NATIONAL
EDUCATION
COLLABORATION
TRUST

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

Annual Financial Statements for the year ending 31 December 2017

CONTENTS

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 2017 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 2017 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 pages 4 and 5.

The financial statements set out on pages 6 to 28, which have been prepared on the going concern basis, were approved by the Board of Trustees on 19 April 2018 and were signed on its behalf by:

Chairperson
Risk and Audit Committee
Johannesburg

Chairman
Board of Trustees

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Independent Audit Report 2017 National Education Collaboration Trust Financial statements

Opinion

We have audited the financial statements of the National Education Collaboration Trust set out on pages 10 to 28, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other 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 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trust Property Control Act of South Africa.

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 company 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 the audit of National Education Collaboration Trust. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, and in accordance with other ethical requirements applicable to performing the audit of the National Education Collaboration Trust. 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 Trustees' Report as required by the Trust Property Control Act of South Africa. 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 the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Trust Property Control Act of South Africa, 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

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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 judgment and maintain professional skepticism 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 company'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 company'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 company 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 that we identify during our audit.

Ernst & Young

Ernst & Young Inc.
Director – Charles Mazhindu
Registered Auditor
Chartered Accountant (SA)
Ernst & Young Inc.
102 Rivonia Road
Sandton
08 June 2018

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 2017.

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 2017

In line with the founding mission, the NECT continued to play a significant role in harnessing national capacity to help government to achieve distinctive, substantial and sustainable improvements in education; as it is envisaged in the National Development Plan.

Among other significant achievements in 2017, the NECT saw an adoption of Structured Learning Programmes (SLPs) a toolkit meant to provide standardised lessons, learner and teacher reference materials that ensure that teaching and learning in classrooms meet the expected minimum pitch and pacing. The approach is meant to effect systemic improvement in learning and teaching in schools - a major discourse shift that will see improvement in the use of learning and teaching time, the use of materials such as workbooks, textbooks and stationery, and a more focused education system management capacity. An increased role of five provinces in the rollout of the NECT work has resulted in the NECT's programmes reaching close to two-thirds of the national education system. All the provinces and in excess of 30% of the district level subject specialists located in over 60 of the 85 districts, benefit from the evidence-based interventions designed by the NECT. The NECT also worked with the DBE to design and initiate new interventions aimed at improving key system functions that will improve the capacity of the state, a major area of focus of the National Development Plan. Internal and external monitoring and evaluation activities carried out on the work of the NECT present some impressive systemic improvements on key lead indicators such as the level of effort made by teachers across the national landscape. Similarly, outcomes-level evidence pertaining to learner achievements is gradually emerging from the programme.
Partnerships have been a lynchpin in ensuring the growth and institutionalisation of critical education interventions at all levels of the education system. More private funding organisations have joined the NECT and provincial departments of education have taken up and integrated various elements of the NECT programme, thus laying the ground for multiplier effects and their sustainability across the national education system.

Achievements in 2017

Teacher Professionalisation

The teacher professionalisation agenda is focused on improving the skills, knowledge and attributes of teachers, districts, provincial and national officials with a view to improving the educational outcomes of the South African Education System. Over 1 130 officials from the education sector

REPORT OF THE TRUSTEES (CONTINUED)

worked with about 150 experts and specialists mobilised by the NECT to design, test, rollout and report various teacher professionalisation initiatives. Evidence collected indicates that Knowledge and teaching skills are improving and new routines and behaviours are emerging in the practice of teaching in schools. The five teacher unions have been instrumental in encouraging and supporting their teachers to acquire new sets of knowledge, skills and attributes suitable to improve teaching. The two largest teacher unions actively worked with the NECT and the DBE to implement structured professional development programmes covering 844 schools in Butterworth and Sekhukhune education districts from Limpopo and Eastern Cape provinces.

Through the various partnerships, 14 769 schools and 76 034 mathematics, language and science teachers were involved in repeat training and support that form part of the NECT's professionalisation agenda.

Courageous Leadership

The impact of school leadership in educational improvement was a second key priority of the schools and district improvement work. The NECT work in 2017 focused on rebuilding the capacity of the school management teams to better manage the delivery of the curriculum in schools, a critical function they have been historically alienated from. Towards this end, the NECT expanded its catalogue of materials which seek to improve curriculum delivery in the classroom. A new module for school leadership which focuses on providing School Management Teams (SMTs) with strategies that ensure that teachers cover curriculum at the appropriate pace and pitch was trialled out during 2017. Whilst the module was still in its trial phase, excess demand resulted in early expansion of the module into three districts, reaching 5 290 school management team (SMT) members. In an ongoing effort to ensure our interventions are taken up and owned at system-level, the training was co-facilitated by the 153 Circuit Managers and Subject Advisers trained and supported by the NECT coaches.

Capacity of the state to deliver

The NECT continues to work closely with the DBE to improve the functionality of critical systems at national and provincial levels. At the end of 2016, the NECT developed a process that utilises a self-assessment instrument - Fundamentals of Performance (FoPs) – to generate data that assesses district functionality and assists in the development of remedial measures through a district improvement plan. Through a process led by the DBE, the FoPs tool was implemented in 24 districts (35%) across all provinces, involving 1 113 district officials.

Technology and data-driven management and reporting approaches provide an opportunity to increase the efficiency of operations in the education system. The NECT's input in this area is two-pronged: the development of technology-in-education strategy and the modernisation of the school administration and management system (SA-SAMS). The NECT facilitated extensive consultations with various functionaries of the DBE, provincial departments and relevant government institutions such as the Department of Telecommunications and Postal Services, the State Information Technology Agency, and private connectivity providers to craft a strategy for ICT in education. The technology-in-education strategy proposes a firm commitment to the establishment of technical and governance capacity to lead the implementation of technologies aimed at better management of resources and more efficient

REPORT OF THE TRUSTEES (CONTINUED)

and effective learning in classrooms. Following the background research about the improvement of the school administration system, a project office has been established to begin work on the modernisation of the SA-SAMS which will include technology upgrades, systems reengineering and integrations with other systems. The upgrade of SA-SAMS is being undertaken in collaboration with the SITA and the DBE. It will be financed through a project budget of R100 million over three years, with 60% of funding committed by three philanthropic funders, and the remainder to be contributed by national and provincial government.

Resourcing

In 2017 the NECT distributed over 4.1 million pieces of teaching and learning materials used daily to ensure that learners receive the minimum quality of lessons at the correct pace and pitch and are properly assessed.

Learner and Parent Empowerment and Community Involvement

The parent and learner empowerment programmes remained in testing phase in 2017, with 2 656 learner leaders and 2 715 parent volunteers involved. In total three modules have been rolled out which focused on the importance of education, removing blockages to successful educational outcomes, and discipline – the impact of the modules on student learning will be reviewed in 2018. The eight District Steering Committees (DSCs) established in 2014 continue to provide strategic support to the district office by mobilising local support for education improvement. Plans for the expansion of DSCs are in place, with 10 additional DSCs to be established in 2018

Encouraging Dialogue and Active Citizenry

The NECT continues to encourage open, honest and meaningful conversations between education stakeholders, with a view of developing a common discourse and focus dialogue in the sector. Four national dialogues were hosted in 2017– the currency of the National Senior Certificate (NSC), review of the education polices over the last 20 years, the fourth industrial revolution and decolonisation of schools. A total of 915 people took part in the dialogues. Recommendations from the report produced from our dialogue series on education policies was used to inform the 54th National Conference of the ruling party.

Promoting Education Innovations

The EdHub is the NECT's experimental Innovation unit whose purpose is to promote and support education innovations with the goal of ultimately integrating these across the public schooling system. In 2017, the EdHub launched its Ed-Innovation portfolio with the pilot of three innovative educational initiatives whose interventions hold potential to shape the future of teaching and learning practices in the classroom. Preparatory work for the 21st century sandbox schools - laboratory schools, whereby various aspects of 21st Century Schooling are introduced and tested in a single ecosystem - is underway with a view to pilot in January 2019.

REPORT OF THE TRUSTEES (CONTINUED)

Future plans

Whilst the first four years of collaboration led to building the foundations, the next three years up to 2020 will see the strengthening of the collaboration pact to further mobilise national capacity to assist government to achieve distinctive, substantial and sustainable improvements in education. The NECT will continue to institutionalise and test relevant initiatives that can further strengthen the education sector.

Financial results

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

In 2017, the Trust recognised R275 582 398 as revenue (2016: R182 774 681). Total expenditure amounted to R265 788 018 (2016: 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 R13 090 673 (2016: R6 517 234).

The financial results are set out on pages 10 to 28 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.

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 (Deputy Chairman)
Ms. Ntombifuthi Temperance Mtoba
Mr. Basil Lawrence Manuel
Mr. Nkosana Dolopi
Mr. Mark James Lamberti
Mr. Hubert Mathanzima Mweli
Prof. Brian De Lacy Figaji
Mr. Godwin Khosa (Chief Executive Officer)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

ASSETS	Notes	2017 R	2016 R
Non current Assets		**3,662,161**	**1,816,044**
Property, plant & equipment	2	3,457,045	1,615,496
Intangible assets	3	205,116	200,548
Current Assets		**73,727,093**	**44,873,972**
Other receivables	4	28,138,089	15,567,047
Cash and cash equivalents	5	45,589,005	29,306,925
Total assets		**77,389,254**	**46,690,016**

FUNDS AND LIABILITIES	Notes	2017 R	2016 R
Funds		**17,162,784**	**4,072,111**
Accumulated Funds		17,162,784	4,072,111
Non Current Liabilities		**37,240,403**	**16,241,479**
Deferred Income	6	37,240,403	16,210,010
Finance lease liability	7	-	31,469
Current Liabilities		**22,986,067**	**26,376,426**
Finance lease liability	7	31,469	27,696
Accounts payable and accruals	8	19,771,541	24,451,598
Other payables	9	1,409,126	885,979
Provisions	10	1,773,931	1,011,153
Total funds and liabilities		**77,389,254**	**46,690,016**

STATEMENT OF COMPREHENSIVE INCOME
for the year ending 31 December 2017

	Notes	Year ended 31 December 2017 R	Year ended 31 December 2016 R
INCOME		**275,582,398**	**182,774,681**
Government & SETAs		139,973,019	77,051,685
Business		61,507,150	69,204,862
Foundations and Trusts		15,721,879	16,686,907
Labour		705,255	-
Special Projects	11	56,888,831	19,831,227
Other income	12	786,264	
EXPENDITURE		**265,788,018**	**176,612,402**
Programme expenses		193,848,487	146,217,768
Special Projects	11	56,888,831	19,831,227
Administration expenses		15,050,701	10,563,407
Operating surplus		**9,794,380**	**6,162,279**
Finance income	13	3,302,725	750,989
Finance cost		(6,432)	(8,535)
Other expenses	14	-	(387,499)
Surplus		**13,090,673**	**6,517,234**
Other comprehensive income		-	
Total comprehensive surplus		**13,090,673**	**6,517,234**

STATEMENT OF CHANGES IN FUNDS
for the year ending 31 December 2017

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

STATEMENT OF CASH FLOWS
for the year ending 31 December 2017

	Notes	2017 R	2016 R
Cash flows from operating activities			
Cash receipts from funders		282,420,655	214,875,045
Cash paid to suppliers and employees		(267,413,525)	(191,568,878)
Cash generated from operations	16	15,007,130	23,306,167
Interest income	13	3,302,725	750,989
Interest expense		(6,432)	(8,535)
Other expenses		-	(387,499)
Net cash from operating activities		18,303,423	23,661,122
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,887,205)	(7,299)
Purchase of intangible assets		(106,444)	46,435
Net cash used in investing activities		(1,993,649)	39,136
Cash flows from financing activities			
Leased assets		(27,696)	(69,547)
Net increase in cash and cash equivalents		16,282,079	23,630,711
Cash and cash equivalents at beginning of period		29,306,925	5,676,213
Cash and cash equivalents at end of period		**45,589,005**	**29,306,925**

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

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. Interest is recognised, in the statement of comprehensive income, using the effective interest rate method.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 using the straight-line basis less estimated residual value over the useful lives on the property, plant and equipment as follows:

• 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.
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.

1.6 Financial instruments

i) Financial assets

Receivables

Receivables are financial assets with fixed or determinable receipts that are not quoted in 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 accrued income, other receivables and cash and cash equivalents.

Accrued Income

Accrued Incomes are recognised when the Trust has complied with the grants conditions however the funding had not been received by the Trust.

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 on hand, petty cash 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

1.7 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 reliable estimate of the obligation can be determined .

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 however are disclosed in the notes to financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

2. PROPERTY, PLANT AND EQUIPMENT

2017	Motor Vehicle R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	822,039	1,876,667	726,740	1,754,843	514,592	5,694,881
Accumulated depreciation	(237,857)	(999,396)	(323,119)	(369,118)	(308,346)	(2,237,836)
Carrying amount at 31 December 2017	**584,182**	**877,271**	**403,621**	**1,385,725**	**206,246**	**3 457 045**
Reconciliation of assets						
Carrying amount at 1 January 2017	196,802	504,084	264,731	556,089	93,789	1 615 495
Additions	561,805	837,194	271,713	982,194	331,589	2 984 494
Depreciation	(174,425)	(402,086)	(119,539)	(152,558)	(219,132)	(1,067,740)
Adjustments	-	-	297	-	-	297
Disposals at cost	-	(173,138)	(30,757)	-	-	(203,895)
Accumulated depreciation on disposals	-	111,218	17,176	-	-	128 394
Carrying amount at 31 December 2017	**584,182**	**877,271**	**403,621**	**1,385,725**	**206,246**	**3 457 045**

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	**196,802**	**504,085**	**264,731**	**556,089**	**93,789**	**1,615,496**
Reconciliation of assets						
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)	(670 937)
Adjustments	-	-	7,740	-	-	7 740
Disposals at cost	-	(258,002)	(83,593)	(40,700)	-	(382 295)
Accumulated depreciation on disposals	-	51,828	24,155	2,289	-	78 272
Carrying amount at 31 December 2016	**196,802**	**504,085**	**264,731**	**556,089**	**93,789**	**1 615 496**

Included under property, plant and equipment is office equipment with a carrying amount of R35 280 (2016: R57,960) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

	2017 Computer Software R	2016 Computer Software R
Cost	454,919	348,475
Accumulated amortisation	(249,803)	(147,927)
Carrying amount at 31 December 2017	**205,116**	**200,548**
Reconciliation of assets		
Carrying amount at 1 January 2017	200,548	291,869
Additions	106,444	139,894
Amortisation	(101,876)	(82,316)
Disposals at cost	-	(186,329)
Accumulated amortisation on disposals	-	37,430
Carrying amount as at 31 December 2017	**205,116**	**200,548**

4. OTHER RECEIVABLES

As at 31 December 2017, the following amounts were accrued by 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	2017 R	2016 R
EDTP SETA	7 990 930	-
Zenex Foundation	3 892 970	4 054 291
AngloGold Ashanti Ltd	-	633 305
Business Leadership South Africa (BLSA)	-	481 600
The South African Breweries (Pty) Ltd	-	3 000 000
First Rand Empowerment Foundation (FREF)	100 000	-
Sishen Iron Ore Community (SIOC)	5 040 000	-
	17 023 900	**8 169 196**

Other receivables	2017 R	2016 R
Hyprop Investments Ltd	354 000	-
Prepayments and deposits	576 750	1 262 459
VAT	10 183 440	6 126 392
Staff debtors	-	9 000
	11 114 189	7 397 851
Total	**28 138 089**	**15 567 047**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2017 R	2016 R
Short-term deposits	27,020,530	23,270,655
Cash on hand	18,567,120	6,051,721
Credit Card	1,355	(15,451)
	45 589 005	**29 306 925**

6. DEFERRED INCOME

Deferred income relates to funds received from funders but the Trust has not met the conditions specified in the contractual agreements.

As at 31 December 2017, the following amounts were deferred:

	2017 R	2016 R
ETDPSETA	-	11,150,905
Road Accident Fund (RAF)	348,460	500,000
Department of Arts and Culture	47,820	103,375
ABSA Bank Ltd	1,310,459	2,455,730
Woolworths Trust	2,000,000	2,000,000
Eskom Development Corporation	42,032	-
National Department of Basic Education	3,185,544	-
Gauteng Provincial Department of Education	3,357,637	-
Free State Provincial Department of Education	420,000	-
KwaZulu Natal Provincial Department of Education	4,526,000	-
Limpopo Provincial Department of Education	5,116,000	-
Northern Cape Provincial Department of Education	314,000	-
Western Cape Provincial Department of Education	3,395,025	-
Road Traffic Management Corporation	9,827,425	-
SA Sugar Association	350,000	-
Michael and Susan Dell Foundation	3,000,000	-
	37 240 403	**16 210 010**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE LEASE LIABILITY

2017	Up to 1 year	2 to 5 years	Total
	R	R	R
Minimum lease payments	33,779	-	33,779
Finance costs	(2,310)	-	(2,310)
Present value	**31 469**	**-**	**31 469**

2016	Up to 1 year	2 to 5 years	Total
	R	R	R
Minimum lease payments	33,779	33,779	67,559
Finance costs	(6,201)	(2,310)	(8,511)
Present value	**27 579**	**31 469**	**59 048**

8. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
	R	R
Accounts payables	12 878 529	13 698 655
Accruals	6 893 012	10 752 943
	19 771 541	**24 451 598**

9. OTHER PAYABLES

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

	2017	2016
	R	R
PAYE,SDL & UIF	1,380,474	851,427
Retirement Annuity	28,652	22,000
Medical Aid payable	-	12,552
	1 409 126	**885 979**

10. PROVISIONS

	2017	2016
	R	R
Leave pay provision		
Opening balance	1 011 153	300 607
Movement	762 778	710 546
Closing balance	**1 773 931**	**1 011 153**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SPECIAL PROJECTS

	2017	2016
Income	R	R
ETDP SETA (PSRIP)	47,502,438	8,413,800
ETDP SETA (Teacher Testing Project)	1,490,930	-
ETDP SETA (ICT Training Project)	6,500,000	-
Road Accident Fund (Life Orientation Project)	151,540	76,625
Road Traffic Management Corporation (Life Orientation Project)	172,575	-
National Department of Basic Education (SA-SAMS Project)	814,456	-
Western Cape Provincial Department of Education (SA-SAMS Project)	9,975	-
Gauteng Provincial Department of Education (SA-SAMS Project)	191,363	-
National Department of Arts and Culture (Spelling Bee Project)	55,555	-
NGO Summit (Multiple funders)	-	649,528
Vuwani crowd funding initiative (Multiple funders)	-	10,691,274
	56 888 831	**19 831 227**

	2017	2016
Expenditure		
ETDP SETA PSRIP	47,502,438	8,413,800
ETDP SETA (Teacher Testing Project)	1,490,930	-
ETDP SETA (ICT Training Project)	6,500,000	-
Life Orientation Project (multiple funders)	324,114	-
SA-SAMS Project (multiple funders)	1,015,793	-
Department of Arts and Culture	55,555	76,625
Spelling BEE	-	-
NGO Summit (Multiple funders)	-	211,992
Vuwani disbursements	-	10,683,471
	56 888 831	**19 385 889**

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

12. OTHER INCOME

	2017	2016
	R	R
Hyprop Property Investments (Tenant Installation Allowance)	354 000	-
ETDP SETA Training Reimbursement	124,101	-
Old Mutual Insurance Claims	155,669	-
Lost fixed assets due to theft in our Eastern Cape offices	(75,206)	
Board members donations (in lieu of pay)	227,700	-
	786,264	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. FINANCE INCOME

	2017	2016
	R	R
Current and call accounts	3,245,517	460,236
Interest received on VAT refunds	57,227	290,753
	3 302 744	750 989

14. OTHER EXPENSES

Other expenses in 2016 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.

15. 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.

16. CASH GENERATED FROM OPERATIONS

	2017	2016
	R	R
Operating surplus	9,869,586	6,162,279
Adjustment for non cash items		
Depreciation and amortisation	1,040,926	629,811
Loss on disposal	(75,206)	-
Donations in Kind (Sasol Mobile Labs)	(893,393)	
Operating cash inflow before working capital changes	**9,941,912**	**6,792,090**
Cash generated on working capital	**5,065,219**	**16,514,078**
Decrease/(Increase) in receivables	(12,535,080)	15,890,355
Increase/(decrease) in payables	17,600,299	623,723
Net cash from operating activities	**15 007 130**	**23 306 168**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. OPERATING LEASE EXPENSE

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 rented project offices in Eastern Cape whose lease is renewable annually and a 2-year lease with Education Labour Relations Council. The total base rentals for all the offices are fixed at a rate of R119 530 per month.

Future commitments of the operating lease are summarised as follows

	2017	2016
	R	R
Not later than one year	1,727,152	1,084,700
Later than 1 year and less than 5 years	4,744,059	5,589,446
	6 471 210	**6 674 146**

18. RELATED PARTY TRANSACTIONS

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

	2017	2016
	R	R
Key management personnel	5,985,560	5,498,395

17.2 Non-executive board members of the Trust do not earn directors' fees. The amount of time that they spent in 2017 attending to the Trust's matters has been quantified into monetary value and recognised as a donation.

Directors' fees recognised in 2017 is presented below.

	2017	2016
	R	R
Directors fees	227,700	-

19. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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 - 5 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.

20. 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:

2017	Carrying amount R	Contractual cash flows R	Less than 1 year R
Accounts payable and accruals	19,771,541	19,771,541	19,771,541
Provisions	1,773,931	1,773,931	1,773,931
Finance leases	31,469	31,469	31,469
	21 576 941	**21 576 941**	**21 576 941**

2016	Carrying amount R	Contractual cash flows R	Less than 1 year R
Accounts payable and accruals	13,698,655	13,698,655	13,698,655
Provisions	11,764,096	11,764,096	11,764,096
Finance leases	27,696	27,696	27,696
	25 490 447	**25 490 447**	**25 490 447**

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:

	2017 R	2016 R
Accrued income and other receivables	28 138 089	8 169 196
Other receivables	-	7 397 851
	28 138 089	**15 567 047**

21. 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 2018 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

22. 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 R13 090 673 (2016: R6 517 234).

23. 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.