NATIONAL EDUCATION COLLABORATION TRUST

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

Annual Financial Statements for the year ending 31 December 2018

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 Mweli Prof. Brian De Lacy Figaji Mr. Godwin Khosa
Registered office	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Business address	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Auditors	Ernst and Young Inc Registered auditors
Trust registration number	IT2559/13T
Bankers	First National Bank
Preparer	Peter Kimingi, Professional Accountant (SA) Chief Financial Officer

**Resigned on 12 April 2018*

CONTENTS **PAGE**

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 2018 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 2018 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 11 to 32, which have been prepared on the going concern basis, were approved by the Board of Trustees on 11 April 2019 and were signed on its behalf by:

Chairperson Risk and Audit Committee Johannesburg	Chairman Board of Trustees

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Report on the Audit of the 2018 National Education Collaboration Trust Financial statements

To the Trustees of National Education Collaboration Trust

Opinion

We have audited the financial statements of the National Education Collaboration Trust set out on pages 11 to 32 which comprise the statement of financial position as at 31 December 2018, 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 National Education Collaboration Trust as at 31 December 2018, 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)*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of the National Education Collaboration Trust. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA 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 directors 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 directors 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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

Date: 29 May 2019

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 2018.

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 2018

Since inception the NECT, in line with its mission has 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.

In 2018, the NECT saw an increase in the utility of Structured Learning Programmes (SLPs) toolkits. Through the development and distribution of the SLPs, the NECT provided standardised lessons, learner and teacher reference materials that ensure that teaching and learning in classrooms meet the expected minimum pitch and pacing. This 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.

The NECT's footprint has increased to include five provinces through SLPs and all nine provinces through the Primary School Reading Improvement Programme (PSRIP) reaching close to two-thirds of the national education system. Approximately 30% of the district level subject specialists located in over 85 districts, benefited from the evidence-based intervention designed by the NECT. The collaborative effort between the NECT and DBE has generated new interventions aimed at improving key system functions that will improve the capacity of the state, as mandated by the National Development Plan. Monitoring and evaluation activities proceeded by the NECT present notable systemic improvements on key indicators such as the level of effort made by teachers across the areas of programme implementation. In addition, outcomes-level evidence pertaining to learner achievement is gradually emerging from the programme.

The growth and institutionalisation of critical education interventions at all levels of the education system have been an accomplishment because partnerships remain the cornerstone of the services the NECT provides. There has been a recognisable increase in private funding and provincial departments of education have taken up and integrated various elements of the NECT programme, thus laying the ground for institutionalisation and sustainability of NECT programmes to be embedded across the national education system.

REPORT OF THE TRUSTEES (CONTINUED)

Achievements in 2018

Teacher Professionalisation
Teacher professionalisation 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. Evidence shows that knowledge and teaching skills are improving, enhancing new routines and behaviours in the practice of teaching in schools. Collaboration with the two largest teacher unions (SADTU and NAPTOSA) has been instrumental in ensuring that teachers improve teaching. Through union collaboration, 1 444 teachers have integrated learning programmes as part of their work.

Through various partnerships, 83 219 mathematics, language and science teachers were involved in trainings and support that form part of the NECT's professionalisation agenda.

Since the successful inception of PSRIP I in the foundation phase, the programme (PSRIP II) has increased to include both foundation phase and intermediate phase for 2019 -2020 across nine provinces resulting in a 65.9% increase in the targeted schools. Through PSRIP, 128 (35.2% of the national cohort) foundation phase subject advisors were identified with 112 having undergone training to date in PSRIP EFAL approach and in EGRA administration; and 141 (100% of the national cohort) intermediate phase subject advisors identified with 118 having undergone training to date in PSRIP EFAL approach.

Courageous Leadership
School leadership remains a priority for district improvement work. In 2018, the NECT focused on rebuilding the capacity of school management teams (SMTs) to better support and manage the delivery of curriculum in schools. Historically, school management teams have been alienated from the management of curriculum and focused on the administration of the schools. The NECT rolled out a module for school leadership which focuses on providing SMTs with strategies that ensure that teachers cover curriculum at the appropriate pace and pitch. Since the curriculum management module was in demand, a total of 12 300 SMTs have since been reached and equipped with skills to manage curriculum coverage.

Capacity of the state to deliver
To ensure that interventions at national, provincial and district level are functional, the NECT works closely with the DBE to support the improvement of functionality at all levels. In 2018, an additional 11 districts were introduced to the district improvement programme: Fundamentals of Performance (FOP). The total of 35 districts, involving 1 113 district officials have been inducted have since developed improvement plans emanating from the FOPs assessment and workshop.

The NECT continues to work with the DBE to assist in the modernisation of the South African School Administration and Management System (SA-SAMS). The following outputs were registered by the programme:

REPORT OF THE TRUSTEES (CONTINUED)

- A dedicated steering committee established comprising NECT, DBE and funders to govern and guide the implementation of the programme.
- A Project Management Office has been established to spearhead the programme.
- The NECT developed a Request for Bids which was published in in May 2018. A total of eight companies submitted the bids.
- The State Information Technology Agency reviewed the bids received and selected the successful service provider in December 2018
- The NECT is conducting a due diligence on the service provider appointed by SITA in light of unfavourable media publications about the service provider
- Advocacy work was completed in the nine provinces to garner support from the Provincial Education Departments, EMIS officials and senior leadership for the roll-out of the modernised SA-SAMS solution.
- An assessment tool was developed to test connectivity and the state of computers in the North West and Free State in preparation for the pilot scheduled to begin in 2020.

The ICT Strategy was developed through consultative processes with teacher unions, government officials and civil society. The strategy was presented to the Ministerial Advisory Committee, SITA, National GITO and PED's.

Resourcing
In 2018 the NECT distributed over 5.7 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
In 2018, 2 715 parent volunteers from 120 schools were trained to increase parent involvement in education through the use of the following modules: the importance of education, removing blockages to successful educational outcomes, and discipline. Parent and Community Involvement modules have been accepted by the DBE for use as content for dissemination to parents through multiple pathways, such as SGBs, District Steering Committees, media at district level, Churches and Traditional Leaders.

The District Steering Committees (DSCs) were established in five additional districts where the NECT is operational. In 2018, a total of 13 districts have established the DSCs.

Encouraging Dialogue and Active Citizenry
The dialogue programme has continued to allow positive reflections about education matters among stakeholders. Dialogues around issues that affect schools and the communities at large were convened in 2018. A total of six dialogues were convened.
Dialogue on school uniform: The dialogue was hosted in collaboration with the Competition Commission on the cost of school uniform. The dialogue was sparked by the media coverage on the cost of uniform and the investigation by the Competition Commission on supplier cartels. **REPORT OF**

THE TRUSTEES (CONTINUED)

Research on school uniform globally and locally was done before the dialogue by Professor Shireen Motala from University of Johannesburg.

- **Dialogue on SA-SAMS and the value of good data:** The dialogue was a consultative one with Provincial Education Departments, government, and private education bodies on the modernisation of SA-SAMS. End-user groups were invited to highlight challenges with the current system and to advise on the capabilities and ease of use of the planned new system.
- **Dialogue on 21st Century Skills:** The dialogue was a follow-up of the one hosted in 2017 to shed insight onto the experimental project the NECT is undertaking to design and trial various models for 21st Century Education in South Africa.
- **Dialogue on Language in/and education:** The dialogue was led by Professor Leketi Makalela who presented his book multilingualism and decolonisation. His presentation pointed out the colonial origins of our mono-lingual perspectives, and the fact that these dispossessed most learners of a major source of cultural capital. He urged the adoption of a multi-lingual approach to teaching and learning.
- **Dialogue on School Safety:** The dialogue was triggered by some serious incidents of violence at schools and was designed as a follow up to the 2015 Safety Summit. The summit aimed at requesting stakeholders to reflect on what they had done in relation to school safety and how these mechanisms need to be strengthened.
- **Dialogue on the coordination of Early Childhood Development Services:** Civil society required information and clarity about the proposed functional migration of ECD services from DBE to DSD.

Promoting Education Innovations

The EdHub is the NECT's experimental Innovation Unit whose purpose is to design and drive 21st Century teaching and learning in the South African basic education sector. In 2018, as part of its Ed-Innovation Portfolio, the EdHub supported three innovators as they piloted their educational initiatives across 31 schools in 3 Districts. The 21st Century Sandbox Schools Project was conceptualised and designed, based on local and global local research conducted to propose a framework for trialling 21st Century teaching and learning approaches in South African public schools. Eleven 'Sandbox Schools' were selected as pilot sites for the trialling of these various approaches, and the project has begun implementation as of January 2019.

The Edhub worked supported three ed-innovators CRSP Design (Introduced 100 low-cost robotics and coding toolkit into Grades 6-7 at 5 public schools), School in a Box (Rollout of 30 tablets and Syafunda Digital Library to 23 high schools to improve Mathematics and Science uptake and mark) and Syafunda (Introduced tablet-based blended learning programme into Grades 8-9 English and Mathematics at 3 high schools

The Entrepreneurship in Schools (EiS) Sector Plan was co-launched by the DBE, in collaboration with the NECT, the HRDC and CIDA-Maharishi at 2018 DBE Lekgotla. NECT EdHub forms part of EiS Steering Committee (comprising DBE, CIDA Maharishi, and New Leaders Foundation) in driving rollout of this national initiative. Project-based curriculum modules were designed for EMS in GET Phase and trialled across 60 schools in three pilot provinces.

REPORT OF THE TRUSTEES (CONTINUED)

Future plans
Whilst the first five years of collaboration led to building the foundations, the next two 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 2018, the Trust recognised R259 738 155 as revenue (2017: R275 582 398). Total expenditure amounted to R269 923 151 (2017: R265 788 018) out of which 93% was direct investment in education programmes while 7% was spent on administration expenses.

The Trust's operations recorded a deficit after interest of R7 624 809 (2017; surplus: 13 090 673).

The financial results are set out on pages 11 to 32 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)

**Resigned on 12 April 2018*

NATIONAL EDUCATION COLLABORATION TRUST

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

ASSETS	Notes	2018 R	2017 R
Non current Assets		**3,112,526**	**3,662,161**
Property, plant & equipment	2	2,999,096	3,457,045
Intangible assets	3	113,430	205,116
Current Assets		**104,073,200**	**73,727,093**
Other receivables	4	66,716,129	28,138,089
Cash and cash equivalents	5	37,357,071	45,589,005
Total assets		**107,185,726**	**77,389,254**

FUNDS AND LIABILITIES

	Notes	2018 R	2017 R
Funds		**9,537,975**	**17,162,784**
Accumulated Funds		9,537,975	17,162,784
Non Current Liabilities		**55,690,042**	**37,240,403**
Deferred Income	6	55,690,042	37,240,403
Finance lease liability		-	-
Current Liabilities		**41,957,708**	**22,986,067**
Finance lease liability	7	-	31,469
Accounts payable and accruals	8	39,292,016	19,771,541
Other payables	9	1,973,054	1,409,126
Provisions	10	692,637	1,773,931
Total funds and liabilities		**107,185,726**	**77,389,254**

STATEMENT OF COMPREHENSIVE INCOME
for the year ending 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
		R	R
INCOME		**259,738,155**	**275,582,398**
Government & SETAs		155,414,530	139,973,019
Business		61,218,823	61,507,150
Foundations and Trusts		7,010,750	15,721,879
Labour		-	705,255
Special Projects	11	32,246,180	56,888,831
Other income	12	3,847,872	786,264
EXPENDITURE		**269,923,151**	**265,788,018**
Programme expenses		218,677,337	193,848,487
Special Projects	11	32,246,180	56,888,831
Administration expenses		18,999,634	15,050,701
Operating (deficit)/surplus		**(10,184,997)**	**9,794,379**
Finance income	13	2,562,846	3,302,725
Finance cost		(2,658)	(6,432)
Other expenses		-	-
Surplus		**(7,624,809)**	**13,090,673**
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus		**(7,624,809)**	**13,090,673**

STATEMENT OF CHANGES IN FUNDS
for the year ending 31 December 2018

	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**
Total comprehensive deficit for the year ending 31 December 2018	(7,624,809)
Balance as at 31 December 2018	**9,537,975**

STATEMENT OF CASH FLOWS
for the year ending 31 December 2018

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash receipts from funders		239,609,754	282,495,862
Cash paid to suppliers and employees		(249,483,977)	(267,488,731)
Cash generated from operations	15	(9,874,224)	15,007,130
Interest income	13	2,562,846	3,302,725
Interest expense		(2,658)	(6,432)
Other expenses		-	-
Net cash from operating activities		(7,314,036)	18,303,423
Cash flows from investing activities			
Purchase of property, plant and equipment		(880,793)	(1,887,205)
Purchase of intangible assets		(5,635)	(106,444)
Net cash used in investing activities		(886,428)	(1,993,649)
Cash flows from financing activities			
Leased assets		(31,469)	(27,696)
Net increase in cash and cash equivalents		(8,231,933)	16,282,079
Cash and cash equivalents at beginning of period		45,589,005	29,306,925
Cash and cash equivalents at end of period		**37,357,071**	**45,589,005**

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.

NATIONAL EDUCATION COLLABORATION TRUST

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operating leases

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

2. PROPERTY, PLANT AND EQUIPMENT

2018	Motor Vehicle R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	822 039	1 697 567	962 053	1 629 146	514 592	5 625 396
Accumulated depreciation	(422 816)	(863 339)	(414 398)	(468 186)	(457 561)	(2 626 300)
Carrying amount at 31 December 2018	399 223	834 228	547 654	1 160 960	57 031	2 999 096
Reconciliation of assets						
Carrying amount at 1 January 2018	584 182	877 271	403 621	1 385 725	206 246	3 457 045
Additions	-	493 103	316 847	70 843	-	880 793
Depreciation	(184 959)	(426 837)	(149 145)	(199 373)	(149 215)	(1 109 529)
Disposals at cost	-	(672 203)	(81 534)	(196 541)	-	(950 278)
Accumulated depreciation on disposals	-	562 893	57 886	100 306	-	721 065
Carrying amount at 31 December 2018	399 223	834 228	547 654	1 160 960	57 031	2 999 096

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

	2018 Computer Software R	2017 Computer Software R
Cost	331 188	454 919
Accumulated amortisation	(217 758)	(249 803)
Carrying amount at 31 December	**113 430**	**205 116**
Reconciliation of assets		
Carrying amount at 1 January	205 116	200 548
Additions	5 635	106 444
Amortisation	(84 384)	(101 876)
Disposals at cost	(129 366)	-
Accumulated amortisation on disposals	116 429	-
Carrying amount as at 31 December	**113 430**	**205 116**

4. OTHER RECEIVABLES

As at 31 December 2018, the following amounts were receivable and/or 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	2018 R	2017 R
EDTP SETA	12 576 566	7 990 930
Zenex Foundation	7 010 750	3 892 970
Eastern Cape Department of Education	30 892 165	-
KZN Department of Education	5 431 997	-
National Department of Basic Education	6 234 000	-
First Rand Empowerment Foundation (FREF)	-	100 000
Sishen Iron Ore Community (SIOC)	-	5 040 000
	62 145 477	**17 023 900**

Other receivables	2018 R	2017 R
Prepayments and deposits	668 497	576 750
VAT	3 729 606	10 183 440
Other debtors	172 549	-
Hyprop Investments Ltd	-	354 000
	4 570 652	**11 114 190**
Total	**66 716 129**	**28 138 090**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2018	2017
	R	R
Short-term deposits	37 342 624	27 020 530
Cash on hand	14 669	18 567 120
Credit Card	(221)	1 355
	37 357 071	45 589 005

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 2018, the following amounts were deferred:

	2018	2017
	R	R
Woolworths Trust	2 000 000	2 000 000
Gauteng Provincial Department of Education	623 301	3 357 637
Free State Provincial Department of Education	420 000	420 000
KwaZulu Natal Provincial Department of Education	6 269 615	4 526 000
Limpopo Provincial Department of Education	5 116 000	5 116 000
Northern Cape Provincial Department of Education	314 000	314 000
Mpumalanga Provincial Department of Education	2 328 000	-
North West Provincial Department of Education	819 000	-
Western Cape Provincial Department of Education	3 395 026	3 395 025
ELMA Philanthropies Foundation	1 728 530	-
FirstRand Empowerment Fund	4 930 142	-
Road Traffic Management Corporation	22 197 419	9 827 425
Michael and Susan Dell Foundation	5 549 010	3 000 000
SA Sugar Association	-	350 000
Road Accident Fund (RAF)	-	348 460
Department of Arts and Culture	-	47 820
ABSA Bank Ltd	-	1 310 459
Eskom Development Corporation	-	42 032
National Department of Basic Education	-	3 185 544
	55 690 042	37 240 403

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE LEASE LIABILITY

2018	Up to 1 year	2 to 5 years	Total
	R	R	R
Minimum lease payments	-	-	-
Finance costs	-	-	-
Present value	-	-	-

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

8. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
	R	R
Accounts payables	36 247 976	12 878 529
Accruals	3 044 040	6 893 012
	39 292 016	19 771 541

9. OTHER PAYABLES

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

	2018	2017
	R	R
PAYE,SDL & UIF	1,896,333	1,380,474
Retirement Annuity	32,376	28,652
Provident Fund - Clearing Account	14,137	
Medical Aid payable	30,208	-
	1 973 054	1 409 126

10. PROVISIONS

	2018	2017
	R	R
Leave pay provision		
Opening balance	1 773 931	1 011 153
Movement	(1 081 294)	762 778
Closing balance	692 637	1 773 931

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
11. SPECIAL PROJECTS

	2018	2017
Income	R	R
ETDP SETA (ICT Training Project)	8 593 565	6 500 000
Eskom (Life Orientation Project)	792 032	-
National Department of Basic Education (SA-SAMS Project)	3 185 544	814 456
Gauteng Provincial Department of Education (SA-SAMS Project)	2 734 333	191 363
KZN Provincial Department of Education (SA-SAMS Project)	1 643 885	-
ETDP SETA (PSRIP)	1 457 309	47 502 438
Road Accident Fund (Life Orientation Project)	348 460	151 540
Road Traffic Management Corporation (Life Orientation Project)	7 630 007	172 575
South African Sugar Association (Life Orientation Project)	350 000	-
UNICEF (Life Orientation Project)	2 000 420	-
Save the Children South Africa	605 486	-
Theron Mnisi	15 000	-
Michael & Sudan Dell Foundation (Schools Data Landscape Project)	661 133	-
New Leadership Foundation (SA-SAMS Project)	400 000	-
Michael & Sudan Dell Foundation (SA-SAMS Project)	269 858	-
FirstRand Empowerment Fund (SA-SAMS Project)	269 858	-
ELMA Philanthropies (SA-SAMS Project)	271 470	-
National Department of Arts and Culture (Spelling Bee Project)	1 017 820	55 555
ETDP SETA (Teacher Testing Project)	-	1 490 930
Western Cape Provincial Department of Education (SA-SAMS Project)	-	9 975
	32 246 180	**56 888 831**
Expenditure		
ETDP SETA (ICT Training Project)	8 593 565	6 500 000
Eskom (Life Orientation Project)	792 032	-
National Department of Basic Education (SA-SAMS Project)	3 185 544	814 456
Gauteng Provincial Department of Education (SA-SAMS Project)	2 734 333	191 363
KZN Provincial Department of Education (SA-SAMS Project)	1 643 885	-
ETDP SETA (PSRIP)	1 457 309	47 502 438
Road Accident Fund (Life Orientation Project)	348 460	151 540
Road Traffic Management Corporation (Life Orientation Project)	7 630 007	172 575
South African Sugar Association (Life Orientation Project)	350 000	-
UNICEF (Life Orientation Project)	2 000 420	-
Save the Children South Africa	605 486	-
Theron Mnisi	15 000	-
Michael & Sudan Dell Foundation (Schools Data Landscape Project)	661 133	-
New Leadership Foundation (SA-SAMS Project)	400 000	-
Michael & Sudan Dell Foundation (SA-SAMS Project)	269 858	-
FirstRand Empowerment Fund (SA-SAMS Project)	269 858	-
ELMA Philanthropies (SA-SAMS Project)	271 470	-
National Department of Arts and Culture (Spelling Bee Project)	1 017 820	55 555
ETDP SETA (Teacher Testing Project)	-	1 490 930
Western Cape Provincial Department of Education (SA-SAMS Project)	-	9 975
	32 246 180	**56 888 831**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

12. OTHER INCOME

	2018	2017
	R	R
ETDP SETA Training Reimbursement	107 195	124 101
Old Mutual Insurance Claims	41 892	155 669
Board members donations (in lieu of pay)	279 518	227 700
KZN Department of Education	11 154	-
Project Management fee	3 408 113	-
Lost fixed assets due to theft in NECT's offices in the Eastern Cape	-	(75 206)
Hyprop Property Investments (Tenant Installation Allowance)	-	354 000
	3 847 873	786 264

13. FINANCE INCOME

	2018	2017
	R	R
Current and call accounts	2 562 846	3 245 517
Interest received on VAT refunds	-	57 208
	2 562 846	3 302 725

14. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CASH GENERATED FROM OPERATIONS

	2018	2017
	R	R
Operating surplus	(10,184,997)	9,794,379
Adjustment for non cash items		
Depreciation and amortisation	1,436,063	1,040,926
Leave movement	(1,081,294)	-
Operating cash inflow before working capital changes	**(9,830,228)**	**9,941,912**
Cash generated on working capital	**(43,996)**	**5,065,219**
Decrease/(Increase) in receivables	(38,578,040)	(12,571,042)
Increase/(decrease) in payables	38,534,045	17,636,261
Net cash from operating activities	**(9 874 224)**	**15 007 131**

16. 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 2-year leases for two project offices in East London and in Centurion which expire on 31 March 2021 and 31 January 2020 respectively.

Future commitments of the operating lease are summarised as follows

	2018	2017
	R	R
Not later than one year	1 794 215	1 727 152
Later than 1 year and less than 5 years	3 129 686	4 744 059
	4 923 901	**6 471 210**

IFRS 16 Leases: **Impact on financial position and income**

The IASB published IFRS 16 Leases in January 2016 with an effective date of 1 January 2019. The new standard requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. The impact of the new IFRS 16 standard on the 2019 Annual Financial Statement of the Trust will be as reflected in the tabled below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Balance sheet Impact

	IAS 17		IFRS 16
	Finance Leases R	Operating Leases R	All Leases R
Right-of-use asset	-	-	2 591 606
Lease Liabilities	-	-	2 831 327
Off balance sheet rights/(obligations)	-	(239 721)	-

Income statement impact

	IAS 17		IFRS 16
	Finance Leases R	Operating Leases R	All Leases R
Revenue		-	-
Operating expense(excluding depreciation and amortisation)	-	(1 794 215)	-
EBITDA	-	**(1 794 215)**	-
Depreciation and amortisation	-	-	(1 629 238)
Operating surplus	-	**(1 794 215)**	**(1 629 238)**
Finance costs	-	-	(354 660)
Total comprehensive surplus	-	**(1 794 215)**	**(1 983 897)**

17. RELATED PARTY TRANSACTIONS

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

	2018 R	2017 R
Key management personnel	6 057 742	5 985 560

17.2 Non-executive board members of the Trust do not earn directors' fees. The amount of time that they spent in 2018 attending to the Trust's matters has been quantified into monetary value and recognised as a donation.

Directors' fees recognised in 2018 is presented below.

	2018 R	2017 R
Directors fees	279 517	227 700

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 - 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

i) Interest rate risk

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

2018	Carrying amount	Contractual cash flows	Less than 1 year
	R	R	R
Accounts payable and accruals	39 292 016	39 292 016	39 292 016
Provisions	692 637	692 637	692 637
Finance leases	-	-	-
	39 984 653	**39 984 653**	**39 984 653**

2017	Carrying amount	Contractual cash flows	Less than 1 year
	R	R	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**

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:

	2018 R	2017 R
Accrued income and other receivables	66 716 129	28 138 089

20. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Trust has chosen not to early adopt the following standard and interpretation, which have been published and are mandatory for accounting periods beginning on or after 01 January 2019 or later periods:

Standard/ Interpretation	Effective date on or after	Expected impact
IFRS 16: Leases IFRS 16 supersedes *IAS 17, "Leases", IFRIC 4, "Determining Whether an Arrangement Contains a Lease", SIC 15, "Operating Leases – Incentives" and SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".* Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets.	1 January 2019	The Trust will apply this amendment from the financial year ending 31 December 2019. No material impact expected to the Trust.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	The NECT has assessed our current revenue agreements/contracts for both the Core funders and Special Projects in line with IFRS 15 principles and came to a conclusion that the current grants/donation agreements do not fall under the scope of IFRS 15 due to following reasons:

Standard/ Interpretation	Effective date on or after	Expected impact
		1. Government funding agreements do not contain enforceable rights and obligations as defined under IFRS 15 because the Agreements do not contain clauses that require NECT to return the funds if the NECT does not fulfil the obligations stipulated under the agreements. 2. The required use of the funds to further the NECT's objectives is not sufficiently specific to know when services have been transferred and the obligation satisfied; and the time restriction on use of the funds is not sufficiently specific of itself to create a performance obligation to transfer services to the Government or a third party so that it can be identified when the obligation is satisfied. 3. The core funding agreements are open to have the funds be commingled with other funds, such as general-purpose funds, used to fund administrative services as well as those related to the objectives of the NECT and it is not possible to reliably determine what transfer of services may have occurred using the specific funds.

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 deficit of R7 624 809 (2017; surplus: R13 090 673).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.