

**The National Education Collaboration Trust**  
**Registration Number: IT 2559/13**

**Annual Financial Statements for the year  
ending 31 December 2016**

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## 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 Mr. Basil Lawrence Manuel Mr. Nkosana Dolopi Mr. Mark James Lamberti Mr. Hubert Mathanzima Mveli Mr. 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
Company registration number	IT2559/13
Bankers	First National Bank
Preparer	Peter Kimingi, Professional Accountant (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 2016 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 and 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 budget and cash resources for the year to 31 December 2016 and, in the light of this review and the current financial position, they are satisfied that the Trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently 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 page 4.

The financial statements set out on pages 7 to 24, which have been prepared on the going concern basis, were approved by the Board of Trustees on 6 April 2017 and were signed on its behalf by:



**Chairperson  
Risk and Audit Committee**

**Johannesburg**



**Chairman  
Board of Trustees**

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**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE NATIONAL EDUCATION COLLABORATION TRUST**

We have audited the financial statements for the year ending 31 December 2016 of the National Education Collaboration Trust set out on pages 7 to 24, which comprise the statement of financial position as at 31 December 2016; the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended; and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Trustees' Responsibility for the Financial Statements**

The Trust's trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Education Collaboration Trust at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

**Ernst & Young Inc.**  
Director – Charles Mazhindu  
Registered Auditor  
Chartered Accountant (SA)

Date

## 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 2016.

### **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. It strives both to support and influence the agenda for the reform of basic education.

### **Business and operations in 2016**

Education is the only sector with an active, coherent and measurable joint programme set up to implement the National Development Plan (NDP). In the past three years, the NECT utilised its 'convening authority' under the NDP to establish multi-stakeholder and expert structures for the designing, testing and mainstreaming of several education initiatives in the education sector. Some of the initiatives that were designed and tested in the past three years are being replicated by the education system. For the first time in the history of South Africa, a partnership-driven programme is being scaled up in 30% of the schooling system.

The NECT programmes have had a significant influence on the national education policy agenda and programmes. The NECT has successfully promoted a greater focus on critical initiatives which have the potential to improve the performance of the system in a sustainable way. The approach taken by the NECT has generated a movement across the entire basic schooling system with the possibility of bringing about lasting transformation in teaching culture and classroom traditions.

Since its founding in July 2013, the NECT has yielded positive intermediate outcomes relating to the effectiveness and efficiency with which teaching is undertaken. The highlights of the 2016 achievements are presented in the section below.

### ***Achievements in 2016***

**Teacher Professionalisation:** A set of tools and approaches aimed at improving teaching and management in schools were tested and replicated in 6 817 schools across all provinces. As part of this programme, 26 000 teachers received repeated training and in-school support aimed at improving the amount and quality of teaching. Education district officials and teacher unions have been at the forefront of replicating initiatives that have been successfully tested. More than 11 000 coaching and mentoring hours have been invested in schools with a view to improve teaching and management practices. Schools that were involved in the trials have increased curriculum coverage by an average of 30%.

**Courageous Leadership:** The NECT continued with a process of testing management approaches that can improve the delivery of the curriculum in the classrooms and the utilisation of the significant national resources invested in education through schools, circuits and districts. School managers from over 1 200 schools were involved in the capacity building trials and 26% of 3 665 subject advisors located in district offices were trained on practical ways of improving their support and monitoring of schools. More than 80% of the school principals and the heads of departments indicated to have improved their schools' management capacities. They reported that their schools have improved in respect of the monitoring of the curriculum implementation in classrooms and the general accountability and work ethic of teachers.

**Capacity of the state to deliver:** The NECT has worked with the Department of Basic Education to improve the functionality of critical systems at national and provincial level. One of those is the technology system wherein the NECT mobilised the private sector to assist the DBE to prepare for the upgrade of the national school administration system. The background research was carried out in preparation for the implementation of this multiyear endeavour in partnership with the provincial departments of education, the State Information Technology Agency and the private sector.



## REPORT OF THE TRUSTEES (CONTINUED)

A significant proportion of mathematics, language and science subject advisors were involved in capacity upgrade programmes. In this regard, the NECT reached 26% of the number of subject advisors in the country and 68% of the grade 1-3 subject advisors who were prepared and equipped to initiate a reading programme across the country.

**Resourcing:** The NECT helped to design, test and refine over 130 pieces of teacher and learner support materials that are being mainstreamed in the system. Since 2015 the NECT has distributed over 2.6 million sets of teacher and learner support tools which are estimated to be benefitting over 2 million learners.

**Parent and Community Involvement:** The NECT assisted the DBE to develop a 'parent guide' and two training modules aimed at improving parent and community involvement in schools. A total of 831 parent volunteers from six districts were involved in the testing of the modules in schools. To bolster the initiative to improve social capital in education, the NECT continued to organise dialogues involving key stakeholders. Among others, dialogues were held with over 140 leaders of the NGO sector and the education funding community to discuss how they can support the implementation of the NDP and with over 2 000 education officials and members of the public on the need to improve curriculum coverage. As part of the dialogue programme, one of the eight multi-stakeholder District Steering Committees initiated conversations among the Vuwani community structures when the area was engulfed in political protest that prevented schools from operating. The DSC, the NECT and its partners raised R10 million to support the programme to reinstate schooling in the area.

**Learner Empowerment:** Two modules aimed at improving learner involvement in their education were developed. A total of 969 learner leaders were involved in the trial phase of the programme. The trials are continuing and additional modules are being developed.

In the two years of intensive implementation of the programmes, there is tangible evidence of the contribution by the NECT in the capacity of the education system to plan, resource and monitor schools, and districts. There is evidence of change of practices and improved efficiencies in classrooms and schools that have been using the NECT approaches.

### Financial results

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

In 2016, the Trust received a total of R182 774 681 from funders. The total expenditure amounted to R177 008 436 out of which 94% was direct investment in education programmes while 6% was spent on administration expenses.

The Trust's operations recorded a surplus after interest of R6 517 234 (2015 deficit: R8 670 623).

The financial results are set out on pages 7 to 24 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

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.

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## REPORT OF THE TRUSTEES (CONTINUED)

### 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 of the Trust for the period under review were as follows:

Mr. Sizwe Errol Nxasana (Chairman)  
Ms. Angelina Motshekga  
Ms. Ntombifuthi Temperance Mtoba  
Mr. Basil Lawrence Manuel  
Mr. Nkosana Dolopi  
Mr. Mark James Lamberti  
Mr. Hubert Mathanzima Mveli  
Mr. Brian De Lacy Figaji  
Mr. Godwin Khosa (Chief Executive Officer)



**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2016**

<b>ASSETS</b>		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>R</b>	<b>R</b>
<b>Non current Assets</b>		<b>1,816,044</b>	<b>2,484,991</b>
Property, plant & equipment	2	1,615,496	2,193,122
Intangible assets	3	200,548	291,869
<b>Current Assets</b>		<b>44,873,972</b>	<b>37,133,615</b>
Accrued income	6	8,169,196	29,163,765
Other receivables	4	7,397,851	2,293,637
Cash and cash equivalents	5	29,306,925	5,676,213
<b>Total assets</b>		<b>46,690,016</b>	<b>39,618,606</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>		<b>4,072,111</b>	<b>(2,445,123)</b>
Accumulated Funds		4,072,111	(2,445,123)
<b>Non Current Liabilities</b>		<b>16,241,479</b>	<b>62,079</b>
Deferred Income	7	16,210,010	-
Finance lease liability	8	31,469	62,079
<b>Current Liabilities</b>		<b>26,376,426</b>	<b>42,001,650</b>
Finance lease liability	8	27,696	66,633
Accounts payable	8	13,698,655	31,653,519
Other payables	9	885,979	836,470
Accruals and provisions	10	11,764,096	9,445,027
<b>Total funds and liabilities</b>		<b>46,690,016</b>	<b>39,618,606</b>

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ending 31 December 2016

		Year ended 31 December 2016	Year ended 31 December 2015
	Notes	R	R
<b>INCOME</b>	12	<b>182,774,681</b>	<b>186,542,790</b>
Government & SETAs		77,051,685	122,178,234
Business		69,204,862	56,955,037
Foundations and Trusts		16,686,907	7,409,519
Special Projects		19,831,227	-
		<b>176,612,402</b>	<b>196,244,251</b>
<b>EXPENDITURE</b>			
Programme expenses		146,217,768	187,013,248
Special Projects		19,831,227	-
Administration expenses		10,563,407	9,231,003
<b>Operating (deficit)/surplus</b>	12	<b>6,162,279</b>	<b>(9,701,461)</b>
Finance income	13	750,989	1,046,777
Finance cost		(8,535)	(20,643)
Other expenses	14	(387,499)	-
<b>(Deficit)/surplus</b>		<b>6,517,234</b>	<b>(8,675,328)</b>
Other comprehensive income			4,705
<b>Total comprehensive (deficit)/surplus</b>		<b>6,517,234</b>	<b>(8,670,623)</b>

**STATEMENT OF CHANGES IN FUNDS**  
**for the year ending 31 December 2016**

	R
Balance as at 16 July 2013	-
Total comprehensive surplus for the 18 months period	6,225,500
<b>Balance as at 31 December 2014</b>	<b>6,225,500</b>
Total comprehensive deficit for the year ending 31 December 2015	(8,670,623)
<b>Balance as at 31 December 2015</b>	<b>(2,445,123)</b>
Total comprehensive surplus for the year ending 31 December 2016	6,517,234
<b>Balance as at 31 December 2016</b>	<b>4,072,111</b>

**STATEMENT OF CASH FLOWS**  
**for the year ending 31 December 2016**

	Notes	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash receipts from funders		214,875,045	171,109,549
Cash paid to suppliers and employees		(191,568,878)	(198,716,170)
Cash generated from operations		<u>23,306,167</u>	<u>(27,606,621)</u>
Interest income	13	750,989	1,046,777
Interest expense		(8,535)	(20,643)
Other comprehensive (loss)/income		(387,499)	4,705
Net cash from operating activities	15	<u>23,661,122</u>	<u>(26,575,782)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,299)	(1,205,237)
Purchase of intangible assets		46,435	(339,077)
Net cash used in investing activities		<u>39,136</u>	<u>(1,544,314)</u>
<b>Cash flows from financing activities</b>			
Leased assets		(69,547)	(31,493)
Net cash from financing activities		<u>(69,547)</u>	<u>(31,493)</u>
Net increase in cash and cash equivalents		23,630,711	(28,151,590)
Cash and cash equivalents at beginning of period		5,676,213	33,827,803
<b>Cash and cash equivalents at end of period</b>		<u><b>29,306,925</b></u>	<u><b>5,676,213</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### Basis of preparation:

The financial statements have been prepared on the historical cost basis, except as modified by measuring financial instruments at fair value.

#### 1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured, regardless of when the payment is being made. Revenue 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.

Revenue mainly comprises:

##### 1.1.1 Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Trust will comply with the conditions attached to them. Grants that compensate the Trust for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred.

##### 1.1.2 Donations

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

##### 1.1.3 Finance income

Finance income comprises interest income on funds invested.

### 1.2 Project accounting and expense allocation

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

Property, plant and equipment is stated 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 on the straight-line basis over the useful lives as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Property, plant and equipment acquired are accounted for by the trust and depreciated over their useful lives.

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 such cash generating units are written down to their recoverable amount.

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

### 1.4 Intangible assets

Intangible assets comprise computer software. Computer software is initially recognised at cost. Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation on computer software is calculated on a straight-line basis over the useful lives of the assets.

- Computer software 3 years

The residual values and useful lives of all intangibles are reviewed and adjusted if necessary at each reporting date.

### 1.5 Impairment of 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 its 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 in the statement of comprehensive income. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in the statement of comprehensive income. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 1.5.1 Reversals of impairment

An impairment loss in respect of financial assets carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

### 1.6 Financial instruments

#### i) Financial assets

##### Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised costs using the effective interest rate method, less any impairment losses. Receivables are recognised on the statement of financial position when the Trust has become party to the contractual provisions of the instrument.

Receivables comprise other receivables and cash and cash equivalents.

### Other receivables

Other receivables are recognised initially at fair value of consideration receivable and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and instruments which are readily convertible, within 90 days, to known amounts of cash and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, all of which are available for the Trust unless otherwise stated.

### ii) Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust has become party to the contractual provisions of the instrument.

The Trust's principal financial liabilities comprise the following:

### Other payables

Other payables are recognised initially at fair value of consideration payable, net of transaction cost and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlements.

### Donor funds designated for projects

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.

## 1.7 Leases

### i) Leased assets

#### *Finance leases*

Assets held by the Trust under leases which transfer to the Trust substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

#### *Operating leases*



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Assets held under other leases are classified as operating leases and are not recognised in the Trust's statement of financial position.

### ii) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 1.8 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 where a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. 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 entity 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 entity 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.

### 1.9 Employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under the short term bonus incentive scheme 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.

### 1.10 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT

2016	Motor Vehicle R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	260,234	1,212,612	485,784	772,649	183,003	2,914,282
Accumulated depreciation	(63,432)	(708,527)	(221,053)	(216,560)	(89,214)	(1,298,786)
Carrying amount at 31 December 2016	<u>196,802</u>	<u>504,085</u>	<u>264,731</u>	<u>556,089</u>	<u>93,789</u>	<u>1 615 496</u>
<b>Reconciliation of assets</b>						
Carrying amount at 1 January 2016	255,355	835,560	342,908	583,160	176,139	2 193 122
Additions	-	213,208	77,362	99,023	-	389 593
Depreciation	(58,553)	(338,509)	(103,841)	(87,683)	(82,350)	(670,936)
Adjustments	-	-	7,739	-	-	7 739
Disposals	-	(258,002)	(83,592)	(40,700)	-	(382,294)
Depreciation on disposals	-	51,828	24,155	2,289	-	78 272
Carrying amount at 31 December 2016	<u>196,802</u>	<u>504,085</u>	<u>264,731</u>	<u>556,089</u>	<u>93,789</u>	<u>1 615 496</u>
2015	Motor Vehicle R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	260,234	1,257,406	492,014	714,326	183,003	2 906 983
Accumulated depreciation	(4,879)	(421,846)	(149,106)	(131,166)	(6,864)	(713,861)
Carrying amount at 31 December 2015	<u>255,355</u>	<u>835,560</u>	<u>342,908</u>	<u>583,160</u>	<u>176,139</u>	<u>2 193 122</u>
<b>Reconciliation of assets</b>						
Carrying amount at 1 January 2015	-	545,340	301,798	626,803	-	1,473,941
Additions	260,234	628,520	131,300	31,920	183,003	1,234,977
Depreciation	(4,879)	(317,099)	(89,308)	(77,361)	(6,864)	(495,511)
Adjustments	-	-	253	1,798	-	2,051
Disposals	-	(27,846)	(1,894)	-	-	(29,740)
Depreciation on disposals	-	6,645	759	-	-	7,404
Carrying amount at 31 December 2015	<u>255,355</u>	<u>835,560</u>	<u>342,908</u>	<u>583,160</u>	<u>176,139</u>	<u>2 193 122</u>

Included under property, plant and equipment is office equipment with a carrying amount of R57,960 (2015: R150 907) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

2016	Computer Software R	Total R
Cost	348,475	348,475
Accumulated amortisation	(147,927)	(147,927)
<b>Carrying amount at 31 December 2016</b>	<b>200,548</b>	<b>200,548</b>
<b>Reconciliation of assets</b>		
<b>Carrying amount at 1 January 2016</b>	291,869	291,869
Additions	139,894	139,894
Amortisation	(82,316)	(82,316)
Disposals	(186,329)	(186,329)
Amortisation on disposals	37,430	37,430
<b>Carrying amount as at 31 December 2016</b>	<b>200,548</b>	<b>200,548</b>
 2015	 Computer Software R	 Total R
Cost	394,910	394,910
Accumulated amortisation	(103,041)	(103,041)
<b>Carrying amount at 31 December 2015</b>	<b>291,869</b>	<b>291,869</b>
<b>Reconciliation of assets</b>		
<b>Carrying amount at 1 January 2015</b>	42,815	42,815
Additions	339,077	339,077
Amortisation	(90,023)	(90,023)
<b>Carrying amount as at 31 December 2015</b>	<b>291,869</b>	<b>291,869</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. OTHER RECEIVABLES

	2016	2015
	R	R
Prepayments and deposits	1 262 459	429 373
VAT	6 126 392	1 864 264
Staff debtors	9 000	-
	<u>7 397 851</u>	<u>2 293 637</u>

### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2016	2015
	R	R
Short-term deposits	23,270,655	4,683,527
Balances with banks and cash on hand	6,051,721	1,006,762
Credit Card	(15,451)	(14,076)
	<u>29,306,925</u>	<u>5,676,213</u>

### 6. ACCRUED INCOME

As at 31 December 2016, the following amounts were accrued by the Trust as expenditure had been incurred on the specific education programmes or the respective committed funding had not been received by the Trust:

	2016	2015
	R	R
Department of Basic Education	-	21,716,219
EDTP SETA	-	2,250,000
Zenex	4 054 291	5,197,546
AngloGold Ashanti	633 305	-
Business Leadership South Africa	481 600	-
SAB Miller	3 000 000	-
	<u>8 169 196</u>	<u>29 163 765</u>

### 7. DEFERRED INCOME

Deferred income relates to funds received by the trust where the contractual agreements specifically state that the funds would be utilised for activities to be conducted in subsequent year or years.

As at 31 December 2016, the following amounts were deferred:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016 R	2015 R
ETDPSETA-PSRIP	11,150,905	-
Road Accident Fund	500,000	
Department of Arts and Culture	103,375	
ABSA Bank	2,455,730	-
Woolworths	2,000,000	
	<u>16,210,010</u>	<u>-</u>

## 8. FINANCIAL LIABILITIES

<b>Non current financial liabilities</b>	2016 R	2015 R
Financial liabilities measured at amortised costs:		
Finance lease liability	31 469	62,079
<b>Current financial liabilities</b>	2016 R	2015 R
Financial liabilities measured at amortised costs:		
Accounts payables	13 698 655	31,653,519
Accruals and provisions	11 764 096	9,445,027
Short term finance lease obligation	27 696	66,633
Other payables	-	836,471
	<u>25,490,447</u>	<u>42,001,650</u>

Included in the financial liabilities measured at amortised costs are the following finance lease obligations:

2016	Up to 1 year R	2 to 5 years R	Total R
Minimum lease payments	33,779	33,779	67,559
Finance costs	(6,201)	(2,310)	(8,511)
Present value	<u>27,579</u>	<u>31,469</u>	<u>59,048</u>
2015	Up to 1 year R	2 to 5 years R	Total R
Minimum lease payments	81,011	75,229	156,240
Finance costs	(14,378)	(13,150)	(27,528)
Present value	<u>66,633</u>	<u>62,079</u>	<u>128,712</u>

## 9. OTHER PAYABLES

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2016	2015
	R	R
PAYE, SDL & UIF	851,427	800,511
Retirement Annuity	22,000	22,000
Medical Aid payable	12,552	13,960
	<b>885,979</b>	<b>836,471</b>

**10. ACCRUALS AND PROVISIONS**

2016	Accruals R	Leave provision R	Total R
Charged to income statement	10,752,943	1,011,153	11,764,096
2015	Accruals R	Leave provision R	Total R
Charged to income statement	9,144,420	300,607	9,445,027

**11. 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.

**12. EXCESS/SHORTFALL OF INCOME OVER EXPENDITURE**

**12.1 Restricted excess of income over expenditure**

2016	R	R	R
	Revenue	Expenditure	Excess/shortfall
Restricted	113,569,819	(114,494,856)	(925,037)
Non-restricted programmes' funds	69,204,862	(62,117,546)	7,087,316
	<b>182,774,681</b>	<b>(176,612,402)</b>	<b>6,162,279</b>
2015	R	R	R
Restricted: Government, Labour and SETA Grants	122,178,234	(122,214,790)	(36,557)
Non-restricted programmes' funds	64,364,556	(74,029,461)	(9,664,904)
	<b>186,542,790</b>	<b>(196,244,251)</b>	<b>(9,701,461)</b>

Government and SETA Grants are funds designated for programme-specific activities as per the contractual agreements with the DBE and EDTP SETA.

**12.2 Excess of finance income over finance costs**

The excess of income over expenditure is stated before taking into account the following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016	2015
	R	R
Finance income	750 989	1 046 777
Finance costs	(8,535)	(20,643)
	<u>742,454</u>	<u>1,026,134</u>

13. INTEREST RECEIVED

	2016	2015
	R	R
Current and call accounts	460,236	969,334
Interest received on VAT refunds	290,753	77,443
	<u>750,989</u>	<u>1,046,777</u>

14. OTHER EXPENSES

Other expenses relate to loss on disposals. The bulk of the cost relate to disposal of project computers and software that had been procured by lead agency (Deloitte Consulting). The computers were determined to be not fit for purpose and were returned to Deloitte after one year of use. The NECT received a credit note from Deloitte Consulting which partly covered the initial cost of the computers.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RECONCILIATION OF EXCESS INCOME OVER EXPENDITURE TO CASH GENERATED BY OPERATIONS

	2016 R	2015 R
Excess of income over expenditure	6,162,279	(9,701,461)
Interest received	750,989	1,046,777
Interest expense	(8,535)	(20,643)
Other income	-	4,705
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	629,811	583,482
Loss on disposal	(387,499)	(22,335)
<b>Operating cash inflow before working capital changes</b>	<b>7,147,045</b>	<b>(8,109,475)</b>
<b>Cash generated on working capital</b>	<b>16,514,077</b>	<b>(18,466,307)</b>
Decrease/(Increase) in accrued income	20,994,569	(10,180,780)
Decrease/(Increase) in trade receivables	(5,104,214)	5,747,539
Increase/(decrease) in payables	623,723	(14,033,066)
<b>Net cash from operating activities</b>	<b>23,661,122</b>	<b>(26,575,782)</b>

16. OPERATING LEASE EXPENSE

The Trust rents offices under a non-cancellable 5 year operating lease which commenced on 1 December 2013 and expires on 30 November 2018 and which has base rentals at a fixed rate of R52 706 per month.

Future commitments of the operating lease are summarised as follows

	2016 R	2015 R
Not later than one year	1,084,700	689,393
Later than 1 year and less than 5 years	5,589,446	1,570,505
	<b>6,674,146</b>	<b>2,259,898</b>

17. RELATED PARTY TRANSACTIONS

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

	2016 R	2015 R
Key management personnel	5,498,395	4,085,112

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. 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) Depreciation of property, plant and equipment.

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

• Computer equipment	3 years
• Office equipment	3 years
• Furniture and fittings	8 years
• Motor vehicles	4 years
• Science lab	2 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### (b) Amortisation of intangibles

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

### 19. FINANCIAL RISK MANAGEMENT

The Trust's activities expose it to a variety of financial risks. These risks include credit 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### 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 financial liabilities, including estimated interest payments and exclude the impact of netting agreements:

2016	Carrying amount R	Contractual cash flows R	Less than 1 year R
Accounts payable	13,279,210	13,279,210	13,279,210
Accruals and provisions	11,764,096	11,764,096	11,764,096
Finance leases	27,696	27,696	27,696
	<b>25,071,002</b>	<b>25,071,002</b>	<b>25,071,002</b>

  

2015	Carrying amount R	Contractual cash flows R	Less than 1 year R
Accounts payable	31,653,519	31,653,519	31,653,519
Accruals and provisions	10,281,497	10,281,497	10,281,497
Finance leases	66,633	66,633	66,633
	<b>42,001,649</b>	<b>42,001,649</b>	<b>42,001,649</b>

### iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables (excluding VAT and prepayments). For receivables, management assesses the quality of the donors, taking into account their financial position, past experience and other factors beforehand.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The trust considers its maximum exposure to credit risk to be as follows:

	2016 R	2015 R
Government, SETA and other Grants	8 169 196	29 163 765
Other receivables	7 397 851	2 293 637
	<b>15,567,047</b>	<b>31,457,401</b>

## 20. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The trust has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 01 January 2017 or later periods:

Standard/ Interpretation	Effective date on or after	Expected impact
IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019	Unlikely there will be a material impact
IFRS 16: Leases	1 January 2019	Impact is currently being assessed
IFRS 9: Financial Instruments	1 January 2018	Unlikely there will be a material impact
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Impact is currently being assessed
Amendments to IAS 7: Disclosure initiative	1 January 2017	Unlikely there will be a material impact
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Unlikely there will be a material impact

## 21. 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.

The Trust has recognised a surplus of R6 517 234 (2015 deficit: R8 670 623).

## 22. 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.