NATIONAL
EDUCATION
COLLABORATION
TRUST

The National Education Collaboration Trust
Registration Number: IT2559/13T

Annual Financial Statements for the year ending 31 December 2020

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	A Trust registered as a non-profit organisation to strengthen partnerships among business, civil society, government and labour in South Africa to achieve the education goals of the country's National Development Plan. The Trust strives both to support and influence the agenda for the reform of basic education.
Trustees	Mr. Sizwe Errol Nxasana Ms. Angelina Motshekga Ms. Ntombifuthi Temperance Mtoba Ms. Tebele Makhetha Mr. Basil Lawrence Manuel Mr. Nkosana Dolopi Mr. Hubert Mathanzima Mweli Prof. Brian De Lacy Figaji Mr. Godwin Khosa
Registered office	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Business address	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Auditors	Ernst and Young Inc Registered Auditors
Trust registration number	IT2559/13T
Bankers	First National Bank
Preparer	Mr Sandile Mkhonto CA(SA) Chief Financial Officer

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APPROVAL OF FINANCIAL STATEMENTS

Trustees' Responsibilities and Approval

The Trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Trust as at the end of 31 December 2020 and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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. This includes 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. The Trust endeavours to minimise risks 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 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 forecasts until 31 December 2021, the available cash resources and the current financial position; and, in the light of this review, they are satisfied that the Trust has access to adequate resources to continue to operate into the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Trust's financial statements. The financial statements have been examined by the Trust's external auditors and their report is presented on pages 4 and 5.

The financial statements set out on pages 13 to 42, which have been prepared on the going concern basis, were approved by the Board of Trustees on 29 April 2021 and were signed on its behalf by:

Chairperson	**Chairman**
Risk and Audit Committee	**Board of Trustees**
Johannesburg	

Building a better
working world

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Independent Auditor's Report

To the Trustees of The National Education Collaboration Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The National Education Collaboration Trust ('the trust') set out on pages 13 to 42 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The National Education Collaboration Trust as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Trust in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the trust and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the trust and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 42-page document titled "The National Education Collaboration Trust Annual Financial Statements for the year ended 31 December 2020", which includes the Approval of Financial Statements and Report of the Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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.

DocuSigned by:
Ernst & Young Inc.
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Ernst & Young Inc.
Director - Kavinesh Manicum
Chartered Accountant
Registered Auditor

18 May 2021

REPORT OF THE TRUSTEES

The Trustees present their report which forms part of the Audited Financial Statements of the Trust for the year ending 31 December 2020.

INCORPORATION

The Trust was registered on 12 July 2013 as a non-profit organisation to strengthen partnerships among business, civil society, government and labour in South Africa to achieve the education goals of the country's National Development Plan. The Trust strives to support and influence the agenda for the reform of basic education.

BUSINESS AND OPERATIONS IN 2020

The global disaster emanating from COVID-19 impacted on the operations of the NECT in various ways. While some programmes could not be implemented due to the health and movement restrictions imposed, other programmes were introduced as emergency responses to the disaster or its impact on education. In the main, the change in programming led to a mix of under-expenditures and additional funding that accompanied new projects. The agility of the NECT was not only beneficial to the internal operations but brought the critical support to the South African Education system in sustaining remote learning, provisioning of the much-needed psychosocial support to teachers and learners, coordination of additional help from education stakeholder groups and in mobilising the return of teachers and learners to school.

The following are some of the operational changes that were introduced to sustain production operations of the organisation:

- Establishment of a COVID-19 Steering Committee involving key funding partners which oversaw the raising and investment of over R40 million.
- Setting up and managing a consortium of research organisations that carried out independent research about the readiness of the national education system to reopen.
- Introducing new programming - Investment Portfolios - that encourages partners to co-design and co-resource critical, national education recovery initiatives.
- Prioritising health related interventions that would support the management of the COVID-19 pandemic. These included preparations for construction of ablution facilities in over 800 schools funded by the DBE, and constructing 117 handwashing stations.
- Establishing the capacity to rollout largescale training onto virtual platforms.

ACHIEVEMENTS IN 2020

1. SUPPORTING THE STATE TO RESPOND TO COVID-19 DISRUPTIONS

Assessment of the Schools' Readiness to reopen

In preparation for the re-opening of schools, the DBE developed and presented tentative plans to the National Coronavirus Command Council on how this would be done safely. The DBE was requested to conduct an external evaluation of its plans and processes for the re-opening of schools and the NECT led the initiative by establishing a consortium that would undertake the assessment.

The initiative provided methodic observation and recommendations on the readiness of the South African schools to reopen safely. In this regard it made independent pronouncements on the readiness of the provincial education departments and schools to provide the necessary protective materials and environments for teachers and learners to return and readiness of the schooling system to reorganize school operations to continue with the delivery of education and provide psycho-social support. The research provided a direly needed common ground for the South African society, key stakeholders such as unions and parent groups to negotiate the return of learners and teachers to school. The research was complemented by negotiations spearheaded by the NECT board and patrons to encourage key stakeholders such as teacher unions to support the remobilization of learners and teachers back to school.

The consortium delivered three reports to the Minister of Basic Education, Council of Ministers (CEM) and Heads of Education Committee (HEDCOM).

Establishing Investment Portfolios

The pandemic caused a widespread concern about the possible reduction of education improvement funding. It was envisaged that the reduction of funding will cause financial stress on the non-government sector. At the same time, the pandemic resulted in an emergence of new and widespread support initiatives largely from the private sector which required improved coordination mechanisms. To address these potential risks and the opportunities, the NECT established six Investment Portfolios which were aimed at increasing coordination of funding partners in key improvement areas in response to the effects of the pandemic on education. These portfolios included Remote and Digital Learning, Care and Support for Learning, Reading, Early Childhood Development, Education Recovery and Re-imagining of Education.

While some gained quicker traction than others, the idea of investment portfolios mobilised significant financial, material, and technical resources to support the educational response to the disaster and create a safety net for some NGOs.

Education Response Emergency Steering Committee

A steering committee made up of the DBE and a wide range of partners was established to support the DBE in formulating its response to the disaster and coordinating the support that was offered by partners. The Steering Committee established and supported the resourcing of the following initiatives:

Broadcasting

The SABC availed 12 regional and national radio stations to broadcast lessons for various grades for 30 minutes each day. Between April and December 2020, over 1 400 learning episodes were broadcast in various languages. SABC 2 and 3 channels broadcasted educational lessons for 2.5 hours, five days a week and lessons were also broadcast on DSTV Channel 317 and OpenView HD (OVHD) channel 122

To provide greater support for final examinations, two learning programmes were launched in September and October: Woza Matrics Catch-Up 2020 Programme and Tswelopele 2020 Programme. The Woza Matrics programme provided curriculum and psychosocial support to Grade 12 learners between 01 September and 08 December 2020 in preparation for the National Senior Certificate examinations.

Over 50 educational platforms were granted zero-rated status by various network providers such as Cell C, MTN, MWEB, Rain, Telkom, Vodacom and Vox. The zero-rated websites include all national and provincial Department of Education websites, and some private sector websites such as 2Enable, Mindset, and Siyavula Technology Powered Learning. The NECT website was also granted zero-rated status in September 2020.

Teacher Support

Since the beginning of the lockdown period, teachers, subject advisors, heads of departments and school managers have received themed WhatsApp messages on curriculum and leadership related matters. These messages were shared bi-monthly to over 1 400 beneficiaries from the NECT's databases with the purpose of keeping contact, guiding teachers on maintaining curriculum coverage during the lockdown, and to prepare teachers for school re-opening.

2. TEACHER PROFESSIONALISATION

The District Improvement Programme supports the education system through interventions aimed at improving the quality of teaching and learning as well as school management in districts to ensure sustainable improvement in education. The programme capacitates the system through teacher professionalisation initiatives, enhancement of leadership, involvement of parents and communities as well as improving resources to assist the system to efficiently support learners.

To date, a total of 18 996 schools have been introduced to learning programmes. The number of schools involved in the NECT work has gone up by 6.3 percentage points since 2019. Of paramount importance is the fact that to date, 1 083 subject advisers have been trained and involved in the learning programmes methodology. These subject advisors are responsible for training and supporting teachers who teach language, mathematics and science subjects. The number of subject advisors that have been reached through this programme is equivalent of 29.7% of the subject advisors that are available for all the subjects nationally.

The trained subject advisors, and a smaller proportion of external experts, were in turn used to increase the reach of the NECT programmes to 100 530 teachers. This number of teachers reached is 24.7% of the system.

3. CAPACITY OF THE STATE TO DELIVER

The NECT introduced a number of programmes and projects to support and contribute to further building the capacity of the state to deliver services crucial to education delivery. This imperative is central to the commitment of the National Development Plan to build a developmental state.

Education Technical Assistance Office

The Education Technical Assistance Office (ETAO) was established in 2019 to support the DBE with three strategic imperatives: Function migration of Early Childhood Development Services, Three Stream Curriculum Model and National Institute for Curriculum Development (NICPD).

The office has registered the following achievements:

- Established ETAO Steering Committee which is headed by the Director General.
- Established Reference Groups for each of the three domains and developed Terms of Reference (TOR) that guide their operations.
- Started providing technical support in three strategic areas: the function of the Early Childhood programme from Social Development to Education, background research and initiation of the National Institute for Curriculum and Professional Development, and the background research and planning of the three streams curriculum model.
- Provided Technical Advisor to facilitate the development and submission of a Business Plan to solicit European Union funding that may potentially amount to R150 million.

Sanitation Appropriate for Education (SAFE)

Since the launch of the SAFE programme on 14 August 2018, by President Cyril Ramaphosa, the NECT constructed ablution facilities in 60 schools across the country and has raised over R50 million private sector funding for the eradication of pit latrines. In partnership with the DBE, the programme will also be constructing ablution facilities in over 800 schools for the next two years.

The NECT has also signed an MoU with UNICEF for the construction of hand washing stations in 117 schools in the Eastern Cape, Limpopo, KwaZulu Natal and Mpumalanga provinces. In 2020 the NECT completed assessments in 75% of the schools and construction started in January 2021. The project will go a long way in improving health and hygiene and contribute to minimizing COVID-19 risks in schools.

Ensuring district functionality through a district performance system

The Fundamentals of Performance (FoP) intervention for district development seeks to build the organisational capacity of districts to provide high quality support to schools and communities in line with policy requirements.

- In 2020, three Development of Districts Plans (DDPs) were reviewed and revised for OR Tambo Coastal, Waterberg and Ngaka Modiri Molema districts in EC, LP and NW respectively.
- Due to Covid- 19 disruptions, the reach of FoPs in terms of training and the subsequent DDPs has remained the same as last year, thus, FoPs: 42 districts and DDPs: 42 districts. This is partly because time, resources and effort were redirected to driving Care and Support programmes which demanded greater attention in ensuring (a) standard processes and procedures for schools as prescribed by the Health department (NCCC) were in place (b) emotional issues emanating from the adverse effects of Covid-19 were resolved amicably as they arise and (c) schools were capacitated with the relevant information on Covid-19 and how to protect themselves from being victims of the pandemic.

Modernising the school administration system to improve data quality and utilisation in schools

In the previous years, the NECT embarked on a journey to modernise the South African School Administration and Management System (SA-SAMS) by setting up a project management office responsible for delivering a modernised solution. In 2020, the United Nations Education, Scientific and Cultural Organisation (UNESCO) was approached to acquire and use their OpenEMIS system.

The NECT supported a secondment to the role of Chief Information Officer (CIO) to the Department of Basic Education (DBE) inSeptember 2019. In April 2020, the DBE institutionalised the CIO in the organogram – as in the form of the Deputy Director General: Business Intelligence. The intent of the secondment was to set up the CIO function in the education department.

Subject Advisor Profiling Study

The NECT in partnership with the DBE and Zenex Foundation directed a profiling of the subject advisors in the education system with a view of informing how their function could be made more efficient and effective.

The study highlighted several key findings including among other, the following:

- Human capacity shortages: The majority of GET subject advisors are assigned too many schools to adequately support. Despite the shortages, it is deemed not economically feasible for provinces to appoint more advisors in line with policy norms.

- Subject Advisers need more resources: Although all of the interviewed SAs reported that they have access to necessary tools to execute their duties, many SAs noted the need for better data provision to work remotely.
- Subject Advisers' ICT skills need strengthening: Although SAs are accessing ICT training opportunities, the majority of surveyed SAs reported being unsatisfied with the quality of training provided. ICT skills emerged as the area where SAs stated they need the most professional development and support.

The National Reading Coalition

The National Reading Coalition was initiated by NECT and the DBE and launched on 15 February 2019. It was initiated to provide a coordinated response to the poor reading levels in the country. The achievements for 2020 are highlighted below:

- The NRC developed 21 home language story books that would be disseminated online and via WhatsApp to teachers.
- The NRC Secretariat has collaborated with the Department of Basic Education to roll out the Reading Champions project. A total of 50 000 Reading Champions were employed on short term contracts across 9 provinces to assist with promoting reading for pleasure in schools.
- 20 000 primary school reading books were donated by Room to Read and given to 100 schools which did not have reading materials.
- A Virtual Reading Club was launched to mobilise communities to take up reading. The sessions will be monthly, and a different book will be discussed each month with panel members invited to speak about their experience of the books.

Encouraging Dialogue and Active Citizenry

One of the biggest successes of the dialogue programme was convening the 20 series radio dialogue programme on Radio2000, which pulled in over 243 000 listeners. The radio shows took place on weekdays for 20 days from 14:30-15:00 and featured interviews about education recovery, parental support during the lockdown and how businesses can support education during the lockdown.

The dialogue programme also hosted a total of seven civil society meetings between the Minister of Basic Education and civil society, these meetings discussed Curriculum, teaching and catchup, the health and safety of learners and teachers and if the rotational system will be implemented in 2021, as well as online learning and the zero-rating of sites.

The civil society meetings gave birth to the Civil Society Task Team with the purpose of assisting the DBE identify gaps and build the system better. The seven workstreams identified were Care and Support for Teaching and Learning, reading, Early Childhood Development (ECD), Curriculum, School and Community, Online Learning and Schooling Beyond Covid - 19. These workstreams produced research papers that identified the problems and to develop consensus on the nature of the problems and get advice about current programmes or initiatives which are being undertaken.

The dialogue programme also hosted other dialogues, with topics covering ethics in education, curriculum in a fast-changing world and a research seminar looking at how other countries have rebuilt their education system following a disaster.

21st Century Schools Sandbox Project

After more than two years of rigorous planning, design, and engagement with the pilot schools, the Sandbox Schools project began its first cycle of structured research in 2020. The project team had planned a set of six school-based interventions for implementation and research over the next three years, but these plans were disrupted by the COVID-19 pandemic. The Sandbox project team showed agility and creativity in its response to the pandemic by adjusting and adding to the planned interventions, based on the emerging needs at schools. Insights from these experiences are being used to improve the design of interventions and will lay the groundwork for deeper research over the next few years. The EdHub also experienced some success in advocacy and sector engagement in 2020, hosting three webinars on education in a changing world and being mandated by the DBE to form part of its Competency-Infused Curriculum Task Team (CICTT). This task team will outline a plan for a curriculum review process over the next three years, with the intention of modernising the curriculum through the deliberate infusion of competencies for a changing world.

4. FINANCIAL RESULTS

The operating results and state of affairs of the Trust are fully set out in the accompanying financial statements.

In 2020, the Trust recognised revenue of R295,138,067 (2019: R259,334,550). Total expenditure amounted to R245,334,220 (2019: R245,513,305), out of which 93% was direct investment in education programmes, while 7% was spent on administration expenses.

The 2020 Trust's operations recorded a surplus of R52,431,729 (2019: R15,536,664).

The financial results are set out on pages 13 to 42 and do not, in our opinion, require any further comment.

Tax status

The Trust was granted exemption from income tax by the South African Revenue Services as a Public Benefit Organisation (PBO) in terms of sections 30 and 10(1) (cN) and 18A of the Income Tax Act. As a Non-Profit Organisation, no distribution to members is permitted.

Events subsequent to the year end

The Trustees are not aware of any material facts or circumstances that took place between the accounting date and the date of this report that may have had an impact on the financial statements.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Trustees

The Trustees for the period under review were as follows:

Mr. Sizwe Errol Nxasana (Chairman)
Ms. Angelina Motshekga (Deputy Chairman)
Ms. Ntombifuthi Temperance Mtoba
Ms. Tebele Makhetha
Mr. Basil Lawrence Manuel
Mr. Nkosana Dolopi
Mr. Hubert Mathanzima Mweli
Prof. Brian De Lacy Figaji
Mr. Godwin Khosa (Chief Executive Officer)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

ASSETS	Notes	2020 R	2019 R
Non current Assets		**4 236 149**	**6 597 582**
Property, plant & equipment	2	2 400 891	2 733 954
Right-of-use assets	3	1 790 353	3 530 607
Intangible assets	4	44 904	333 021
Current Assets		**266 139 185**	**87 172 620**
Trade and other receivables	5	24 259 679	56 415 475
Cash and cash equivalents	6	241 879 506	30 757 145
Total assets		**270 375 334**	**93 770 202**
FUNDS AND LIABILITIES			
Funds		**77 506 369**	**25 074 639**
Accumulated Funds		77 506 369	25 074 639
Non Current Liabilities		**400 657**	**2 136 704**
Lease liability	8	400 657	2 136 704
Current Liabilities		**192 468 308**	**66 558 859**
Deferred Income	7	171 961 707	42 110 520
Lease liability	8	1 733 127	1 713 951
Trade payables and accruals	9	15 591 572	19 929 923
Other payables	10	2 170 108	1 914 220
Leave provision	11	1 011 794	890 245
Total funds and liabilities		**270 375 334**	**93 770 202**

STATEMENT OF COMPREHENSIVE INCOME
for the year ending 31 December 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
			R
INCOME		**295 138 067**	**259 334 550**
Government & SETAs		121 578 139	115 742 248
Business		46 530 584	44 904 634
Foundations and Trusts		6 003 029	7 386 570
Labour		-	220 003
Special Projects	12	116 994 335	86 663 907
Other income	13	4 031 980	4 417 188
EXPENDITURE		**245 334 220**	**245 513 305**
Programme expenses	14	115 352 773	142 994 320
Special Projects	12 &14	113 462 328	86 663 907
Administration expenses	14	16 519 119	15 855 078
Operating (deficit)/surplus		**49 803 847**	**13 821 245**
Net finance charges		**2 627 882**	**1 715 419**
Finance received	15	2 944 153	2 166 582
Finance charges	16	(316 270)	(451 163)
Surplus for year		**52 431 729**	**15 536 664**
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus		**52 431 729**	**15 536 664**

STATEMENT OF CHANGES IN FUNDS
for the year ending 31 December 2020

Balance as at 31 December 2016	**4 072 111**
Total comprehensive surplus for the year ending 31 December 2017	13 090 673
Balance as at 31 December 2017	**17 162 784**
Total comprehensive deficit for the year ending 31 December 2018	(7 624 809)
Balance as at 31 December 2018	**9 537 975**
Total comprehensive surplus for the year ending 31 December 2019	15 536 664
Balance as at 31 December 2019	**25 074 640**
Total comprehensive surplus for the year ending 31 December 2020	52 431 729
Balance as at 31 December 2020	**77 506 369**

STATEMENT OF CASH FLOWS
for the year ending 31 December 2020

	Notes	2020	2019
		R	R
Cash flows from operating activities			
Cash receipts from funders		457 145 050	256 055 682
Cash paid to suppliers and employees		(246 252 495)	(261 970 704)
Cash generated from operations	17	**210 892 555**	**(5 915 022)**
Interest received	15	2 944 153	2 166 582
Interest paid on lease liability	16	(316 270)	(451 163)
Net cash flows from operating activities		**213 520 437**	**(4 199 603)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(681 206)	(750 667)
Purchase of intangible assets		-	(317 967)
Net cash used in investing activities		**(681 206)**	**(1 068 634)**
Cash flows from financing activities			
Leased Liability	18	(1 716 871)	(1 331 688)
Net cash flows from/(used in) financing activities		**(1 716 871)**	**(1 331 688)**
Net increase in cash and cash equivalents		211 122 361	(6 599 926)
Cash and cash equivalents at beginning of period		30 757 145	37 357 071
Cash and cash equivalents at end of period		**241 879 506**	**30 757 145**

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
The financial statements are presented in South African rand, which is the Trust's functional and presentation currency and rounded to the nearest rand.

1.1 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the Income can be reliably measured, regardless of when the payment is being made. Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Income mainly comprises:

1.1.1 Government grants

Government grants comprised of cash received from the Government departments. The Trust has adopted the income approach in recognising the Government grants in compliance with IAS 20.

Government grants are recognised in the statement of financial position initially as deferred income when they are received. They are subsequently recognised in the statement of comprehensive income on a systematic basis over the periods in which the Trust recognises, expenses, the related costs for which the grant is intended to compensate or when the Trust comply with the conditions attached to them.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust with no link to the future related costs or obligations are recognised in profit or loss of the period in which it becomes receivable.

The Government grants are presented separately under the Income heading in the statement of comprehensive income.

1.1.2 Donations

IFRS 15 Revenue from contracts with customers
The NECT Management reviewed the current donation agreements/contracts in line with IFRS 15 principles and concluded that the current donation agreements do not fall under the scope of IFRS 15 due to one or more of the following:

- Current donation agreements do not contain enforceable rights and obligations as defined under IFRS 15, because the agreements do not contain clauses that require NECT to return the funds if the NECT does not fulfil the obligations stipulated under the agreements.
- The required use of the funds to further the NECT's objectives is not sufficiently specific to know when services have been transferred and the obligation satisfied; and the time restriction on use of the funds is not sufficiently specific of itself to create a performance obligation to transfer services to the Government or a third party so that it can be identified when the obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- The Agreements are open to have the funds be commingled with other funds, such as general-purpose funds, used to fund administrative services as well as those related to the objectives of the NECT, and it is not possible to reliably determine when transfer of services may have occurred using the specific funds.

In light of the above, the NECT management decided to also apply Government grants policy detailed above to the Donations. Management is satisfied that the approach adopted is consistent to the principles of the IFRS framework.

Donations are recognised in the statement of comprehensive income. Donations in-kind are recognised where there are contractual arrangements with donors to the extent that the services have been rendered.

1.1.3 Deferred Income

These comprise funds received in advance from donors for use in projects where services have not been rendered or where conditions attached to them have not yet been complied with.

1.1.4 Finance income

Finance income comprises interest income on funds invested. Interest is recognised, in the statement of comprehensive income, using the effective interest rate method.

1.2 Project accounting and expense allocation

The project costs are measure at cost and are recognised in the period which they are incurred. Project costs that are clearly identifiable are allocated directly against project funds in terms of the project's contractual obligations.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the Trust; and
- the cost of the item can be measured reliably.

An item property, plant and equipment is initially measure at its cost. The Cost include the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After recognition, Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Some of the assets are held by the lead agencies for the exclusive use in the delivery of the Trust's education programmes. Depreciation is provided using the straight-line
basis less estimated residual value over the useful lives on the property, plant and equipment as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

▪ Computer equipment	3 years
▪ Office equipment	3 - 5 years
▪ Furniture and fittings	8 years
▪ Motor vehicles	4 years
▪ Science lab	2 years

The depreciation charge for each period is recognised in profit and loss.

The carrying value of equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or the cash generating units that the asset belongs to are written down to their recoverable amount.

The useful life of all property, plant and equipment is reviewed and adjusted, if necessary, at each reporting date.

The carrying amount of an item of property, plant and equipment shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Gains shall not be classified as other income.

1.4 Leased Assets

For any new contracts entered into on or after 1 January 2019, the Trust considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Trust assesses whether the contract meets key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Trust;
- the Trust has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Trust has the right to direct the use of the identified asset throughout the period of use; and
- the Trust assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Trust recognises a right-of-use asset and a lease liability on the balance sheet.
The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Trust, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Trust depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Trust also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Trust measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Trust's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced with payments made and increased with interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Trust has elected to account for short-term leases assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and Lease Liabilities have been presented separately in face of statement of financial position.

1.5 Intangible assets

An intangible asset shall be recognised if, and only if:

- it is probable that future economic benefits that are attributable to the asset will flow to the Trust; and
- the cost of the asset can be measured reliably.

Intangible assets comprised of Computer software and Website. The Computer software is initially measure at its cost. After initial recognition, Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Website development costs include the direct costs of personnel, materials and services consumed in the setting up of the site. Website development costs are recognised as an asset only when it is probable that the costs will give rise to future economic benefits.

Website development costs are amortised on the straight-line basis over the estimated useful life of the website.

Amortisation is calculated on a straight-line basis over the useful lives of the assets as follows:

- Computer software 3 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The residual values and useful lives of all intangibles are reviewed and adjusted if necessary, at each reporting date and, if an impairment in value has occurred, it is written off in the period in which the circumstances have been determined.

An intangible asset shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between net disposal proceeds, if any, and the carrying amount of the asset and be included in profit or loss. Gains shall not be classified as other income.

1.6 Impairment of non-financial assets

The Trust assesses, at the end of each reporting period, whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use.

If the recoverable amount of an asset is less than it's carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately to profit and loss.

1.7 Trade and other receivables

Trade and other receivables comprise of accrued income and other receivables.

Accrued Income

The Accrued Income comprise of Funding receivable from the Donors, and it does not meet the definition of Financial Instruments because the Donor funding by its nature is not contractual enforceable. Accrued Income is recognised when the Trust has complied with the grants and donation conditions however the funding had not been received by the Trust. Accrued Income is initially recognised at cost plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised costs using the effective interest rate method, less any provision for impairment losses.

A provision for impairment loss amount is recorded for the difference between the carrying value and the estimated recoverable amount where there us objective evidence that the Trust will not be able to collect all amounts due.

These estimates are based on specific indicators, such as the aging of funders balances, specific credit circumstances and the Trust's historical experience and including forward looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other receivables

The Other receivables comprised of VAT receivable and prepayments which does not meet the definition of financial instruments.
The Other receivables are recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the Trust and the transaction amount can be measured reliably.
The Other receivables are initially recognised at their transaction amount. Subsequent to initial recognition, the Trust measures the Other receivables using cost method. Under the cost method, the initial measurement of the Other receivables is changed subsequent to initial recognition to reflect any interest or other charges that may have accrued on the other receivables, impairment losses and amount recognised.

1.8 Other payables

Other payables mainly comprised of statutory liabilities relating to employees. The Other payables are recognised on the amount expected to be paid, if the Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
The Other payables are initially recognised at their transaction amount. Subsequent to initial recognition, the Trust measures the other payable using cost method. Under the cost method, the initial measurement of the Other is changed subsequent to initial recognition to reflect any interest or other charges that may have accrued on the other payable.

1.9 Financial Instruments

i) Financial Assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, petty cash and instruments which are readily convertible, within 32 days, to known amounts of cash and are subject to an insignificant risk of changes in value and are measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of credit card liability and they all are available for use by Trust unless otherwise stated.

Cash and cash equivalents are initially measured at fair value and as these instruments meet the SPPI and business test, they are measured subsequently at amortised cost.

Impairment

The Trust recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Trust's historical experience and informed credit assessment and including forward-looking information.

ii) Financial Liabilities

Trade payables and accruals

The Trade payables and accruals are recognised at amortised cost using the effective interest method.

1.10 Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of events for which it is probable that an outflow of economic benefits will occur, and reliable estimate of the obligation can be determined. A contingent liability, being a possible obligation, is not recognised but is disclosed unless the possibility of an outflow of economic benefits is remote.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation, the unwinding of the discount shall be recognised as a finance cost in profit or loss in the period it arises where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party.

The reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Trust settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Trust has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.
Contingent assets and contingent liabilities are not recognised, however are disclosed in the notes to financial statements.

1.11 Employee benefits

The Employee benefits comprised of Short-term employee benefits and post-employment benefits in form of the provident fund.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Post-employment benefit are classified as defined contribution plan. The Trust shall recognise contribution payable to a defined contribution in exchange for that service:

- As liability (Other payables), after deducting any contribution already paid; and
- As Expense (Employee costs).

1.12 Related parties

Parties are considered to be related to the organisation if they have the ability, directly or indirectly, to control, jointly control or exercise significant influence in making financial and operating decisions, or vice versa.

Related parties also include key management personnel which are those persons having authority and responsibility for planning, directing and controlling the activities of the organisation, directly or indirectly.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the organisation.

1.13 Events after the Reporting Period

Events after the report period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Adjusting events are events occurring after the reporting date that provide evidence of conditions that existed at the end of the reporting period. The Trust adjust the amounts recognised in its financial statements and/or relevant disclosures to reflect such events. Non-adjusting events are events occurring after the reporting date that do **not** provide evidence of conditions that existed at the end of the reporting period. The Trust does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT

2020	Motor Vehicle R	Computer Equipment R	Office Equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	822 039	2 433 890	1 143 409	1 778 985	514 592	6 692 916
Accumulated depreciation	(729 301)	(1 604 413)	(648 932)	(839 383)	(469 995)	(4 292 024)
Carrying amount at 31 December 2020	**92 738**	**829 477**	**494 478**	**939 602**	**44 597**	**2 400 891**
Reconciliation of assets						
Carrying amount at 1 January 2020	**219 144**	**704 944**	**599 333**	**1 165 936**	**44 596**	**2 733 954**
Additions	-	547 738	128 468	5 000	-	**681 206**
Reclassification	-	-	-	-		**-**
Depreciation	(126 406)	(412 850)	(220 429)	(206 516)	-	**(966 201)**
Disposals at cost	-	(21 969)	(127 053)	(53 207)	-	**(202 229)**
Accumulated depreciation on disposals	-	11 615	114 158	28 390	-	**154 162**
Carrying amount at 31 December 2020	**92 738**	**829 477**	**494 478**	**939 602**	**44 596**	**2 400 891**

2019	Motor Vehicle R	Computer Equipment R	Office Equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	822 039	1 908 122	1 141 994	1 827 193	514 592	6 213 939
Accumulated depreciation	(602 895)	(1 203 178)	(542 661)	(661 256)	(469 995)	(3 479 985)
Carrying amount at 31 December 2019	**219 144**	**704 944**	**599 333**	**1 165 936**	**44 597**	**2 733 954**
Reconciliation of assets						
Carrying amount at 1 January 2019	399 223	834 228	547 654	1 160 960	57 031	2 999 096
Additions	-	368 294	186 219	196 154	-	750 667
Reclassification	-	-	(1 893)	1 893		-
Depreciation	(180 079)	(443 387)	(132 208)	(193 070)	(12 435)	(961 179)
Disposals at cost	-	(157 740)	(4 385)	-	-	(162 125)
Accumulated depreciation on disposals	-	103 549	3 946	-	-	107 495
Carrying amount at 31 December 2019	**219 144**	**704 944**	**599 333**	**1 165 936**	**44 596**	**2 733 954**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. RIGHT-OF-USE ASSETS

2020	Office Buildings R	Office Equipment R	Total R
Cost	4 974 327	208 015	5 182 343
Accumulated amortisation	(3 287 982)	(104 008)	(3 391 989)
Carrying amount at 31 December 2020	**1 686 346**	**104 008**	**1 790 353**
Reconciliation of assets			
Carrying amount at 1 January 2020	3 357 261	173 346	3 530 607
Additions	-	-	-
Depreciation	(1 670 916)	(69 338)	(1 740 254)
Disposals at cost	-	-	-
Accumulated amortisation on disposals	-	-	-
Carrying amount as at 31 December 2020	**1 686 346**	**104 008**	**1 790 353**

2019	Office Buildings R	Office Equipment R	Total R
Cost	4 974 327	208 015	5 182 343
Accumulated amortisation	(1 617 066)	(34 669)	(1 651 735)
Carrying amount at 31 December 2019	**3 357 261**	**173 346**	**3 530 607**
Reconciliation of assets			
Carrying amount at 1 January 2019	-	-	-
IFRS 16 adoption	4 974 327	208 015	5 182 343
Depreciation	(1 617 066)	(34 669)	(1 651 735)
Disposals at cost	-	-	-
Accumulated amortisation on disposals	-	-	-
Carrying amount as at 31 December 2019	**3 357 261**	**173 346**	**3 530 607**

The Trust leases Office Buildings and some of the Office Equipment. With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset.

Leases of property generally have a lease term ranging from 1 years to 5 years, however most leases of property are now generally expected to be limited to 5 years or less except in special circumstances. Lease payments are generally fixed. Each lease generally imposes a restriction that, unless there is a contractual right for the Trust to sublet the asset to another party, the right-of-use asset can only be used by the Trust. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Trust is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings, the Trust must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

There were no rent concessions arising from the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The table below describes the nature of the Trust's leasing activities by type of right-of-use asset recognised on balance sheet:

Right – of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with options to purchase	No. of leases with extension options
Office Buildings	3	1-2 years	2 Years	-	-
Office Equipment	2	1.5 years	1.5 years	-	-

4. INTANGIBLE ASSETS

2020	**Website R**	**Computer Software R**	**Total R**
Cost	-	349 235	349 235
Accumulated amortisation	-	(304 331)	(304 331)
Carrying amount at 31 December 2020	**-**	**44 904**	**44 904**

Reconciliation of assets			
Carrying amount at 1 January 2020	259 431	73 590	333 020
Additions	-	-	-
Amortisation	(53 986)	(28 686)	(82 672)
Disposals at cost	(299 920)	-	(299 920)
Accumulated amortisation on disposals	94 475	-	94 475
Carrying amount as at 31 December 2020	**-**	**44 904**	**44 904**

2019	**Website R**	**Computer Software R**	**Total R**
Cost	299 920	349 235	649 155
Accumulated amortisation	(40 489)	(275 645)	(316 134)
Carrying amount at 31 December 2019	**259 431**	**73 590**	**333 021**

Reconciliation of assets			
Carrying amount at 1 January 2019	-	113 430	113 430
Additions	299 920	18 047	317 967
Amortisation	(40 489)	(57 887)	(98 377)
Disposals at cost	-		-
Accumulated amortisation on disposals	-	-	-
Carrying amount as at 31 December 2019	**259 431**	**73 590**	**333 021**

NATIONAL EDUCATION COLLABORATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TRADE AND OTHER RECEIVABLES

As at 31 December 2020, the following amounts were receivable and/or accrued to the Trust as expenditure had been incurred on the specific education programmes and the respective committed funding had not been received by the Trust:

Accrued income	**2020**	**2019**
	R	**R**
EDTP SETA	12 348 805	17 304 680
Zenex Foundation	-	3 000 000
National Department of Basic Education	-	30 563 477
First Rand Empowerment Foundation (FREF)	5 183 156	703 562
Assupol Life Limited	-	236 782
	17 531 961	**51 808 501**

Other receivables	**2020**	**2019**
	R	**R**
Prepayments and deposits	775 449	788 504
VAT	5 907 029	3 794 915
Other debtors	45 240	23 554
	6 727 718	**4 606 973**
Total	**24 259 679**	**56 415 475**

6. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits for varying periods of between one day and 32 days, depending on the immediate cash requirements of the Trust, and earn interest at the respective short-term deposit rates.

At 31 December 2020, the Trust's Cash and cash equivalents comprised of the following:

	2020	**2019**
	R	**R**
Short-term deposits	241 886 033	30 753 082
Cash on hand	13 288	5 889
Credit Card	(19 815)	(1 825)
	241 879 506	**30 757 145**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED INCOME

Deferred income relates to funds received from funders, but the Trust has not rendered the services at year end to recognise the income.

Deffered Income comprise:	**2020** **R**	**2019** **R**
Core programmes	3 645 782	3 645 782
Special project: SA-SAMS	22 396 653	25 838 265
Special project: SAFE	97 720 066	-
Special project: COVID-19 Interventions (Handwashing stations)	10 589 612	-
Special project: Remote learning	15 805 164	-
Special project: Learner Teacher Support Materials	15 739 876	-
Special project: Early Childhood Development (ECD)	4 219 030	-
Special project: Life Orientation	845 523	12 626 473
Special project: Tshikululu Investments (ALA)	1 000 000	-
	171 961 707	**42 110 520**

* Deferred income is classified as Current liability as it is expected to be utilised within the next 12 months from Reporting date. This has resulted in a reclassification of the 2019 deferred income balance from Non-current to Current liability.

The deferred income balances above mainly relate to the funds received for the DBE-SAFE, UNICEF handwashing stations, SA-SAMS projects and ring-fenced funding for the DBE LTSM and ECD. The DBE – SAFE and UNICEF Handwashing stations projects are currently on procurement stage and are expected to be completed in 2021. The SA-SAMS project has delayed due to challenges in finding the suitable vendor for the project.

8. LEASE LIABILITY

	2020 **R**	**2019** **R**
Non-Current liabilities		
Lease liability	400 657	2 136 704
Current liabilities		
Lease liability	1 733 127	1 713 951
	2 133 784	**3 850 655**

The undiscounted maturity analysis of lease liabilities at 31 December is as follows:

2020

Minimum lease payments	**Office Equipment** **R**	**Office Building** **R**	**Total** **R**
1 year	80,838	1,782,937	1,863,775
2-3 years	40,419	383,510	423,929
Total undiscounted payments	**121,257**	**2,166,447**	**2,287,704**
Finance charges	(9,303)	(144,617)	(153,920)
Net Present values	**111,954**	**2,021,830**	**2,133,784**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2019

Minimum lease payments	Office Equipment R	Office Building R	Total R
1 year	80,838	1,952,303	2,033,141
2-5 years	121,257	2,166,447	2,287,704
Total undiscounted payments	**202,095**	**4,118,750**	**4,320,845**
Finance charges	(24,481)	(445,710)	(470,191)
Net Present values	**177,614**	**3,673,040**	**3,850,654**

Lease liabilities as at 31 December are presented in the Statement of financial position as follows:

2020

	Office Equipment R	Office building R	Total R
Current	72,716	1,660,411	1,733,127
Non-current	39,238	361,419	400,657
Total	**111,954**	**2,021,830**	**2,133,784**

2019

	Office Equipment R	Office building R	Total R
Current	120,557	1,651,210	1,771,767
Non-Current	57,057	2,021,830	2,078,887
Total	**177,614**	**3,673,040**	**3,850,654**

Lease payments not recognised as a liability.

The Trust has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis in Statement of comprehensive income as part of the administrative expenses.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 December 2020 R	31 December 2019 R
Short-term leases	322,959	106,062

On 31 December 2020, the Trust was committed to short term leases and the total commitment at that date was R221,670 (2019: R212,124).

The Trust rents offices under a non-cancellable 5-year operating lease at the head office which commenced on 1 December 2016 and expires on 30 November 2021. In addition, it has 2-year leases for two project offices in East London and in Centurion which expires on 31 March 2021 and 31 January 2023 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following amounts are recognised in the cash flow statement:

Cash outflow for leases (IFRS16) – financing activity	2020 R	2019 R
Principal	1,716,871	1,331,688
Interest	316,270	451,163
Total cash outflow from financing activity	**2,033,141**	**1,782,851**
Short-term leases payments*	322,959	106,062
Total cash outflows from financing and Operating activity	**2,356,100**	**1,888,913**

*Short term lease payments are included in the 'cash paid to suppliers and employees' within the Operating activity on the Cash flow.

9. TRADE PAYABLES AND ACCRUALS

Trade payables and accruals are non-interest bearing and normally settled on 30-day terms.

	2020 R	2019 R
Trade payables	10 911 043	15 861 562
Accruals	4 680 530	4 068 362
	15 591 572	**19 929 923**

10. OTHER PAYABLES

Other payables are non-interest bearing and have an average term of less than 30 days.

Included under other payables are the following amounts which were outstanding as at the end of the financial year:

	2020 R	2019 R
PAYE,SDL & UIF	1 817 722	1 830 055
Retirement Annuity	29 166	22 000
Provident Fund - Clearing Account	162 963	37 081
Medical Aid payable	29 822	25 085
VAT Output	130 435	-
	2 170 108	**1 914 220**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. LEAVE PROVISIONS

	2020 R	2019 R
Leave pay provision		
Opening balance	890 245	692 637
Movement for the year	121 549	197 608
Closing balance	**1 011 794**	**890 245**

The leave pay provision relates to the annual leave earned by the employee but not yet taken at the balance sheet date which is expected to be settled within 12 months. The leave provision is measured based on amount that the Trust expects to pay as a result of the unused entitlement that has accumulated at end of the financial year. The movement in the leave provision is recognised as employee costs expense in profit and loss.

12. SPECIAL PROJECTS

Income	**2020** **R**	**2019** **R**
Eskom (Life Orientation Project)	788 033	576 433
Momentum Metropolitan Foundation (Life Orientation Project)	364 053	364 058
Momentum Metropolitan Foundation (COVID-19 interventions)	1 687 559	-
Road Traffic Management Corporation (Life Orientation Project)	9 513 493	9 897 321
NESTLE (Life Orientation Project)	682 435	-
Department of Basic Education (SAFE)	6 803 478	2 387 550
Assupol Life Limited (SAFE)	11 627 128	8 471 782
Gauteng Provincial Department of Education (SA-SAMS Project)	44 237	187 379
ETDP SETA (PSRIP)	35 420 104	50 230 970
ETDP SETA (CATC)	1 891 534	-
Old Mutual (COVID-19 Interventions)	20 142 342	908 708
Government Grants-DBE-SA SAMS	656 675	-
Government Grant-DBE ETAO	2 730 970	-
Government Grant-DBE LTSM	960 124	-
Government Grant-DBE School Readiness	15 000 000	-
Government Grant-DBE Woza Matric	19 836	
UNICEF (COVID-19 interventions)	1 454 771	-
Michael & Sudan Dell Foundation (SA-SAMS Project)	393 398	4 531 158
FirstRand Empowerment Fund (SA-SAMS Project)	4 412 456	2 398 925
National Department of Arts and Culture (Spelling Bee Project)	82 144	399 833
Donations-Woolworths Trust (Covid 19 Response)	500 000	-
Donations-Standard Bank (Covid 19 Response)	869 565	-
Tshikulu Invesments (ALA)	950 000	-
Save the Children South Africa	-	2 569 998
Michael & Sudan Dell Foundation (Schools Data Landscape Project)	-	897 584
ELMA Philanthropies (SA-SAMS Project)	-	1 443 779
Railway Safety Regulator (Life Orientation Project)	-	318 427
National Department of Basic Education (Maths Task Team)	-	1 080 000
TOTAL	**116 994 335**	**86 663 907**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Expenditure	2020 R	2019 R
Eskom (Life Orientation Project)	788 033	576 433
Momentum Metropolitan Foundation (LO)	364 053	364 058
Momentum Metropolitan Foundation (COVID-19)	1 687 559	-
Road Traffic Management Corporation (Life Orientation Project)	9 513 493	9 897 321
NESTLE (Life Orientation Project)	682 435	-
National Department of Basic Education (SAFE)	6 803 478	2 387 550
Assupol Life Limited - SAFE	11 627 128	8 471 782
Gauteng Provincial Department of Education (SA-SAMS Project)	44 237	187 379
ETDP SETA (PSRIP)	35 420 104	50 230 970
ETDP SETA (CATC)	1 891 534	-
Old Mutual (COVID-19 interventions)	20 142 342	908 708
Government Grants-DBE-SA SAMS	656 675	-
Government Grant-DBE ETAO	2 730 970	-
Government Grant-DBE LTSM	960 124	-
Government Grant-DBE School Readiness	11 337 558	-
Government Grant-DBE Woza Matric	19 836	-
UNICEF (COVID-19 interventions)	1 454 771	-
Michael & Sudan Dell Foundation (SA-SAMS Project)	393 398	4 531 158
FirstRand Empowerment Fund (SA-SAMS Project)	4 412 456	2 398 925
National Department of Arts and Culture (Spelling Bee Project)	82 144	399 833
Donations-Woolworths Trust (Covid 19 Response)	500 000	-
Donations-Standard Bank (Covid 19 Response)	1 000 000	-
Tshikulu Invesments (ALA)	950 000	-
Save the Children South Africa	-	2 569 998
Michael & Sudan Dell Foundation (Schools Data Landscape Project)	-	897 584
ELMA Philanthropies (SA-SAMS Project)	-	1 443 779
Railway Safety Regulator (Life Orientation Project)	-	318 427
National Department of Basic Education (Maths Task Team)	-	1 080 000
TOTAL	**113 462 328**	**86 663 907**

Special projects refer to projects that are designed and/or funded based on specific ring-fenced arrangements with third parties.

13. OTHER INCOME

	2020 R	2019 R
ETDP SETA Training Reimbursement	-	60 582
Old Mutual Insurance Claims	14 392	31 963
Board members donations (in lieu of pay)	294 463	260 727
Project Management fee	3 723 126	4 063 916
	4 031 980	**4 417 188**

14. EXPENDITURE

The Programme expenses, Special projects and Administration expenses include the following:

	2020	2019
	R	R
Employee costs*	62 641 759	57 622 934
Personnel-Consultants	61 120 816	35 100 901
Personnel-Full Time	23 187 436	31 236 570
Materials-Production	17 537 131	30 502 808
Broadcasting costs	17 224 724	1 519 878
Materials-Development	12 397 944	6 811 953
Travel Expenses	12 295 683	21 914 688
Picking, Packing & Distribution	10 178 809	14 451 362
Venue and catering	3 850 160	13 412 258
Accommodation	3 408 172	11 645 065
Other expenses	18 702 460	18 583 597
Depreciation & Amortisation	2 789 127	2 711 290
	245 334 220	**245 513 305**

* The Employee costs include the provident fund expense of R678,479 (2019: R553,320).

**The note disclosure has been included to provide additional information about the nature of expenditure incurred.

15. INTEREST RECEIVED

	2020	2019
	R	R
Current and call accounts	2 944 153	2 166 582
	2 944 153	**2 166 582**

16. FINANCE CHARGES

	2020	2019
	R	R
Finance charges on lease liability	316 270	451 163
	316 270	**451 163**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CASH GENERATED FROM OPERATIONS

	2020 R	2019 R
Surplus for year	52 431 729	15 536 664
Adjustment for non cash items		
Depreciation and amortisation	2 789 127	2 711 291
Leave movement	121 549	197 608
loss on scrapping of non financial asset	253 512	54 630
Finance received	(2 944 153)	(2 166 582)
Finance charges	316 270	451 163
Operating cash inflow before working capital changes	**52 968 035**	**16 784 773**
Cash generated on working capital	**157 924 520**	**(22 699 795)**
Decrease/(Increase) in trade and other receivables	32 155 796	10 300 655
Increase/(decrease) in payables*	125 768 724	(33 000 450)
Net cash from operating activities	**210 892 555**	**(5 915 022)**

* Payables include Trade payables and accruals, Deferred income and other payables.

18. CASH FLOWS FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities:	**2020 R**	**2019 R**
Opening balance	**3,850,655**	**-**
Additions	-	5 182 343
Interest accrued	316 270	451 163
Payments	(2 033 141)	(1 782 851)
Closing balance	**2 133 784**	**3 850 655**

19. TAXATION

The Trust has been approved as a public benefit organisation and the South African Revenue Services has granted the Trust exemption from Income Tax and duties in terms of Section 18A, Section 10(1)(cN) and Section 30 of the Income Tax Act and in respect of activities in the Ninth Schedule Part 1 and Part 2.

20. RELATED PARTY TRANSACTIONS

20.1 Executive remuneration

The amounts disclosed below are recognised as expense during the reporting period and related to key management personnel.

2020

Name and Surname	Designation	Remuneration	Allowances	Pension	Short-term incentive	Reimbursement expenses	Total
Godwin Khosa	Chief Executive Officer	2 913 281	144 000	428 516	176 050	82 511	**3 744 359**
Sandile Mkhonto	Chief Financial Officer	791 268	99 251	126 506	51 802	11 312	**1 080 139**
Selaelo Lekoloane*	Programme Director	865 048	-	112 555	43 263	9 910	**1 030 776**
TOTAL		**4 569 597**	**243 251**	**667 577**	**271 115**	**103 733**	**5 855 274**

* Ms Lekoloane joined the NECT on 1 June 2020 as a Programme Director

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The merit and other payments include payments made during the year for performance bonuses as well as expense reimbursement.

2019

Name and Surname	Designation	Remuneration	Allowances	Pension	Short-term incentive	Remburseme nt expenses	Total
Godwin Khosa	Chief Executive Officer	2 945 581	144 000	264 000	303 566	116 514	**3 773 662**
Peter Kimingi*	Chief Financial Officer	956 863	40 000	63 630	-	65 825	**1 126 318**
Sandile Mkhonto**	Chief Financial Officer	298 673	57 560	29 539	78 990	6 081	**470 844**
TOTAL		**4 201 118**	**241 560**	**357 169**	**382 557**	**188 421**	**5 370 825**

The merit and other payments include payments made during the year for performance bonuses as well as expense reimbursement.
* Resigned on 31 August 2019
** Acting from 01 September to 31 December 2019

Executive remuneration disclosure note has been updated to include additional information about post-employment benefit such as contribution to Pension.

20.2 Board remuneration

Non-executive board members of the Trust do not earn directors' fees. The amount of time that they spent in 2020 attending to the Trust's matters has been quantified into monetary value and recognised as a donation-in-kind.

Remuneration to Non-executive board members recognised in the current year is R294 463 (2019: R260 727).

The following are the Non-Executive Board members:
- Sizwe Nxasana
- Minister Angie Motshekga
- Futhi Mtoba
- Nkosana Dolopi
- Brian Figaji
- Basil Manuel
- Tebele Makhetha
- DG:Mathanzima Mweli

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Property, plant and equipment and Intangible Assets

Property, plant and equipment and intangible assets are depreciated or amortised over their useful life taking into account, where appropriate, residual values. The useful life of assets has been determined based on Market information, industry norms and management considerations. Assessment of useful lives and residual values are reviewed annually, and any changes could affect prospective depreciation rates and asset carrying values. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account.

(b) Leases

IFRS 16 requires entities to make certain judgements and estimations, and those that are significant have be disclosed here or within the asset and liability notes within the financial statements.

Key sources of estimation and uncertainty include:

- Discount rate: The lease agreement does not have the implicit interest rate that can be readily determined and as a result, the Trust estimated the incremental borrowing rate. The Trust has considered all relevant inputs to the determination of the incremental borrowing rate that are relevant to the underlying assets or similar group of underlying assets being leased.

22. FINANCIAL RISK MANAGEMENT

The Trust’s activities expose it to a variety of financial risks. These risks include credit risk, market risk and liquidity risk. The Trust’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust’s financial performance. Risk management is carried out by the Risk and Audit Committee as well as by the Management. The Board identifies, evaluates and hedges financial risks in close co-operation with the Trust’s operating units.

The Board provides principles for overall risk management, as well as policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity.

i) Interest rate risk

The Trust’s interest rate risk arises from short-term investments. Financial assets with variable interest rates expose the Trust to cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Trust's exposure to interest rate risk is managed closely by the Risk and Audit Committee and Management. All investments are approved by this committee to minimise such risk. The Trust analyses its interest rate exposure on a dynamic basis.

Sensitivity analysis

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Trust's surplus and deficit. The sensitivity analysis of a 1% (100 basis points) increase or decrease in market interest rates has been prepared to illustrate the effect of the hypothetical variations in market rates on the fair value of the Trust's financial assets and liabilities:

	2020			2019		
	Balance R	Interest income R		Balance R	Interest income R	
Surplus /(deficit)	241 879 506	2 418 795	(2 418 795)	30 757 145	307 571	(307 571)

The movements noted above are mainly attributable to the SA prime lending rate.

ii) Liquidity risk

Liquidity risk arises on financial liabilities if the Trust is unable to convert its financial assets into cash in order to settle its financial obligations.

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Trust's liquidity reserve comprised of cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the Trust in accordance with practice set by the Board.

The following are contractual maturities of liabilities, including estimated interest payments and exclude the impact of netting agreements:

2020	Carrying Amount R	Contractual cash flows R	Less than 1 year R
Trade payables and accruals	15 591 572	15 591 572	15 591 572

2019	Carrying Amount R	Contractual cash flows R	Less than 1 year R
Trade payables and accruals	19,929,923	19,929,923	19,929,923

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risk from its operating activities (primarily funding receivable from donors) and its financing activities, including deposits with banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other receivables

For receivables, Management assesses the quality of the donors, taking into account their financial position, past experience and other factors beforehand. Outstanding Donor receivables are regularly monitored. Generally, these receivables are written-off if past due for more than one year and are not subject to enforcement activity. Accrued income relates to the current financial year grant/donation income receivable as at 31 December 2020. The Trust evaluates the credit risk with respect to Accrued Income as low, as it was received subsequently to year end. The ECLs relating to Accrued income of the Trust rounds to zero.

Set out below is information about the Trust's maximum exposure to credit risk:

Other receivables	2020 R	2019 R
Accrued Income	17 531 961	51 808 501

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Management in accordance with the Trusts' policy. Investments of surplus funds are made only with approved counterparties. The investment of surplus funds is monitored closely by the Risk and Audit Committee and the Board. The Trust invests only with reputable financial institutions with very low credit risk. The Expected Credit Losses relating to cash and short-term deposits of the Trust rounds to zero.
The Trust's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2020 and 2019 is the carrying amounts as illustrated in Note 6.

23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

The maturity profile of the NECT assets and liabilities as at 31 December is as follows:

2020	**Less than one year**	**More than one year**	**Total**
	R	**R**	**R**
Assets			
Property, plant & equipment	-	2 400 891	2 400 891
Right-of-use assets	-	1 790 353	1 790 353
Intangible assets	-	44 904	44 904
Other receivables	24 259 679	-	24 259 679
Cash and cash equivalents	241 879 506	-	241 879 506
Total assets	**266 139 185**	**4 236 149**	**270 375 334**
Liabilities			
Deferred Income	171 961 707	-	171 961 707
Lease liability	1 733 127	400 657	2 133 784
Trade payables and accruals	15 591 572	-	15 591 572
Other payables	2 170 108	-	2 170 108
Leave provisions	1 011 794	-	1 011 794
Total liabilities	**192 468 308**	**403 657**	**192 868 964**
NET	**73 670 877**	**3 835 493**	**77 506 370**

2019	**Less than one year**	**More than one year**	**Total**
	R	**R**	**R**
Assets			
Property, plant & equipment	-	2 733 954	2 733 954
Right-of-use assets	-	3 530 607	3 530 607
Intangible assets	-	333 021	333 021
Other receivables	56 415 475	-	56 415 475
Cash and cash equivalents	30 757 145	-	30 757 145
Total assets	**87 172 620**	**6 597 582**	**93 770 202**
Liabilities			
Deferred Income	18 211 668	23 898 852	42 110 520
Lease liability	1 713 951	2 136 704	3 850 655
Trade payables and accruals	19 929 923	-	19 929 923
Other payables	1 914 220	-	1 914 220
Leave provisions	890 245	-	890 245
Total liabilities	**42 660 007**	**26 035 556**	**68 695 563**
NET	**44 512 613**	**(19 437 974)**	**25 074 639**

24. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

The Trust has chosen not to early adopt the following relevant standard and interpretation, which have been published and are mandatory for accounting periods beginning on or after 01 January 2021 or later periods:

Standard/Interpretation	Effective date on or after	Expected impact
IAS 1: Presentation of Financial Statements Classification of Liabilities as Current or Non-Current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	1 January 2022	The Trust will consider this amendment from the financial year ending 31 December 2022. No material impact expected to the Trust.
IFRS 16 *Leases* *Interest Rate Benchmark Reform Phase 2*: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform.	1 January 2021	The Trust will consider this amendment from the financial year ending 31 December 2021. No material impact expected to the Trust.
IAS 16 *Property, Plant and Equipment* *Property, Plant and Equipment: Proceeds before Intended Use:* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	1 January 2022	The Trust will consider this amendment from the financial year ending 31 December 2022. No material impact expected to the Trust.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* *Onerous Contracts—Cost of Fulfilling a Contract:* The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.	1 January 2022	The Trust will consider this amendment from the financial year ending 31 December 2022. No material impact expected to the Trust.

25. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Whilst the COVID-19 did not have an impact on the income of the Trust in 2020, the COVID-19 is expected to result in budget reductions across government and non-governmental funding sources in 2021 and subsequent downgrades of SA's credit ratings. These envisaged reductions are being counteracted by the new NECT strategy that encompasses broadening of income base through the investment portfolios.

The Trust has also sufficient accumulated reserves (R77,5 million) and cash reserves (R241,9 million) to offset any expected losses or income reductions that may incur in 2021.

In light of the above, Management has monitored and reviewed the funding confirmations, cash flow forecasts, available cash balance, reserves and it satisfied that going concern is appropriate at this stage.

26. EVENTS SUBSEQUENT TO THE PERIOD END

There have been no material facts or circumstances that have come to the attention of the Trustees between the accounting date and the date of this report that have had an impact on the amounts in the financial statements.