

**HEARTBEAT CENTRE FOR COMMUNITY
DEVELOPMENT (Association incorporated
under Section 21)
(Registration number 2000/001288/08)
ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2005**

**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
FINANCIAL STATEMENTS
for the year ended 28 February 2005**

Business address

CNR RUBIDA & ROSSOUW STR
MURRAYFIELD
0184

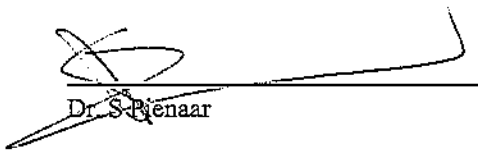
**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
FINANCIAL STATEMENTS
for the year ended 28 February 2005**

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

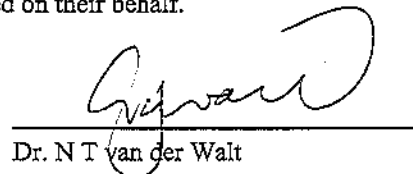
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Approval

The financial statements which appear on pages 4 to 14 were approved by the board of directors on 13 July 2005 and signed on their behalf.



Dr. S. Pienaar



Dr. N T van der Walt



Geotrooleerde Rekenmeesters (SA) Ingelyf
Chartered Accountants (SA) Incorporated
Reg 1998/002181/21

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**REPORT OF THE INDEPENDENT AUDITORS TO THE
MEMBERS OF HEARTBEAT COMMUNITY SERVICE
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

We have audited the annual financial statements of Heartbeat Centre for Community Development set out on pages 4 to 14 for the year ended 28 February 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we 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.

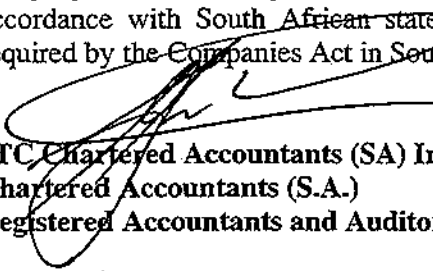
We believe that our audit provides a reasonable basis for our opinion.

Qualification

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

Qualified audit opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the company at 28 February 2005 and the results of its operations and cash flows for the year then ended in accordance with South African statements of generally accepted accounting practice, and in the manner required by the Companies Act in South Africa.


JTC Chartered Accountants (SA) Incorporated
Chartered Accountants (S.A.)
Registered Accountants and Auditors

Per: C F Terhoeven
Pretoria
13 July 2005

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
REPORT OF THE DIRECTORS
for the year ended 28 February 2005

The directors present their report for the year ended 28 February 2005. This report forms part of the audited financial statements.

1. General review

The company's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

The main business of the company is the identification and analysing of problem areas within a certain community, the identification of key players within that community and, in consultation with the identified key players, the implementation and facilitation of plans of action to relieve problems within the identified area. Heartbeat facilitates change in impoverished communities as to alleviate the suffering of the most vulnerable members of society, being woman and children.

2. Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

3. Financial results

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

4. Share capital

The corporation is incorporated with no share capital.

5. Fixed assets

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use.

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
REPORT OF THE DIRECTORS
for the year ended 28 February 2005

6. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

Dr. S Pienaar

Dr. N T van der Walt

B E Greyling

D de Jongh

B S T Masilela

M G Behrman

M P Rabaloa

P C K Khena

S Adkins

Appointed 17 May 2004

Appointed 28 July 2004

Appointed 17 May 2004

Appointed 17 May 2004

**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
BALANCE SHEET
as at 28 February 2005**

	Notes	2005 R	2004 R
Assets			
Non-current assets			
Fixed assets	2	742,786	787,765
Current assets			
Inventories	3	59,751	125,129
Trade and other receivables		687,781	268,866
Bank balances		2,625,190	915,599
Total assets		<u>4,115,508</u>	<u>2,097,359</u>
Equity and liabilities			
Capital and reserves			
Specific dedicated funds	4	2,185,439	420,805
General funds		981,431	1,042,398
Current liabilities			
Trade and other payables		77,381	62,777
SACIN: Tertiary Education Fund		422,955	205,950
SACIN		448,302	365,429
Total equity and liabilities		<u>4,115,508</u>	<u>2,097,359</u>

**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
INCOME STATEMENT
(CLASSIFICATION OF INCOME AND EXPENSES BY FUNCTION)
for the year ended 28 February 2005**

	Note	2005 R	2004 R
Gross revenue	5	14,295,115	9,819,125
Cost of sales		<u>111,608</u>	<u>90,676</u>
Gross profit		14,183,507	9,728,449
Plus: Other income		11,743	6,307
Less: Expenditure		<u>(12,553,471)</u>	<u>(9,971,673)</u>
Net surplus/(shortfall) before interest		1,641,779	(236,917)
<hr/>			
Net surplus/(shortfall) is stated after:			
Income			
Profit on disposals of fixed assets		11,743	-
Administration fees		183,508	241,276
Expenditure			
Auditors' remuneration			
♦ Audit fee		43,197	35,340
Depreciation			
♦ Fixed assets		375,988	239,059
Lease rentals		84,488	78,313
♦ Premises		<u>64,652</u>	<u>72,769</u>
♦ Equipment		<u>19,836</u>	<u>5,544</u>
<hr/>			
Interest received		<u>61,888</u>	<u>6,646</u>
Surplus/(Shortfall)		<u>1,703,667</u>	<u>(230,271)</u>

**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2005**

	Specific dedicated funds R	General funds R	Total R
Balance at 01 March 2003	584,112	1,109,362	1,693,474
Net loss for the year		(230,271)	(230,271)
Surplus funds transferred	(163,307)	163,307	-
Balance at 01 March 2004	420,805	1,042,398	1,463,203
Net surplus for the year		1,703,667	1,703,667
Surplus funds transferred	1,764,634	(1,764,634)	-
Balance at 28 February 2005	<u>2,185,439</u>	<u>981,431</u>	<u>3,166,870</u>

**HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT (Association incorporated under
Section 21)
CASH FLOW STATEMENT
for the year ended 28 February 2005**

	Notes	2005 R	2004 R
Cash flows from operating activities		2,028,860	474,653
Cash receipts from donors and bead sales		7,683,982	5,428,886
Cash paid to suppliers and employees		<u>(5,717,010)</u>	<u>(4,960,879)</u>
Cash generated by operating activities	8.1	1,966,972	468,007
Interest received		61,888	6,646
Cash flows from investing activities		(319,269)	(647,952)
<i>Expenditure to maintain operating capacity</i>			
Fixed assets acquired		(335,734)	(647,952)
Proceeds on disposals of fixed assets		16,465	-
Increase/(decrease) in cash and cash equivalents		1,709,591	(173,299)
Cash and cash equivalents at beginning of the year	8.2	<u>915,599</u>	<u>1,088,898</u>
Cash and cash equivalents at end of the year	8.2	<u><u>2,625,190</u></u>	<u><u>915,599</u></u>

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
NOTES TO THE FINANCIAL STATEMENTS
at 28 February 2005

1 Basis of preparation

The financial statements are prepared in accordance with statements of generally accepted accounting practice. The financial statements are prepared under the historical cost convention.

1.1 Revenue recognition

The income of the association consists mainly of donations received. Donations received are recorded in the financial statements at the date the funds become due and receivable.

Products received from donors are accounted in the financial statements as income at the market value of such products.

1.2 Fixed assets

All fixed assets are initially recorded at cost.

Fixed assets received by means of donations are recorded at its market value.

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

Land and buildings	33.33 %
Mobile classroom	20.00 %
Motor vehicles	20.00 %
Furniture and fittings	16.67 %
Equipment : After school centre	16.67 %
Office equipment	16.67 %
Computer equipment	33.33 %
Computer software	50.00 %
Sewing machines	20.00 %

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

1.3 Inventories

Inventories consist of food for feeding schemes as well as linnen and clothes for distribution to the poor which are received by means of donations and are recorded in the accounting records at market related values. Inventories received are distributed as donations and distributions are recorded in the accounting records at the initial market value. No profit or loss is therefore realised with the distribution of inventories.

1.4 Taxation

The company is exempt from taxation in terms of Section 10 of the Income Tax Act.

1.5 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
NOTES TO THE FINANCIAL STATEMENTS
at 28 February 2005

2. Fixed assets

	2005			2004		
	Cost / valuation R	Accumulated depreciation R	Carrying value R	Cost / valuation R	Accumulated depreciation R	Carrying value R
<i>Owned assets</i>						
Land and buildings	255,002	85,001	170,001	53,600	-	53,600
Mobile classroom	81,227	27,076	54,151	81,227	-	81,227
Motor vehicles	479,480	244,662	234,818	479,480	148,766	330,714
Furniture and fittings	159,717	82,922	76,795	114,132	37,798	76,334
Equipment : After school centre	14,962	3,325	11,637	14,962	3,325	11,637
Office equipment	111,323	32,519	78,804	97,824	15,975	81,849
Computer equipment	245,755	171,635	74,120	201,374	103,631	97,743
Computer software	40,000	36,213	3,787	28,031	19,887	8,144
Sewing machines	52,878	14,205	38,673	52,878	6,361	46,517
	<u>1,440,344</u>	<u>697,558</u>	<u>742,786</u>	<u>1,123,508</u>	<u>335,743</u>	<u>787,765</u>

The carrying amounts of fixed assets can be reconciled as follows:

2004	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
<i>Owned assets</i>					
Land and buildings	-	53,600	-	-	53,600
Mobile classroom	-	81,227	-	-	81,227
Motor vehicles	300,804	259,642	(118,117)	(111,615)	330,714
Furniture and fittings	17,679	91,011	-	(32,356)	76,334
Equipment : After school centre	14,131	-	-	(2,494)	11,637
Office equipment	13,451	81,439	-	(13,041)	81,849
Computer equipment	95,278	65,423	-	(62,958)	97,743
Computer software	2,046	16,332	-	(10,234)	8,144
Sewing machines	-	52,878	-	(6,361)	46,517
	<u>443,389</u>	<u>701,552</u>	<u>(118,117)</u>	<u>(239,059)</u>	<u>787,765</u>
2005	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
<i>Owned assets</i>					
Land and buildings	53,600	201,402	-	(85,001)	170,001
Mobile classroom	81,227	-	-	(27,076)	54,151
Motor vehicles	330,714	-	-	(95,896)	234,818
Furniture and fittings	76,334	50,483	(3,049)	(46,973)	76,795
Equipment : After school centre	11,637	-	-	-	11,637
Office equipment	81,849	13,499	-	(16,544)	78,804
Computer equipment	97,743	58,381	(1,676)	(80,328)	74,120
Computer software	8,144	11,969	-	(16,326)	3,787
Sewing machines	46,517	-	-	(7,844)	38,673
	<u>787,765</u>	<u>335,734</u>	<u>(4,725)</u>	<u>(375,988)</u>	<u>742,786</u>

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
NOTES TO THE FINANCIAL STATEMENTS
at 28 February 2005

2. Fixed assets (continued...)

	2005	2004
	R	R
Land and buildings, at cost		
Erf no. 2714, situated in the township of Khutsong. Registration division IQ. Size 256 square meters.		
At cost - 2003	50,000	50,000
Expenses capitalised - 2003	3,600	3,600
	53,600	53,600
Land and buildings, at cost		
Erf situated in the township of Tembisa.		
At cost - 2005	60,000	-
Additions at cost - 2005	46,402	-
	106,402	-
Land and buildings, at cost		
Erf situated in the township of Vosloorus.		
At cost - 2005	95,000	-

3. Inventories

The undistributed donations received from the different donors are as follows:		
Tiger brands	59,751	112,219
Oceana brands	-	10,779
Donations in kind	-	2,131
	59,751	125,129

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
NOTES TO THE FINANCIAL STATEMENTS
at 28 February 2005

	2005	2004
	R	R
4. Specific dedicated funds		
ABSA Allpay: Katlehong	11,519	-
ABSA Allpay: Tembisa	28,728	-
Anglo Gold: Klerksdorp	34,047	-
Arts for Aids Orphans: Botshabelo ASC	-	47,445
Barclays	1,038,500	-
DRC Lynnwood: Nellmapius	811	50
DSD: Atteridgeville	17,244	-
DSD: Bloemfontein	-	53,301
DSD: CCCT	71,719	71,719
DSD: Nellmapius	58,858	19,028
Daimler Chrysler/Debis Fleet Management	751	-
Darryl G Behrman Fund: Vosloorus	716,343	-
Momentum: Randfontein	-	99,877
Nkomati: Research	13,887	-
Old Mutual: Bloemfontein	654	-
Old Mutual: Botshabelo	-	7,817
Old Mutual: Katlehong	18,149	17,189
Old Mutual: Tembisa	1,523	-
SCUK: Khutsong	75,578	71,909
Starfish: Atteridgeville ASC	43,706	-
Starfish: Botshabelo	9,520	-
Starfish: Eastern Cape Mentorship	27,907	-
Starfish: Katlehong	7,951	-
Starfish: Nellmapius	7,739	32,470
Tapologo: Rustenburg	305	-
	<u>2,185,439</u>	<u>420,805</u>

5. Gross revenue

Gross revenue comprises donations received in cash and in kind as well as income from fund raising activities.

6. Commitments

Operating lease commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

Not later than 1 year	123,845	65,191
Later than 1 year and not later than 5 years	146,989	143,431
	<u>270,834</u>	<u>208,622</u>

HEARTBEAT COMMUNITY SERVICE
(Association incorporated under Section 21)
NOTES TO THE FINANCIAL STATEMENTS
at 28 February 2005

7. Financial instruments

7.1 Financial instruments are used to cover risks linked to the company's activity. Each instrument is tied to an asset or liability or an operational or financing transaction. Management of these instruments, most often traded on organised or comparable markets, is centralised.

	2005	2004
	R	R
8. Notes to the cash flow statement		
<i>8.1 Cash generated by operating activities</i>		
Net surplus/(shortfall)	1,703,667	(230,271)
Adjustments for:		
Depreciation	375,988	239,059
Interest received	(61,888)	(6,646)
(Profit)/loss on disposals of fixed assets	(11,743)	118,114
	2,006,024	120,256
Movements in working capital		
Decrease/(increase) in inventories	65,378	(125,129)
(Increase)/decrease in accounts receivable	(418,915)	255,634
Increase in accounts payable	314,485	217,246
	1,966,972	468,007
<i>8.2 Cash and cash equivalents</i>		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Bank balances	2,625,190	915,599