by the Trust Property Control Act 57 of 1988 and the supplementary information as set out on page 20, which we obtained prior to the date of this report. The administrator/ manager's report, does not form part of the annual financial statements. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Trustees for the Annual Financial Statements**

The trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Trust Property Control Act 57 of 1988, and for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the trustees are responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the trust or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report**

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### **Auditor's Responsibilities for the Audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Orkin Brown and Associates**  
**Partner: G.P. Brown**  
**Chartered Accountants (S.A.)**  
**Registered Accountants and Auditors**  
**27 May 2022**

**SUMMIT EDUCATIONAL TRUST**  
**(Registration number: IT1634/1994)**  
**Annual Financial Statements for the year ended 31 December 2021**  
**Trustees' Report**

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The trustees have pleasure in submitting their report on the annual financial statements of Summit Educational Trust (SET) for the year ended 31 December 2021.

This trustees' report is considerably more concise than that of previous years as much of the operational detail is contained in the administrators / manager (KP Fiduciary Solutions (Pty) Ltd) report. The financial statements are also considerably simpler than in the past and are generally a more accurate picture of the real financial position of the "new Summit Educational Trust", as the legacy accounting issues relating to the joint venture with Odyssey Finance Corporation (Pty) Ltd (OFC) are now fully resolved.

### **1. Review of financial results and activities**

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities. The accounting policies have been applied consistently compared to the prior year.

Considerable effort has been made to provide adequate explanations in the notes to the financial statements so that the reader is able to gain a deeper understanding of the Trust and its performance.

The Trust recorded a surplus after tax for the year ended 31 December 2021 of R 3,856,190. This surplus is however mainly as a result of nonrecurring or non-operational items, e.g. fair value adjustments on investments (fair value gain for the year was R 3,407,330), following the significant recovery in financial markets over the past year. It is worth noting that the trust actually made an 'operational' surplus of R448,860 if one excludes the fair value adjustments on investments.

Although the trust is required to distribute the bulk of its income, the Trustees do believe the trust is likely to produce operational surpluses in the future, given:

- Strict cost management (e.g. by keeping administration and related expenses contained).
- The probability that interest rates and dividends will 'normalise'.
- The bursaries awarded under the ADvTECH bursary fund are matched by notional income, and
- Non ADvTECH bursaries and other project spending is carefully managed and carefully considers the medium term outlook for income.

Covid 19 is dealt with in greater detail in the administrators report. While SET did respond quickly and decisively to the educational crisis brought on by Covid19, it is also true to say that the Covid crisis highlighted the need for greater collaboration among greater good entities to ensure that we are (collectively) as effective and relevant as possible.

The Trustees are currently engaged in a strategic review. This process includes a review of the areas of focus (objectives) but also considers the role played by SET and, most importantly, defines when and how SET should partner with likeminded players to ensure that we have the greatest impact possible.

The financial position of the Trust is very sound, with cash and financial assets approaching R 40 million as at year end.

### **2. A focus on early childhood development**

The Trustees see merit in investing in the area of early childhood development as this is the foundation of all learning, but do so in collaboration with organisations that have scale and a real impact in the area, examples being Judea Hope and the Curriculum Development Project of Makers Valley.

**SUMMIT EDUCATIONAL TRUST**  
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**Annual Financial Statements for the year ended 31 December 2021**  
**Trustees' Report**

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**3. Trustees**

The trustees in office at the date of this report are as follows:

**Trustees**

A.E. Wentzel  
G.E. Kerr-Phillips  
G.L. Korner  
L.L. Lalla  
N.T. Mapetla  
M.D. Stalley

**4. Events after the reporting period**

The trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

**5. Auditors**

Orkin Brown and Associates continued in office as auditors for the trust for 2021. They will continue in office for the 2022 financial year.



**SUMMIT EDUCATIONAL TRUST**  
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**Annual Financial Statements for the year ended 31 December 2021**  
**Statement of Financial Position as at 31 December 2021**

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	3	3 404 783	3 404 783
Listed investments	2	17 026 970	12 108 530
Capital bursary fund	4	19 000 000	20 000 000
		<b>39 431 753</b>	<b>35 513 313</b>
<b>Current Assets</b>			
Trade and other receivables	5	17 743	86 493
Cash and cash equivalents	6	19 207 368	20 301 193
		<b>19 225 111</b>	<b>20 387 686</b>
<b>Total Assets</b>		<b>58 656 864</b>	<b>55 900 999</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
<b>Equity Attributable to Equity Holders</b>			
Trust capital		100	100
Accumulated surplus		39 414 964	35 558 774
		39 415 064	35 558 874
Capital bursary fund reserve		19 000 000	20 000 000
		<b>58 415 064</b>	<b>55 558 874</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred income	7	226 835	303 645
<b>Current Liabilities</b>			
Trade and other payables	8	14 965	38 480
<b>Total Liabilities</b>		<b>241 800</b>	<b>342 125</b>
<b>Total Equity and Liabilities</b>		<b>58 656 864</b>	<b>55 900 999</b>

**SUMMIT EDUCATIONAL TRUST**  
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**Statement of Comprehensive Income**

Figures in Rand	Note(s)	2021	2020
Other income		6 057 199	4 674 316
Operating expenses		(3 434 937)	(6 459 058)
<b>Operating surplus</b>		<b>2 622 262</b>	<b>(1 784 742)</b>
Investment revenue	10	1 233 928	1 352 953
<b>Surplus (deficit) for the year</b>		<b>3 856 190</b>	<b>(431 789)</b>

**SUMMIT EDUCATIONAL TRUST**  
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**Statement of Changes in Equity**

	Trust capital	Accumulated surplus	Trust capital, property revaluation reserve and accumulated surplus	Capital bursary fund reserve	Total equity
Figures in Rand					
<b>Balance at 01 January 2020</b>	<b>100</b>	<b>35 990 563</b>	<b>35 990 663</b>	<b>21 000 000</b>	<b>56 990 663</b>
<b>Deficit for the year</b>	<b>-</b>	<b>(431 789)</b>	<b>(431 789)</b>	<b>-</b>	<b>(431 789)</b>
Decrease in capital bursary fund reserve	-	-	-	(1 000 000)	(1 000 000)
<b>Total contributions and distributions recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 000 000)</b>	<b>(1 000 000)</b>
<b>Balance at 01 January 2021</b>	<b>100</b>	<b>35 558 774</b>	<b>35 558 874</b>	<b>20 000 000</b>	<b>55 558 874</b>
<b>Surplus for the year</b>	<b>-</b>	<b>3 856 190</b>	<b>3 856 190</b>	<b>-</b>	<b>3 856 190</b>
Decrease in capital bursary fund reserve	-	-	-	(1 000 000)	(1 000 000)
<b>Total contributions and distributions recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 000 000)</b>	<b>(1 000 000)</b>
<b>Balance at 31 December 2021</b>	<b>100</b>	<b>39 414 964</b>	<b>39 415 064</b>	<b>19 000 000</b>	<b>58 415 064</b>

**SUMMIT EDUCATIONAL TRUST**  
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**Statement of Cash Flows**

Figures in Rand	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
Cash used in operations	13	(1 816 643)	(1 782 863)
Interest income		761 681	1 090 834
Dividends received		472 247	262 119
<b>Net cash from operating activities</b>		<b>(582 715)</b>	<b>(429 910)</b>
<b>Cash flows from investing activities</b>			
Additions to listed investments		(4 918 440)	(2 038 930)
Movement in capital bursary fund		1 000 000	1 000 000
Fair value adjustment on listed investments		3 407 330	(1 135 007)
<b>Net cash from investing activities</b>		<b>(511 110)</b>	<b>(2 173 937)</b>
<b>Total cash movement for the year</b>		<b>(1 093 825)</b>	<b>(2 603 847)</b>
Cash at the beginning of the year		20 301 193	22 905 040
<b>Total cash at end of the year</b>	6	<b>19 207 368</b>	<b>20 301 193</b>

**SUMMIT EDUCATIONAL TRUST**  
**(Registration number: IT1634/1994)**  
**Annual Financial Statements for the year ended 31 December 2021**  
**Accounting Policies**

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**1. Basis of preparation and summary of significant accounting policies**

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

**1.1 Investment property**

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. In addition, only investment property whose fair value can be measured reliably without undue cost of effort on an ongoing basis is included in investment property. All other investment property is included in property, plant and equipment.

Investment property is initially measured at cost.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Costs include costs incurred initially to acquire or construct an investment property and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of investment property, the carrying amount of the replaced item is derecognised.

After initial recognition, investment property is measured at fair value at each reporting date.

**1.2 Financial instruments**

**Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

**Financial instruments at cost**

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

**Financial instruments at fair value**

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through surplus and deficit.

**SUMMIT EDUCATIONAL TRUST**  
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**Annual Financial Statements for the year ended 31 December 2021**

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**Accounting Policies**

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### **1.3 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

#### **Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

### **1.4 Provisions and contingencies**

Provisions are recognised when the trust has an obligation at the reporting date as a result of a past event; it is probable that the trust will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

### **1.5 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the trust will comply with the conditions attaching to them; and
- the grants will be received

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

### **1.6 Revenue**

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income received from property that is leased to Summit College under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term and in accordance with the management agreement.

Dividends are recognised, in surplus or deficit, when the trust's right to receive payment has been established.

### **1.7 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**SUMMIT EDUCATIONAL TRUST**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>2. Listed investments</b>		
Listed shares	17 026 970	12 108 530
The fair value of listed investments are based on the quoted market prices on the reporting date.		

The trust continues the process of building an endowment fund, similar to those established by the ivy league universities in the US.

The motivation for an endowment fund is to ultimately replace the ADvTECH bursary fund (i.e. to generate adequate income to replace the funding), to create a strong capital base (and income) for the Trust to ensure effectiveness over the very long term.

**3. Investment property**

**Reconciliation of investment property - 2021**

Investment property	Opening balance	Total
	3 404 783	3 404 783

**Details of property**

Investment property comprises of land and buildings situated on portion 7 of Erf 1159, Sunninghill Extension 71 Township, Gauteng, measuring 551 square metres in extent and held under deed of transfer T49631/2018.

The Trustees have concluded that it is not necessary to do a revaluation of the property at this stage, as there is still almost two years remaining of the original five-year lease and much of the disruption caused by Covid is probably causing temporary disruptions to valuations.

**4. Capital bursary fund**

**At amortised cost**

Capital bursary fund	19 000 000	20 000 000
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**Non-current assets**

At amortised cost	19 000 000	20 000 000
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SET opted to take a portion of the proceeds of the sale of the property and school in the form of a bursary fund (the ADvTECH bursary fund). The ADvTECH bursary fund essentially represents a notional capital fund that will allow the Summit Educational Trust to offer deserving learners financial support to attend ADvTECH institutions, be they at schools or tertiary institutions.

The fund provided for an initial amount of R2.5 million for 2016 to be allocated at the discretion of the SET trustees. The bursary fund essentially was valued at R25 million in determining the amount to be paid to SET (in cash) for the sale of the school.

The bursary fund will operate for an initial period of up to 25 years (20 years remaining), with the annual amount available escalating by the annual average increase in the fees determined by ADvTECH.

The fund is amortised by R 1 million per year and hence the reduction in the asset value from R 20 million in 2020 to R 19 million in 2021.

While the fund is essentially a notional asset, the trustees see this fund serving as a key way in which we will provide financial assistance to deserving learners. It may be argued that the 'true value' of a R2.5 million annuity fund that will operate for 25 years will be considerably higher than the illustrated R25 million.

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**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>5. Trade and other receivables</b>		
Trade receivables	17 743	86 493
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	19 207 368	20 301 193
<b>7. Deferred income</b>		
Government grants	226 835	303 645
<b>Split between non-current and current portions</b>		
Non-current liabilities	226 835	303 645
<p>These amounts relate to an interest free loan provided by Government on 2 June 1994. The terms of the loan required inter alia that a school remains operative on the property for a period of 30 years from 2 June 1994, failing which the pro-rata amount of the loan still owing shall be refunded to the Government.</p> <p>The loan was secured by a bond, but this was cancelled when the school was sold to ADvTECH. The loan is written off in 30 equal annual instalments. The accounting treatment effectively offsets the liability against deferred income.</p> <p>The Trustees do not see this as a real liability as the loan will be fully written off in the 2024 financial year and ADvTECH has undertaken to continue operating a school on the property well into the future, especially after a very significant investment by them in the school over the past few years. An offer was made to the Government for the settlement of this liability following the sale of the property.</p>		
<b>8. Trade and other payables</b>		
Accrued audit fees	14 850	14 375
Accrued expenses	115	24 105
	<b>14 965</b>	<b>38 480</b>



**SUMMIT EDUCATIONAL TRUST**  
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**Annual Financial Statements for the year ended 31 December 2021**

**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>9. Adjustment on the sale of Summit College</b>		
Legal expenses - debt collection	-	123 096
<b>10. Investment revenue</b>		
<b>Dividend revenue</b>		
Listed financial assets - Local	472 247	262 119
<b>Interest revenue</b>		
Bank and investments	761 681	1 090 834
	<b>1 233 928</b>	<b>1 352 953</b>
<b>11. Taxation</b>		
No provision for taxation has been made as the Trust is exempt from taxation in terms of S10(1)(cN) of the Income Tax Act.		
<b>12. Auditor's remuneration</b>		
Fees	14 850	14 375
Adjustment for previous years	3 968	(6 072)
	<b>18 818</b>	<b>8 303</b>
<b>13. Cash used in operations</b>		
Surplus (deficit) before taxation	3 856 190	(431 789)
<b>Adjustments for:</b>		
Fair value adjustment and profit on sale of listed investments	(3 407 330)	1 135 007
Dividends received	(472 247)	(262 119)
Interest received	(761 681)	(1 090 834)
Amortisation of capital bursary fund	(1 000 000)	(1 000 000)
<b>Changes in working capital:</b>		
Trade and other receivables	68 750	(38 091)
Trade and other payables	(23 515)	(18 227)
Deferred income	(76 810)	(76 810)
	<b>(1 816 643)</b>	<b>(1 782 863)</b>
<b>14. Legal fees</b>		
The legal fees relate to the legal expenses incurred in recovering the Summit College debtors book. This line item is not expected to be repeated in future financial statements as it is a legacy item from the final unwinding of the joint venture with OFC.		

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SET has outsourced its daily management to KP Fiduciary Solutions (Pty) Ltd (KPFS). This outsourced management arrangement provides that KPFS handle all routine administration and management, including:

- Providing facilities for the Trust to operate, such as manpower, suitable offices, communications etc.
- Managing the bursary funds, including the screening of applicants and the mentoring of existing recipients and liaising with the ADvTECH group.
- The sourcing, evaluation and managing of projects and programmes, including the screening of potential partners.
- Handling the Trust administration (including regulatory and Masters Office compliance). This includes preparing the minutes of trustee minutes.
- Maintaining the financial (bookkeeping and basic accounting functions) records of the trust and basic preparation of the pack required for the audit.
- Ensuring that the Trust's tax reporting is up to date.
- Doing the ongoing reporting to the trustees and partners, and
- Managing and maintaining the property.

The Trust entered into this arrangement as it is considered a more cost-effective way of achieving effective management of the Trust than the appointment of staff. This remains relevant as the total administration fee is considerably lower than would be the cost of permanent staff (e.g. administrators and financial staff).

The annual amount increased significantly as the monthly fee was increased in late 2020 for the first time since inception in 2016. Also included in administration and management fees are certain once off consultant fees in respect of specific projects.

### **1. Covid 19**

While the impact of Covid 19 slowly moderated as 2021 progressed, there is no doubt that Covid 19 had a profound effect on the education sector and more importantly our beneficiaries and our partners.

As the dust of Covid 19 settles in early 2022, it is evident that SET emerged from the pandemic largely unscathed. Although Covid 19 caused mayhem in global economics and asset markets, and this resulted in a temporary decline in the value of SET endowment fund and lower income (e.g. on dividends being withheld and interest rates aggressively cut), Covid has thankfully not left permanent scars on SET.

The same cannot sadly be said for the bulk of the education sector, as Covid 19 had a devastating effect on millions of learners and those that teach and support them. Our greatest concern remains on the permanent damage that the loss of much of the 2020 and 2021 academic years will have on millions of learners. This is especially true for those in disadvantaged communities and those at critical stages of their academic journey, such as the very young (pre-schoolers and early primary school learners) and those completing their schooling (i.e. those in matric or nearing matric).

Covid also profoundly affected those providing learning and support (e.g. local ECD centres), especially at community / grassroots level and our fear is that many organisations that provided basic support and services will never open their doors again.

As mentioned in our 2020 report, SET did respond quickly and decisively to the pandemic and provided a number of targeted interventions to assist learners, mainly to continue their studies. The past two years has however made it clear that it is critical that we, as a Trust, are as deliberate as possible about the contribution we can and should make. It is for this reason that the trustees are undertaking the strategic review to ensure that we are as impactful as possible.

### **2. Financial commentary**

The Trust recorded a surplus after tax for the year ended 31 December 2021 of R 3,856,190. This performance was however attributable to three factors. These items which are listed below are discussed in more detail in the paragraphs below.

1. Lower bursaries awarded.
2. Marginally lower investment income, and
3. Positive fair value adjustments on the value of the investment portfolio (fair value gain was R 3,4 million.).

#### **Lower bursaries paid**

Bursaries awarded in 2021 amounted to R 2,792,799 versus R 4,742,661 for 2020. Most of the annual decline bursary support was as a result of the base effects of the significant once off amounts awarded in the previous financial year, in response to the Covid 19 impact on households and the slight decline in the quantum of the ADvTECH bursary amount in 2021.

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**Lower investment income**

As mentioned in our previous report, the sharp reduction in local interest rates and the decision of many listed companies to reduce or suspend dividends in response to the Covid 19 economic impact resulted in a decline in investment income, from R 1,352,953 in 2020, to R 1,233,928 in 2021.

It is worth noting that interest rates have already started to rise and we expect dividends to fully restore (and increase). This, coupled with more invested capital should see investment income increase in the 2022 year.

**Fair value adjustments**

Fair value adjustments on financial assets (shares) reflected a gain of R 3,407,330 in 2021.

It was also pleasing to see the significant recovery in the portfolio value after the financial year end.

As mentioned in the Trustee report, the operating result excluding fair value adjustments reflected an operating profit.

**3. The need for a focus on early childhood development**

The Trustees remain committed to making a significant contribution in the area of early childhood development as this is seen as the foundation of all further learning.

The Trustees generally prefer to focus on programmes and projects that have a multiplier effect (e.g. material and curriculum development and the training of ECD teachers) rather than providing direct support to specific ECDs.

There are many significant challenges in the ECD area. The Trustees believe that it is vital that we actively collaborate with credible and likeminded partners to tackle the massive challenges brought on by issues such as facilities, teacher training, curriculum development and nutrition.

**4. Bursary management and support**

2021 was a fairly quiet period for new bursaries, mainly as a result of our relatively high base of existing recipients and the lower income.

While care is taken to award support to deserving learners, who are well balanced (academically strong, active in extra curriculum activities and involved in outreach initiatives), with consideration of the financial needs of the learners and their families, we are concerned that SET may not have the reach required to find and assist more truly deserving learners. Also of concern is the lack of ability/capacity to closely monitor / assist these recipients in a holistic way.

In response to these concerns, we revised our bursary system from late 2021 (impacting bursaries in 2022) to cap the maximum funding available to any learner and the Trustees are considering, as part of the strategic review, how the bursary system could be adapted to reach more deserving learners and ensure that we are closely monitoring the learner, not only their academic progress.

As mentioned in previous reports, the Trust is increasingly allocating funds to ADvTECH institutions for them to screen and allocate financial assistance programmes as these institutions typically have a deeper understanding of the needs in their communities and are able to identify and manage deserving candidates more effectively than ourselves. The Trust does however expect adequate feedback on recipients but also that the institutions will manage the overall learner in a more active way than the Trust could do.

The real reach of the assistance provided is however far greater as the investments made in teacher and ECD development has a multiplier effect on our spending. It is estimated for example that the reach of our ECD programme with the CDP alone has an indirect impact on thousands of preschool learners.

The trust continued its support of the Eugene Saldanha fellowship programme by sponsoring a new fellow at the New Frame group. The programme will extend over 18 months, part of which will include business (entrepreneurial) skills development. While many of the SET programmes are broad and shallow, this is an example of a programme that is deep and narrow, but is also aimed at making a positive societal contribution, due to the social justice focus.

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**5. The Endowment Fund**

The Trustees have resolved to build a long term "endowment fund", much like those of venerable institutions such as Harvard and Yale. In the year, the Trustees resolved to modestly increase the targeted endowment (investment portfolio) as the need for emergency buffers has diminished as the trust establishes itself in its new guise. The purpose of the endowment fund is to generate adequate income to fund bursaries and projects in the long term.

The original targeted capital allocation to the endowment fund was R 27 million, but amounts has been increased over time as the balance sheet of the trust has grown and as the trust no longer needs to hold the quantum of cash buffer originally envisaged . The bulk of the portfolio (70%) is earmarked for equity investments (initially only listed equity but this could change if circumstances deemed it appropriate), with 10% allocated to each of property, cash and fixed income.

While the investment mandate targets moderate growth, the underlying equity positions will typically be more balanced in nature.

The listed equity portfolio value at year end was R 17,026,970 (2020: R 12,108,530). This however includes holdings of R 3.4 million of preference shares. This implies that the actual equity component is currently approximately 68% invested.

The increase in the value of the portfolio was attributable to the allocation of additional capital to equities but is also the result of improved asset markets.

The investment manager is following a value driven investment approach, in terms of which investments are only made when value is apparent and as such only around 70% of the investible endowment fund capital (including the investment property) had been invested as at year end.

**6. The Investment Property**

2021 represents the third year of ownership of the property. The current rental translates into a gross yield of 9.4%.

The decision to buy a direct property, rather than a portfolio of listed property stocks, proved to be a good decision as the yield is steadily improving and the avoidance of the JSE listed property sector shielded the Trust against an average decline (in value) of roughly 50% in the past 5 years.

Minor repairs and maintenance have been done since purchasing the property, but some repairs and maintenance spending will be required over the coming years to keep the property at an acceptable standard.

**7. Relationship with ADvTECH**

The Trust has a healthy and constructive working relationship with ADvTECH management.

While cautious and judicious in the allocation of resources (including the carried forward balances of the SET ADvTECH bursary fund), we remain engaging, constructive and generally responsive to requests for assistance.

The trust remains hopeful of forging deeper relationships with ADvTECH regarding teacher training and teaching assistant development as we feel there is a natural synergy in these areas.

*Graeme Korner*

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Figures in Rand	Note(s)	2021	2020
<b>Other income</b>			
Rental income		293 966	309 101
Bad debts recovered		7 642	1 663
Bursary fund income received		2 271 451	4 286 742
Fair value adjustment on listed investments		3 407 330	-
Government grants		76 810	76 810
		<b>6 057 199</b>	<b>4 674 316</b>
<b>Operating expenses</b>			
Administration and management fees		369 150	227 700
Auditor's remuneration	12	18 818	8 303
Bank charges		61 848	63 779
Bursaries awarded		2 792 799	4 742 661
Consulting fees		-	15 810
Fair value adjustment on listed investments		-	1 135 007
Insurance		11 941	10 856
Legal fees - debt collection		-	123 096
Levies		47 251	39 264
Municipal expenses		55 057	54 469
Portfolio management fees		51 785	38 113
Repairs and maintenance		26 288	-
		<b>3 434 937</b>	<b>6 459 058</b>
<b>Operating surplus (deficit)</b>		<b>2 622 262</b>	<b>(1 784 742)</b>
Investment income	10	1 233 928	1 352 953
<b>Surplus (deficit) for the year</b>		<b>3 856 190</b>	<b>(431 789)</b>