



FINANCIAL REPORT

2015 Financial Year National Education Collaboration Trust



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Abbreviations

CAPS	Curriculum and Assessment Policy Statements
CSI	Corporate Social Investment
DBE	Department of Basic Education
DIP	District Improvement Programme
DSC	District Steering Committee
ECF	Education Collaboration Framework
ELRC	Education Labour Relations Council
HODs	Heads of Departments
ICT	Information and Communications Technology
LSAs	Learner Support Agents
M&E	Monitoring and Evaluation
NDP	National Development Plan
NECT	National education Collaboration Trust
OPR	Output to Purpose Review
SACE	South African Council for Educators
SA-SAMS	South African School Administration and Management System
SGB	School Governing Body
SMT	School Management Team

ABOUT THE NECT

About the report

This report presents a brief explanation of the operations of the National Education Collaboration Trust (NECT) against its income and expenditure reports. The report locates the NECT operations within the broader education system, presents the performance of the collaboration involving Government, business, labour, and civil society and outlines the nature and quantum of inputs, outputs and outcomes relating to the various programmes of the NECT. The NECT comprises eight programmes, five of which are educational, while the balance relate to internal operations (governance and management), partnership promotion and monitoring and evaluation. Accompanying this report is the audited Annual Financial Statements for 2015.

1. THE CATALYTIC ROLE OF THE NECT IN THE BASIC EDUCATION SECTOR

The NECT continued to work in carefully chosen areas of leverage with the aim of facilitating the improvement of education for over 12 million learners who receive education in just over 25 thousand schools. In such an expansive education system, the NECT plays a catalytic role designed to promote system-wide innovations. Table 1 below presents comparative statistics on the size of the targets of the NECT's interventions relative to the size of the education system as whole.

Table 1: The scope of the NECT interventions compared to and as a percentage of the National Education System

	NECT Target	National Scope	Percentage
Provinces	5	9	55,6
Districts	8	86	9,3
Schools	4 362	25 691	16,98
Fresh Start Schools	415	N/A	1,62

As envisaged in the Education Collaboration Framework (ECF) adopted in 2013, Government is seen as the anchor partner of the collaboration and takes primary responsibility for the education system, particularly for its maintenance.

In contrast, the NECT, as a catalyst, mobilises non-governmental inputs to test and implement innovations that can improve the system as a whole. In this context, the NECT's key focus is on identifying, testing, replicating and institutionalising innovations that have been proven to be effective and have the potential to enhance the overall performance of the system.

In its recent investigation of innovation as a key component in the transformation and development of education, the NECT defined the concept of educational innovation as *"making sustainable changes to the education system by implementing new ideas, approaches and/or products that create new value at scale"*.

On the basis of this definition, the NECT embarks on initiatives that yield new ideas, approaches and products that can create enhanced value in the system. The true success of the NECT is gauged not only by whether it brings about change in the educational outcomes in the targeted institutions, but also by the extent to which it can prove the efficacy of its innovations in changing education delivery,

as well as the extent to which it is able to promote the adoption and institutionalisation of these innovations system-wide.

The sections that follow report on the progress of the NECT in proving the efficacy of key education improvement innovations and the extent to which the various levels of the education system - districts, provinces and the national Department of Basic Education (DBE) - are starting to adopt these innovations. As will be seen, significant progress has been made in research on and development of key innovations in terms of their testing, their early adoption and their institutionalisation across the various levels of the system. Early signs of improvement in the target institutions and their functions are observable.

Much has been achieved by the NECT in capitalising on the DBE's historic successes in the areas of access, redress and equity in order to build a solid basis for achieving the educational goals of the National Development Plan (NDP). However, access to quality education remains limited to a few schools. The NECT programmes are geared towards supporting the education system to achieve the NDP's goal of *90% of learners achieve more than 50% in mathematics, science and languages by 2030*, with particular regard to rural schools. On this basis, the work of the NECT continues to be organised into the following six themes of the ECF:

Table 2: Education Collaboration Framework Themes

Theme 1 : Professionalisation of teaching

Theme 2 : Promotion of courageous and effective leadership

Theme 3 : Capacity of the State

Theme 4 : Resourcing of schools and classrooms

Theme 5 : Parent and community involvement

Theme 6 : Learner welfare

This report also highlights the enormity of the agenda for sustainable education improvement, which requires comprehensive, courageous and consistent interventions to transform practice. It must be noted that this is work that cannot be completed overnight. In order to ensure that the NECT stays on track, a set of intermediate outcomes were delineated and are being monitored rigorously.

2. PERFORMANCE OF THE COLLABORATION

The NECT was set up as a test model of collaboration for implementing the NDP. In this regard, government, business, labour and civil society groups have continued to make their respective inputs into the governance, resourcing and operations of the NECT as well as in creating the necessary conditions for the success of the collaboration. These four stakeholder groups remain actively involved in the governance and the implementation of the NECT programmes at both the national (Board) and regional (District Steering Committees (DSC)) level. Over and above exercising their fiduciary functions, the NECT Board and the DSCs play very important roles in the education transformation process.

In the past year, the NECT achieved the following in relation to collaboration:

- ❑ **Mobilising resources:** The NECT has raised the requisite funding input, mainly from Government and the private sector.
- ❑ **Establishment of structures:** Multi-stakeholder structures established in 2014 continue to encourage joint efforts towards securing success conditions for education improvement. Eight DSCs perform this role at a regional level.
- ❑ **Field experts:** The NECT mobilised 488 experts and coaches and their official counterparts to work together towards improving planning, systems, skills and the work-culture of districts which impact over 66 000 teachers and officials.
- ❑ **Scaling up and promoting sustainability:** Some provinces, for example, the Eastern Cape, Mpumalanga and Limpopo, have started replicating the NECT's innovations. The DBE, on the other hand, is exploring ways of replicating the innovations nationally.
- ❑ **Building trust and promoting cross-sector pollination:** The NECT has constantly worked towards narrowing the 'trust deficit' between the private sector, Government, teacher unions and other role-players such as non-governmental organisations (NGOs).
- ❑ **Promoting union involvement in teacher professionalisation:** Improving the levels of constructive engagement with and roles of teacher unions is a major concern to society and remains high on the NECT's agenda. The NECT remains engaged with the union leadership alongside the Education Labour Relations Council (ELRC). This relationship is being strengthened through a programme that seeks to extend implementation of the NECT activities through the teacher unions' professional development institutes.

The two and half years of the ECF implementation is confirming an effective model of collaboration that can be used to implement the various chapters of the NDP. The most significant observation in this regard is that there is extensive collaboration potential in communities across the South African landscape which remains untapped. The lesson from the ECF implementation is that collaborations succeed if the following conditions are in place:

- Existence of a common vision, as laid out in the NDP
- Focused common programme of action that is steered jointly by senior leadership of the stakeholder groups
- Co-resourcing of the programmes as is the case of the NECT where government, business and unions fund the programmes of the collaboration
- A dedicated coordination structure in the form of the NECT secretariat which guides and oversees stakeholder participation and ensures accountable co-financing modalities

3. OVERVIEW OF 2015 OPERATIONS

Guided by the ECF, 2015 saw the NECT record significant achievements with our programme reaching more beneficiaries compared to the previous year. Whilst 2014 was dedicated to laying the foundation for implementation and managing the inception of the three year programme, 2015 was dedicated to: increasing the intensity of implementation; extending the programme to areas not reached before; increasing buy-in and adoption at national, provincial and district level; piloting and testing new models; and finalising the Monitoring and Evaluation (M&E) Framework for the NECT programme.

At the start of 2015, the NECT undertook a strategic reassessment of its model of delivery in order to identify ways of increasing its effectiveness and impact. The process resulted in the re-organisation of the NECT flagship programme, the District Improvement Programme (DIP). The resulting programme is more closely aligned with the DBE's programmes as well as more coherent and streamlined, with clear targets and outputs for each of the focus areas. The strategic reassessment process also clarified the NECT's identity and role in the basic education sector. This was helpful as stakeholders had divergent views and expectations of the NECT. Contracts with two of the four lead agencies that were engaged to deliver programmes in the districts were discontinued for operational reasons. The NECT currently manages the implementation of the programme in affected districts directly.

The NECT embarked on several systems level interventions to support immediate system-wide improvements and during 2015 achievements were recorded at various levels of the system, all the way from school level to the national level of the DBE.

- ❑ There is evidence of improvement in the organisation of school operations and over 6 817 principals and HODs have been equipped to effectively manage and track curriculum management. However, schools have a long way to go towards achieving optimum utilisation of the resources that are available in schools.
- ❑ The NECT has trained over 19 398 Mathematics, Science and language teachers across five provinces with the intention of helping teachers to apply standard routines in the implementation of the Curriculum and Assessment Policy Statements (CAPS) in their respective subject areas.
- ❑ The teachers underwent a year-long teacher development programme which has increased their awareness of the need to complete the curriculum using 170 days of dedicated teaching time as a benchmark. The baseline in this regard is as low as 90 days in some schools.
- ❑ At a district level, the NECT piloted an innovative learner psycho-social screening and referral project in the Bela-Bela circuit in the Waterberg district. Lessons learnt in this pilot were further replicated in the uThungulu district in KwaZulu-Natal and there are plans to roll-out the project to the remaining NECT target districts.
- ❑ Over 317 district officials were trained in curriculum management and tracking and district officials' counterpart with NECT experts and coaches as part of the curriculum management programme rollout.
- ❑ At a provincial level, the curriculum coverage initiative, which is part of the NECT's learning programmes, has been extended and adopted for implementation in more districts in the Eastern Cape, Limpopo and Mpumalanga provinces respectively.
- ❑ At national level, a number of system improvement initiatives are underway. These include: support to the DBE in improving information and communications technology (ICT) systems; and national dialogues on key issues to nurture a common understanding of collaborative actions required among key stakeholders.

The six themes of the ECF cited above serve as the basis for the design of the NECT's work which is organised into eight programmes and which are discussed in the remainder of the report.

4. EXPENDITURE OVERVIEW

In 2015, the NECT spent a total of R196 264 894 on all the programmes with programme 1 accounting for the largest spend. As can be gleaned from Table 3, the rest of the programmes are relatively smaller in scope and scale and largely implemented at the national level. The expenditure spread is not reflective of the strategic importance of the programmes but an indication of capital intensiveness of the interventions. The district and schools levels of education system, and therefore those of the NECT, are the most extensive in terms of scope and the scale of the intervention activities involved. In the NECT programme eight districts from five provinces are involved. These districts comprise 4 362 schools 10% of which are provided with intensive support. The key drivers of the expenditure in this regard are the personnel, materials and logistics costs used to drive human capital development in schools that are separated by long distances and often in very difficult terrain.

Table 3: Expenditure Patterns across the NECT Programmes (2014/2015)

Financial year		2015		2014	
Programme		Expenditure Rands	Percent of total expenditure	Expenditure Rands	Percent of total expenditure
Programme 1	Districts and Schools	177 410 542	90.4%	98 708 777	88.5%
Programme 2	Systemic Intervention	2 617 923	1.3%	-	0.0%
Programme 3	Innovation	1 854 069	0.9%	246 266	0.2%
Programme 4	Local Projects	169 604	0.1%	5 248	0.0%
Programme 5	Education Dialogue SA	2 185 487	1.1%	532 112	0.5%
Programme 6	Internal Operations	9 231 003	4.7%	9 483 933	8.5%
Programme 7	Partnerships	16 244	0.01%	329 886	0.3%
Programme 8	Monitoring & Evaluation	2 780 025	1.4%	2 281 603	2.0%
TOTAL		196 264 895	100.0%	111 587 824	100.0%

The section below highlights inputs, outputs and outcomes per programme arising from the investment in all the programmes as presented above.

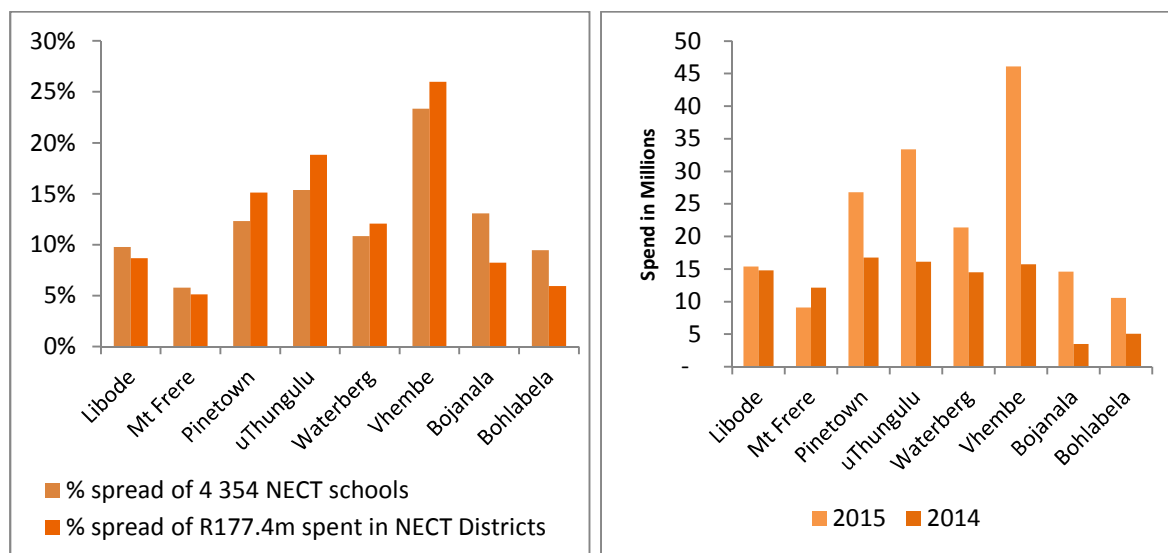
PROGRAMME 1: DISTRICTS AND SCHOOLS

As previously indicated, the DIP accounted for 90.5% of the NECT's expenditure in 2015. The DIP aims to improve the quality of teaching, learning and management of schools as well as the effectiveness of the support and monitoring services provided to schools by the districts with a view to replicating the programme and lessons learned during implementation in other districts and provinces.

Investment per District in 2015

As presented in figure Table 3, a total of R 1 77 410 542 was invested in the 8 NECT districts. The number of schools across all districts is 4 362. The expenditure pattern across districts is in line with the number of schools per district. Figure 1 below presents the proportional investment per district, alongside the proportional number of schools per district.

Figure 1: Distribution of investment vs schools in the NECT districts



In KwaZulu-Natal the proportion of spend is much higher than the proportion of schools because of district-wide provision of materials as opposed to other districts in which the distribution of NECT material is limited to Fresh Start schools. In these schools, the material is accompanied by intensive in school coaching. In Limpopo the slightly higher proportion of expenditure in relation to the number of schools is accounted for by the lead agency's relatively higher cost model. This agency's engagement was terminated in October 2015. The comparatively lower expenditure patterns in the North West and Mpumalanga are as a result of a planned lag in the initiation of the project in those provinces' respective districts.

Investment spread per input area

The investment spread per input area is provided in Table 4 below.

Table 4: Investment spread per input area

Districts and Schools	Expenditure in 2015	Expenditure in 2014
Personnel costs	127 698 597	73 661 270
Materials Development	23 023 075	6 439 049
Other logistic costs	26 688 869	18 608 458
Total	177 410 542	98 708 777

The expenditure above was accrued in the districts and schools for in-school support, training, materials development and travel and accommodation. Since the NECT intervention is mainly a human capital development programme, programme implementation costs account for 72% of the Programme 1's costs and include the cost of research and development and field personnel.

The following sections detail the inputs and outcomes for each of the five focus areas of the DIP.

Focus Area 1: Teacher Professionalisation

The teacher professionalisation component of Programme 1 is aimed at building curriculum management and delivery capacity in Mathematics, Science and language and at preparing teachers to assist in the management of learners' welfare needs.



Inputs

- **40 023 repeat training and support for teachers** as part of the programme to ensure that classrooms follow structured year-long mathematics, science and language programmes that aim to cultivate more disciplined, efficient teaching and learning. The programme impacted 19 398 teachers.
- **918 569 resource materials** developed, printed and distributed in classrooms of the target schools.
- Teachers in a sample of schools receive **5-6 in-school coaching visits** per school term.
- **69 curriculum specialists** in EFAL, Mathematics, home language and Sciences provide in-school training and in-school support alongside the dedicated district officials.

Outcomes

- Increased awareness of the need to complete the curriculum using 170 days of dedicated teaching time;
 - Target setting with respect to quantity and quality of curriculum coverage;
 - Reflection on the national policy expectations and crafting a developmental path for achieving increased completion and quality of curriculum delivery.
 - An average increase of **17.3 and 14.5 percentage points** in the performance of secondary Mathematics and Science teachers who were targeted for the Lead Teacher programme in six districts. The pre- and post-assessments provided useful policy and planning insights into the performance of teachers teaching difficult topics.
-

Focus Area 2: Management and Courageous Leadership

The management and courageous leadership component of Programme 1 is aimed at building the capacity of school principals for courageous leadership, effective management and the proper monitoring of curriculum delivery.



Inputs

- **12 998 repeat training and support** for school management teams (SMTs) in monitoring and supporting learning in order to optimise utilisation of teaching time and resources. SMT members were trained and supported in resources management, curriculum tracking and support. The Programme impacted 6 817 SMT members.
- **119 principals trained** in readiness assessment interventions to prepare schools for assessing and enhancing their performance.
- School managers engaged in a school self-assessment process (Fundamentals of Performance).
- Introduction of a courageous leadership conversation among SMTs. The first module has been developed and sessions are being organised across schools.
- Principals and SMTs in schools receive **three in-school coaching visits** per school term.
- **36 change agents** working in school management provide training and in-school coaching alongside district officials.

Outcomes

- Evidence of improvement in the organisation of school operations; however this is from a very low baseline.
-

Focus Area 3: District Development

District development is aimed at building the capacity of Subject Advisors and Circuit Managers in the district offices with a view to supporting schools so that principals, heads of departments (HODs) and teachers perform effectively and their performance results in the improved achievement and success of learners at all levels.



Inputs

- **317 district officials received training, coaching and mentoring** in a programme to improve the implementation of the curriculum, and coverage of curriculum in schools.
- **DMCs meet once a month** involving provincial departments of education (PDEs) and other partners in 8 districts for joint planning and implementation.
- School visitation instrument developed for utilisation by subject advisors and circuit managers.

Outcomes

- Improving district support of schools through the adoption of a district Improvement programme comprising structured approaches, tools and schedules.
-

Focus Area 4: Parent and Community Involvement

The parental and community involvement component aims to: empower parents to support their children's learning; promote volunteerism among parents and community members in supporting the activities of the school; and increase the use of community resources for the welfare and development of learners.



Inputs

- Parents were involved in the NECT's quick wins programme to improve the physical environments of schools.
- **4 NECT parent and community involvement specialists work hand in hand with 51 volunteers** in this focus area.
- Guidelines on parental involvement in their children's learning, and a framework for parental involvement were developed by the DBE in collaboration with the NECT, and have been approved by the Council of Education Ministers (CEM)

Outcomes

- **162 community, unions, and business sector members** involved in DSCs overseeing education improvement in 8 districts.
-

Focus Area 5: Learner Welfare and Support

The purpose of NECT interventions in learner welfare and development is to ensure that schools serve as a nurturing environment for all learners to grow, develop and achieve, empowering learners to take responsibility for their learning and their lives.



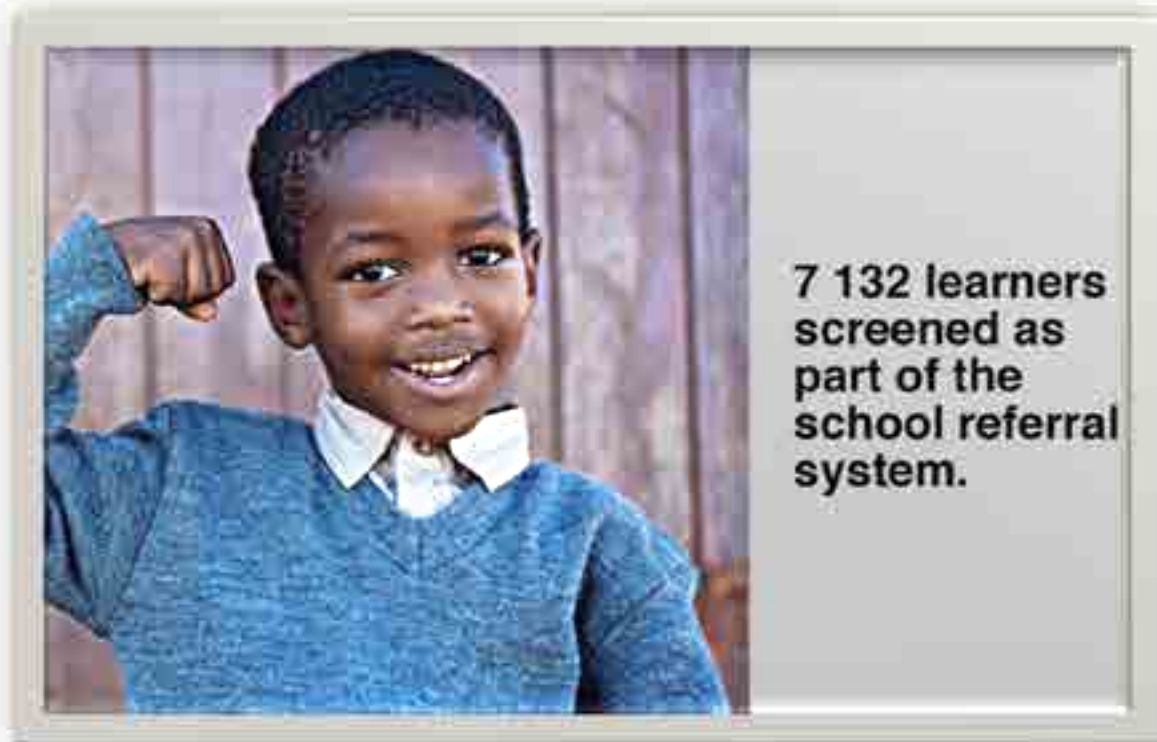
Inputs

- Live streaming of Mathematics and Science lessons was provided to learners in high schools where there were teacher shortages.
- **1 132 learners screened** as part of the school referral system test pilot in Bela-Bela. **A further 6000 learners screened** in Waterberg.
- 2 NECT Learner welfare specialists and **55 district Learner Support Agents** (interns) work in this focus area.

Outcomes

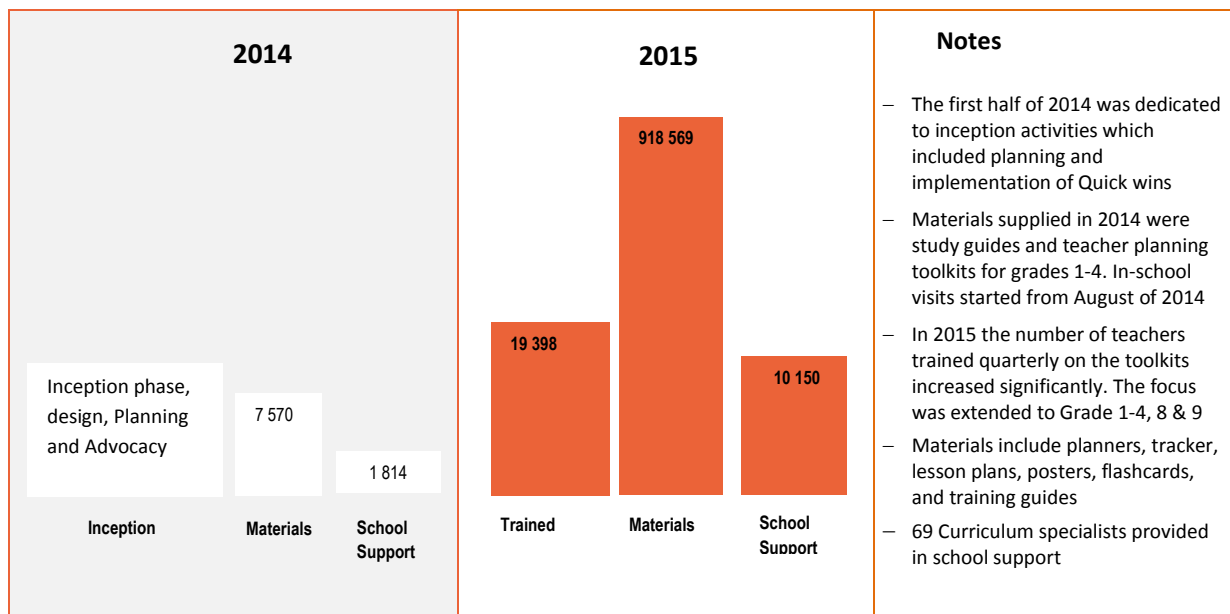
- Psycho-social health assessment testing strategy was developed and is being rolled out in target schools. Testing took place in **46 schools** serving approximately **8 000 learners**.
-

A great challenge encountered by the NECT is that many schools still teach for far less than the expected number of days and therefore cover much less than the expected curriculum per grade. This challenge requires not only increased awareness and technical capacities among teachers, school managers and officials, but a concerted drive to change the mind-sets among these public servants. Without these mind-set changes government and corporate social investment will continue to yield low returns on investment.

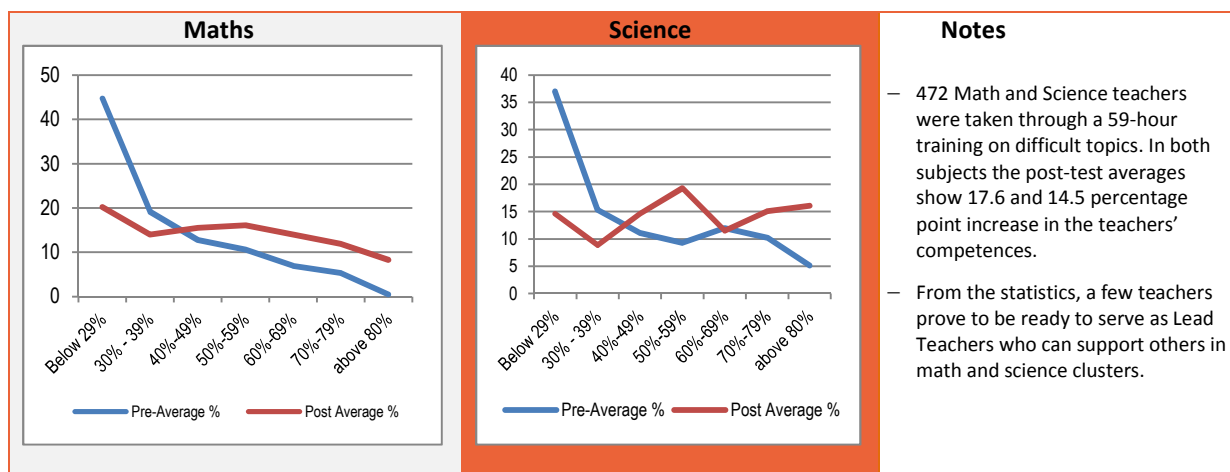


School Interventions at a glance

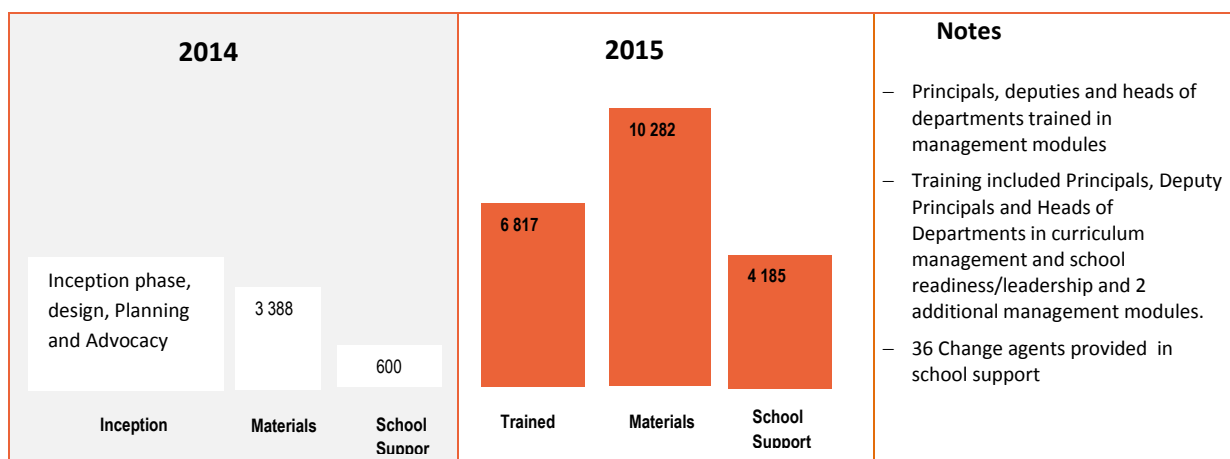
Teacher Professionalisation



Improvements from Math and Science Lead Teacher Programme



Courageous Leadership



PROGRAMME 2: SYSTEMATIC INTERVENTION

This programme aims at partnering with government to address key systemic challenges that are holding back the improvement of the education system or that risk reversing the gains already made. The expenditure on this programme, utilised for the provision of technical assistance to the DBE on various aspects amounted to R2 617 923, 1.3% of the NECT's total expenditure. The sub-programmes under Programme 2 are highlighted below:

Initiative 1: Ministerial Committee on ICTs

The NECT facilitated the formation of the Ministerial Advisory Committee (made up of private and public senior officials) on ICTs and the development of a research report on best practice in use of ICT in teaching and learning. The ICT committee was set up in June 2015 and accomplished the following, amongst others:

- ❑ Provided input into Operation Phakisa Education Lab held in August 2015.
- ❑ Developed a paper which identified and highlighted the major challenges facing the Department in developing an effective IT strategy.
- ❑ Organised a 2-day workshop attended by political leadership and senior management from both the national department and provincial DoE's.

Initiative 2: User Requirements for SA-School Administration and Management System (SA-SAMS)

The NECT collaborated with the Zenex Foundation to provide technical assistance in planning the modernisation of the school administration system. The collaboration sourced private sector funding for the development of the SA-SAMS "User Requirement Specification ("URS") and the upgrade of the SA-SAM technical architecture. This will help improve the efficiency of the DBE's core management information system and consequently the resource allocation to schools and districts.

PROGRAMME 3: INNOVATION

The programme is intended to initiate projects and set up channels that will promote new thinking, approaches and programmes aimed at improving the quality of learning and teaching and the efficiency and effectiveness of the education system. Investment in this programme amounted to R1 854 069, 0.9% of the NECT's total costs. Most of this funding was invested in technical assistance inputs. Three initiatives formed part of Programme 3:

Initiative 1: Case Study on the National Examination System

The case study on how public systems improve, focused on the examinations system, and was finalised and endorsed by the National Examinations and Assessments Committee (NEAC). The NEAC is using the report to strengthen its processes. A total of 85 days of technical expertise were allocated to this research, wherein 49 face to face, telephonic and group discussions were conducted to solicit inputs on how and why the national examination system improved.

The technical report produced is being used by the DBE's examination and assessment division to improve planning. Treasury's technical advisory centre (G-TAC) is repackaging the report into an

easily accessible public document for much wider dissemination. The report reveals useful insights into public service improvement and contributes towards building a culture of learning in the DBE.

Initiative 2: School Referral System

The innovative pilot tested in Bela-Bela has been replicated in the uThungulu district in KwaZulu-Natal where approximately 8 000 learners from 46 schools were screened for psycho-social problems which inhibit effective learning. Fifty five Learner Support Agents (LSAs) and district officials are working on replicating this model.

Initiative 3: Innovation Unit

The NECT, in collaboration with the FirstRand Empowerment Fund and the Global Education Partnership Programme, completed an investigation into the establishment of an innovation unit which will promote better coordination, resourcing and replication of innovations in the education sector. Plans are underway to finalise the structural and legal configuration of the unit.

PROGRAMME 4: LOCAL PROJECTS

The NECT finalised the process of developing a handbook for maximising the impact of social investment (CSI) in Mathematics and Science interventions with the intention of distributing the handbook nationally in 2016.

Expenditure in this programme amounted to R169 604 (the fee of the agency contracted to develop the handbook on behalf of the NECT).

PROGRAMME 5: EDUCATION DIALOGUES

Programme 5 seeks to drive a positive narrative around education as a whole through a programme of dialogues. Expenditure in this programme was mainly for marketing, communications and public relations. In this regard, 80% of the total investment of R2 185 487 was allocated to marketing and communicating NECT work, whilst the remaining expenditure related to the logistics of convening the Education Dialogues.

The NECT convened several dialogues and summits and was involved in a number of conversations. These included:

- ❑ Two national teacher professionalisation dialogues. The dialogues resulted in the South African council for Educators (SACE) reviewing its role in the professionalisation of teaching, including reviewing policies and measures for teacher certification. The NECT successfully promoted an extensive discourse about the professionalisation of teaching through the establishment of a joint programme involving SACE, the DBE, teacher unions and school governing body (SGB) formations. The initiative aimed to promote year-round teacher wellness and appreciation programmes (Teacher Appreciation and Support Programme-TASP).
- ❑ A school safety and security summit involving learners, teachers and other practitioners in education was convened 2015. The summit brought pervasive issues to light about school

safety and enabled government, unions, SGBs and learners to adopt a school safety declaration.

- ❑ Various dialogues focusing on reading and public-private partnership schooling for the lower income brackets were held in 2015, reaching over 1 million people through electronic and print media.
- ❑ Several conversations held with teacher unions on their role in professional development.
- ❑ A national meeting with DSC Chairs to develop a common programme for increasing buy-in at regional and provincial level providing strategies to improve societal interest in education.

The Story of South Africa

We began to tell a new story then. We have lived and renewed that story along the way.

We, the people of South Africa, have journeyed far since the long lines of our first democratic election on 27 April 1994, when we elected a government for us all.

Now in 2030 we live in a country which we have remade.

We have created a home where everybody

feels free yet bounded to others; where

everyone embraces their full potential.

We are proud to be a community that cares.

We have received the mixed legacy of

inequalities in opportunity and in where we

have lived, but we have agreed to change

our narrative of conquest, oppression,

resistance, and victory. Our story is open

ended with temporary destinations, only for new paths to open up once more.

It is a story of unfolding learning and victory.



From "The Vision Statement of the National Planning Commission"

Systemic Interventions at a Glance

THE SYSTEMIC CHANGE LOGIC IN BRIEF

For decades, education improvement activities around the world focused on classroom and school level interventions in isolation. Whilst education improvement indeed has to be demonstrated in classrooms, to achieve sustainable education improvement requires simultaneous interventions at the levels above classrooms where education planning and monitoring are undertaken.

It is against these reasons that the NECT takes a systemic approach that promotes improvements of organisational systems and culture at district, provincial and national levels. These imperatives are pursued through technical assistance projects, innovation promotion, dialogues, partnerships and monitoring and evaluation programmes.

We all assist the institutions we have creatively redesigned to meet our varied needs, NDP, 2014:17

ACHIEVEMENTS AND OUTCOMES IN PRACTICE

Systemic interventions

- ❑ Ministerial Committee involving private sector experts, State Information Technology Agency and the Department of Basic Education supports strategy development and the Presidential Operations Phakisa.
- ❑ User-requirements for upgrading the schools administration system were completed.

Innovation Programme

- ❑ A reflection on the 156 years old examination system was completed, marking the only reflection on systems functionality of national processes. Technical report is used to strengthen the examination system and key lessons are being drawn for the entire public service.
- ❑ Pilot of the school referral system was completed in Belabela district. The trial is extended to 100 schools involving 8000 learners in key grades.
- ❑ Investigation into the establishment of an innovation unit was completed. It drew lessons from initiatives that promote innovation in education in South Africa and around the world.

Education Dialogue and partnerships

- ❑ Two national dialogues of professionalization of teaching were organised. The South African Council of Educators has set up a process in motion to review the certification requirements for teachers.
- ❑ Dialogue was held on the promotion of reading and the concept of low fee private schools. The dialogue exposed participants to the importance of reading for academic achievement as well as different approaches and initiatives. The dialogue of low fee private schools raised widespread questions that continue to be discussed in relation to the structure of schooling in South Africa.
- ❑ A national school safety summit was held with over 150 representatives of learner leadership groups, teacher unions, civil society and the departments responsible for education, health and the office of the President. A safety Charter was adopted by the stakeholders.
- ❑ District Steering Committee remained engaged with communities around schools in the eight target districts.

PROGRAMME 6: GOVERNANCE AND INTERNAL OPERATIONS

In 2015 the Board held a total of 9 Board and committee meetings. These are presented in Table 5.

Table 5: Board and committee meetings

Financial year	2015	2013-2014
Board	4	14
EXCO	2	8
Audit and Risk	3	4
Total	9	26

The NECT presented reports to its stakeholder constituencies during 2015. These included a progress report to the Presidential Education Skills Task Team (03 August) and presentations to the Education Portfolio Committee (08 September) and CSI managers (08 October). Reports were also presented to Business Leadership South Africa (6 reports) and the DBE (3 reports).



FINANCIAL HIGHLIGHTS

The NECT’s annual financial statements have been audited by Ernst & Young Inc. and received an unqualified opinion. Highlights on the income and expenditure patterns are provided below. The full annual financial statements are attached to this report.

The sources of the NECT funding are outlined in the diagram below.

Income and expenditure analysis

The NECT received a total of R186 542 790 from funders in 2015. The ratio of funding received from various categories of funders is presented in the figure below.

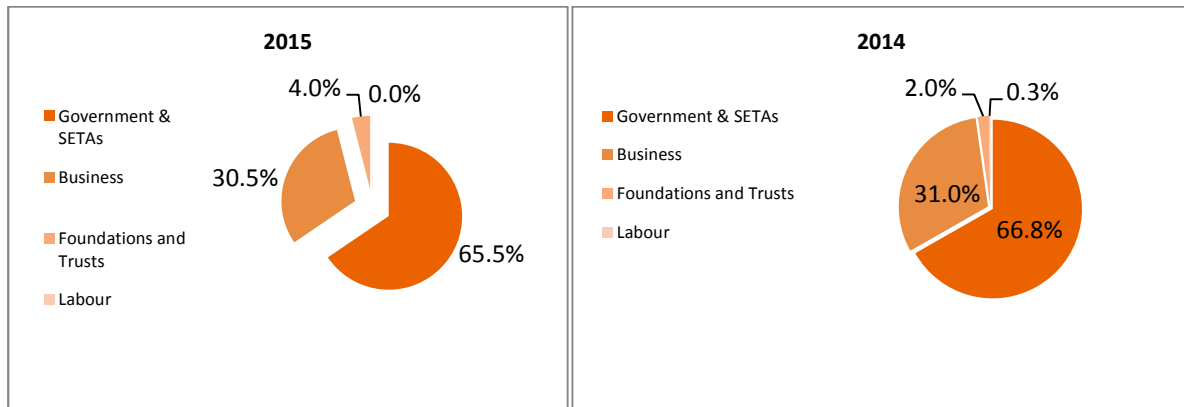


Figure 2: Distribution of income from various funders in 2015

Although the Government’s contribution to total NECT’s funding in 2015 was highest at 65%, the proportion of funding from this category has declined compared to the previous year (2014: 67%). Conversely, the contribution from other funders has increased from 33% in 2014 to 35% in 2015.

Total expenditure on all the NECT programmes in 2015 amounted to R196 264 895. The split between educational programmes versus administration is represented below.

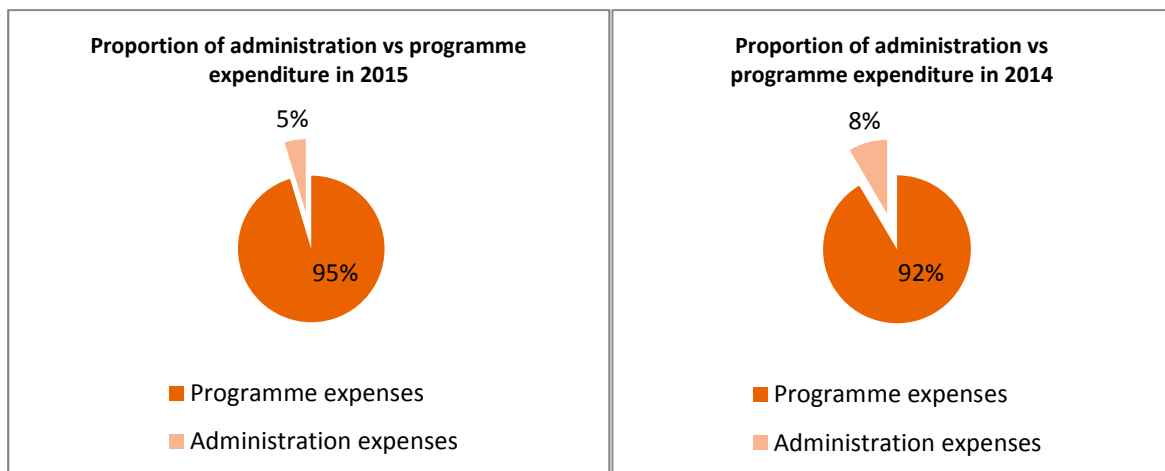


Figure 3: Proportion of administration vs programme costs

Funding Contributions

Table 6 reflects that NECT income was received from 24 funding sources comprising two government funding sources, 20 private sector organisations and two Trusts and Foundations. In both years the contributors numbered 24 but in 2015 we have seen significant increases.

Table 6: List of funders for 2015

Government & SETA		2015	2014
1	Department of Basic Education	122 095 234	77 620 985
2	ETDPSETA	2 333 000	362 000
Total Government & SETA		124 428 234	77 982 985
Business			
3	First Rand Foundation	11 034 272	10 000 000
4	Standard Bank South Africa	10 640 351	7 500 000
5	ABSA Bank Ltd	7 000 000	-
6	Anglo American Chairman's Fund Trust	5 000 000	-
7	Old Mutual South Africa Ltd	3 666 290	2 880 000
8	Nedbank Ltd	3 000 000	3 227 194
9	Woolworths Holdings Ltd	2 000 000	2 000 000
10	MMI Foundation NPC	1 645 782	1 401 897
11	Investec Ltd	1 098 788	683 183
12	Hollard Group Ltd	1 000 000	1 000 000
13	Liberty Group Ltd	1 000 000	1 000 000
14	The South African Breweries (Pty) Ltd	1 000 000	-
15	Anglo Gold Ashanti Ltd	633 305	633 305
16	Industrial Development Corporation of South Africa Ltd	500 000	-
17	Telkom SA SOC Ltd	465 653	-
18	Murray & Roberts Holdings Ltd	448 294	447 627
19	Ernst & Young Inc	440 000	-
20	Alexandra Forbes Ltd	427 173	142 519
21	Sasol Inzalo Foundation	388 805	-
22	JSE Ltd	289 863	273 456
23	Credit Suisse Securities Pty Ltd	-	250 000
24	Deloitte South Africa Inc	-	1 000 000
25	Imperial Holdings Ltd	-	1 675 198
26	Kagiso Tiso Holdings Pty Ltd	-	300 000
27	Massmart Holdings Ltd	-	1 335 488
28	Safika Holdings	-	500 000
Total Business Contributions		51 678 576	36 249 867
Foundations & Trusts			
29	Zenex Foundation	10 135 980	2 000 000
30	DG Murray Trust	300 000	300 000
Total Foundations & Trusts Contributions		10 435 980	2 300 000
Labour			
31	Education Labour Relations Council	-	293 317
Total funding in 2015		186 542 790	116 826 169

PROGRAMME 7: STRATEGIC PARTNERSHIPS

Developing strategic partnerships with key stakeholders reinforces the call by the NDP for a social compact to address educational challenges. To this end the NECT maintained strategic partnerships with 22 private sector partners, the DBE and a further 3 government departments. Total investment in Programme 7 was largely logistical, amounting to R16 244 which represents only 0.01% of total programme expenditure.

Towards the end of 2015 the NECT initiated a process of introducing special partnership projects aimed at increasing integration and alignment of ongoing work by private sector organisations. A similar process is being followed with the teacher unions' professional development institutes.

Table 7: Special partnership projects

	Partner	Type of Programme
1	Woolworths	Vegetable gardens in schools/communities in NECT districts/schools
2	ABSA Bank	Ready to Work Programme
3	Investec	Mathematics and Science Programme
4	Old Mutual	Data Driven District model in Libode
6	SIOC	Mathematics, Science and Languages Programme for schools in Thabazimbi
7	Liberty	Maths and Science Programme

PROGRAMME 8: MONITORING AND EVALUATION

The total investment in Programme 8 was R2 780 025 which represents 1.4% of total programme expenditure. The largest spend under Programme 8 was on technical expertise in terms of development and verification of the M&E Framework, conducting a rapid appraisal and ongoing monitoring and quality assurance of the NECT fieldwork. Some of the achievements over the reporting period are as follows:

- ❑ The revised NECT M&E Framework was completed in 2015. The framework outlines long term outcomes and indicators in line with the 2030 NDP vision as well as intermediate outcomes and indicators which will be tracked and reported on a monthly and quarterly basis to stakeholders.
- ❑ A Rapid Appraisal in a sample of Fresh Start Schools to assess NECT and Lead Agent programme performance was conducted. The baseline results showed that although there is greater awareness about the need to complete the curriculum and heightened sensitivity regarding loss of teaching time, there is still a great need to protect teaching and learning time. These and other useful insights have been incorporated into the NECT's programme planning.
- ❑ An evaluative report of the implementation of learning programmes and curriculum trackers was developed. This report provides suggestions on how the learning programmes can be better implemented for higher impact.

An Output to Purpose (OPR) review will be conducted by mid-2016. The objective of the OPR is to establish whether the NECT is progressing towards meeting its objectives and goals.

CONCLUSION AND WAY FORWARD

The NECT's activities were aligned to the imperatives of the national system of education and its needs as described by the various collaborative stakeholders. Importantly, an increased number of schools, districts and provinces are starting to replicate innovations being introduced and tested by the NECT. An instructive lesson in this regard is that various levels of the system easily adopt innovations if the responsible officials are involved in the design and implementation of the innovations and once the innovations and 'their change potential' are demonstrated.

In the coming years the NECT will pursue the key change levers presented in the report, broaden adoption in schools and districts, promote institutionalisation of the innovations in schools and districts and replication of the innovations across the education system.

To ensure that the NECT work proceeds at the appropriate pace and remains on track, a set of intermediate outcomes and indicators has been adopted and the first independent OPR of the NECT is planned to take place in 2016.

Extensive potential for collaboration remains untapped in South African communities. While the NECT has proven to be an appropriate approach to strengthening collaboration and public engagement in service improvement, greater use of the NDP to inspire active citizen participation in communities must be encouraged.

The following section presents the Annual Financial Statements for 2015 as audited by Ernst & Young Inc.



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

Annual Financial Statements for the year ending
31 December 2015

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	A trust registered as a non-profit organisation to strengthen partnerships among business, civil society, government and labour in South Africa to achieve the education goals of the country's National Development Plan. The trust strives both to support and influence the agenda for the reform of basic education.
Trustees	Mr. Sizwe Errol Nxasana Ms. Angelina Motshekga Ms. Ntombifuthi Temperance Mtoba Mr. Basil Lawrence Manuel Mr. Nkosana Dolopi Mr. Mark James Lamberti Mr. Hubert Mathanzima Mveli (appointed on 11 November 2015) Mr. Brian De Lacy Figaji Mr. Godwin Khosa
Registered office	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Business address	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Auditors	Ernst and Young Inc Registered auditors
Company registration number	IT2559/13
Bankers	First National Bank
Preparer	Peter Kimingi, Professional Accountant (SA) Chief Financial Officer

THE NATIONAL EDUCATION COLLABORATION TRUST

Financial Statements for the year ending 31 December 2015

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Report of the independent auditors	4
Report of the trustees	5 – 6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in funds	9
Statement of cash flows	10
Notes to the financial statements	11 – 24

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 2015 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 2015 and, in the light of this review and the current financial position, they are satisfied that the Trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 7 to 24, which have been prepared on the going concern basis, were approved by the Board of Trustees on 25 April 2016 and were signed on its behalf by:



Chairperson
Risk and Audit Committee

Johannesburg



Chairman
Board of Trustees



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INDEPENDENT AUDITOR'S REPORT

To the trustees of the National Education Collaboration Trust

We have audited the annual financial statements of the National Education Collaboration Trust, which comprise the statement of financial position as at 31 December 2015, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 7 to 24.

Directors' Responsibility for the Financial Statements

The company's trusts are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the national Education Collaboration Trust as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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

Date: 05 May 2016

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 2015.

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 2015

The NECT plays a unique role of providing catalytic innovations and approaches to the basic education system. As envisioned in the NDP and the ECF, this catalytic role involves bringing stakeholders together to secure a common programme for education development. With a healthy and effective collaboration amongst the stakeholders, the NECT has been able to secure the commitment of both government and non-governmental partners. This kind of relationship has never been experienced in South Africa before and provides impetus to the NDP call for more collaboration between government and social partners to improve the pace of development.

With a relatively small proportion of the budget compared to the system, the NECT has focused its financial investment in levers that bear the highest potential for system improvement. New approaches have been developed in areas of teacher professionalisation; school leadership; district development; learner welfare and parent and community involvement. Research and development is also underway in the areas of education Internet and communications (ICTs), the school administration system, dialogue amongst the various stakeholders as well as documenting improvement lessons for system.

The following successes have been recorded in 2015:

- **Teacher professionalisation:** Maths, Science and languages teachers have undergone a year-long standardised curriculum delivery programme. Two teacher professionalisation dialogues held and new teacher certification policies/measures are being explored in this regard.
- **Courageous Leadership:** Principals and HODs have been equipped to effectively manage and track curriculum delivery in schools.
- **Capacity of the state to deliver:** The NECT has provided policy-level advice and support on technology through the establishment of a Ministerial Committee on ICTs. The NECT has also capacitated over 317 district officials to improve effectiveness of school support and monitoring.
- **Resourcing:** Close to one million teaching and management instruments and tools were distributed in classrooms and schools in a 12 months period starting from January 2015. A total of 1 450 youth were engaged to support schools and districts in areas of school administration and learner welfare.
- **Parent and Community Involvement:** District Steering Committees continue to drive mobilisation and societal interest in education.
- **Learner welfare:** Learner safety and security summit convened where stakeholders adopted a declaration to protect learning spaces so that they are safe and secure. Psycho-social support model is being rolled in schools.

Financial results

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

In 2015, the Trust received a total of R186 542 790. This constituted a increase of 60% to 2014 income. This increase indicates funders continued interest in the work of the NECT. The total

expenditure amounted to R196 264 894 out of which 95% was direct investment in education programmes while 5% was spent on administration expenses.

The Trust's operations recorded a deficit after interest of R8 670 623 (2014 surplus: R6 225 500).

The financial results are set out on pages 7 to 24 and do not, in our opinion, require any further comment.

Tax status

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

Events subsequent to the year end

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

Going concern

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

Trustees

The trustees of the Trust for the period under review were as follows:

Mr. Sizwe Errol Nxasana (Chairman)
Ms. Angelina Motshekga
Ms. Ntombifuthi Temperance Mtoba
Mr. Basil Lawrence Manuel
Mr. Nkosana Dolopi
Mr. Mark James Lamberti
Mr. Hubert Mathanzima Mveli¹
Mr. Brian De Lacy Figaji
Mr. Godwin Khosa (Chief Executive Officer)

¹ Appointed on 11 November 2015

STATEMENT OF FINANCIAL POSITION
 as at 31 December 2015

ASSETS		2015	2014
	Notes	R	R
Non current Assets		2 484 991	1 516 756
Property, plant & equipment	2	2 193 122	1 473 941
Intangible assets	3	291 869	42 815
Current Assets		37 133 615	60 851 964
Government and SETAs Grants receivable	7	29 163 765	18 982 985
Other receivables	4	2 293 637	8 041 176
Cash and cash equivalents	5	5 676 213	33 827 803
Total assets		39 618 606	62 368 720
FUNDS AND LIABILITIES			
Funds		(2 445 123)	6 225 500
Accumulated Funds		(2 445 123)	6 225 500
Non Current Liabilities		62 079	11 128 628
Deferred Income	8	-	11 000 000
Finance lease liability	9	62 079	128 628
Current Liabilities		42 001 650	45 014 592
Finance lease liability	9	66 633	31 578
Accounts payable	9	31 653 519	23 509 837
Other payables	10	836 471	474 775
Accruals and provisions	11	9 445 027	20 998 402
Total funds and liabilities		39 618 606	62 368 720

STATEMENT OF COMPREHENSIVE INCOME
for the year ending 31 December 2015

	Notes	12 months ended 31 December 2015 R	18 months ended 31 December 2014 R
INCOME			
Government & SETAs		122 178 234	77 982 985
Business		56 955 037	36 249 867
Foundations and Trusts		7 409 519	2 300 000
Labour		-	293 317
	13	186 542 790	116 826 169
EXPENDITURE			
		196 244 251	111 587 824
Programme expenses		187 013 248	102 103 891
Administration expenses		9 231 003	9 483 933
Operating (deficit)/surplus	13	(9 701 461)	5 238 345
Finance income	14	1 046 777	1 008 073
Finance cost		(20 643)	(20 918)
(Deficit)/surplus		(8 675 328)	6 225 500
Other comprehensive income	15	4 705	-
Total comprehensive (deficit)/surplus		(8 670 623)	6 225 500

STATEMENT OF CHANGES IN FUNDS
for the year ending 31 December 2015

	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	(8 670 623)
Balance as at 31 December 2015	<u>(2 445 123)</u>

STATEMENT OF CASH FLOWS
for the year ending 31 December 2015

	Notes	2015 R	2014 R
Cash flows from operating activities			
Cash receipts from funders		171 109 549	100 799 571
Cash paid to suppliers and employees		(198 716 170)	(66 361 550)
Cash generated from operations		<u>(27 606 621)</u>	<u>34 438 021</u>
Interest income	14	1 046 777	1 008 073
Interest expense		(20 643)	(20 918)
Other comprehensive income		4 705	-
Net cash from operating activities	16	<u>(26 575 782)</u>	<u>35 425 175</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 205 237)	(1 701 746)
Purchase of intangible assets		(339 077)	(55 833)
Net cash used in investing activities		<u>(1 544 314)</u>	<u>(1 757 579)</u>
Cash flows from financing activities			
Leased assets		(31 493)	160 206
Net cash from financing activities		<u>(31 493)</u>	<u>160 206</u>
Net increase in cash and cash equivalents		(28 151 590)	33 827 803
Cash and cash equivalents at beginning of period		33 827 803	-
Cash and cash equivalents at end of period		<u>5 676 213</u>	<u>33 827 803</u>

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

Basis of preparation:

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

1.1 Revenue recognition

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

Revenue mainly comprises:

Government grants

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

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.

Finance income

Finance income comprises interest income on funds invested.

1.2 Project accounting and expense allocation

Project costs that are clearly identifiable are allocated directly against project funds in terms of the project's contractual obligations.

1.3 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Some of the assets are held by the lead agencies for the exclusive use in the delivery of the Trust's education programmes. Depreciation is provided on the straight-line basis over the useful lives as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

1.4 Intangible assets

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

- Computer software 3 years

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

1.5 Impairment of assets

The Trust assesses, at the end of each reporting period, whether there is any indication that an asset may be impaired.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of comprehensive income. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.6 Financial instruments

i) Financial assets

Receivables

Receivables are financial assets with fixed or determinable payments 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 other receivables and cash and cash equivalents.

Other receivables

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

Cash and cash equivalents

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

ii) Financial liabilities

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

The Trust's principal financial liabilities comprise the following:

Other payables

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

Donor funds designated for projects

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

ii) Lease payments

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

1.8 Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of events for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.9 Employee benefits

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

A liability is recognised for the amount expected to be paid under the short term bonus incentive scheme if the Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

2015	Motor Vehicle R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	260 234	1 257 406	492 014	714 326	183 003	2 906 983
Accumulated depreciation	(4 879)	(421 846)	(149 106)	(131 166)	(6 864)	(713 861)
Carrying amount at 31 December 2015	255 355	835 560	342 908	583 160	176 139	2 193 122
Reconciliation of assets						
Carrying amount at 1 January 2015	-	545 340	301 798	626 803	-	1 473 941
Additions	260 234	628 520	131 300	31 920	183 003	1 234 977
Depreciation	(4 879)	(317 099)	(89 308)	(77 361)	(6 864)	(495 511)
Adjustments	-	-	253	1 798	-	2 051
Disposals	-	(27 846)	(1 894)	-	-	(29 740)
Depreciation on disposals	-	6 645	759	-	-	7 404
Carrying amount at 31 December 2015	255 355	835 560	342 908	583 160	176 139	2 193 122
2014	Motor vehicles R	Computer Equipment R	Office equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	-	656 732	362 608	682 406	-	1 701 746
Accumulated depreciation	-	(111 392)	(60 810)	(55 603)	-	(227 805)
Carrying amount at 31 December 2014	-	545 340	301 798	626 803	-	1 473 941
Reconciliation of assets						
Carrying amount at 16 July 2013	-	-	-	-	-	-
Additions	-	666 478	362 608	682 406	-	1 711 492
Depreciation	-	(113 828)	(60 810)	(55 603)	-	(230 241)
Disposals	-	(9 746)	-	-	-	(9 746)
Depreciation on disposals	-	2 436	-	-	-	2 436
Carrying amount at 31 December 2014	-	545 340	301 798	626 803	-	1 473 941

Included under property, plant and equipment is office equipment with a carrying amount of R150 907 in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

2015	Computer Software R	Total R
Cost	394 910	394 910
Accumulated amortisation	(103 041)	(103 041)
Carrying amount at 31 December 2015	<u>291 869</u>	<u>291 869</u>
Reconciliation of assets		
Carrying amount at 1 January 2015	42 815	42 815
Additions	339 077	339 077
Amortisation	(90 023)	(90 023)
Carrying amount as at 31 December 2015	<u>291 869</u>	<u>291 869</u>
2014		
	Computer Software R	Total R
Cost	55 833	55 833
Accumulated amortisation	(13 018)	(13 018)
Carrying amount at 31 December 2014	<u>42 815</u>	<u>42 815</u>
Reconciliation of assets		
Carrying amount at 16 July 2013	-	-
Additions	55 833	55 833
Amortisation	(13 018)	(13 018)
Carrying amount as at 31 December 2014	<u>42 815</u>	<u>42 815</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. OTHER RECEIVABLES

	2015	2014
	R	R
Prepayments and deposits	429 373	275 821
VAT	1 864 264	7 672 529
Other receivables		82 826
Staff debtors	-	10 000
	<u>2 293 637</u>	<u>8 041 176</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2015	2014
	R	R
Short-term deposits	4 683 527	30 425 471
Balances with banks and cash on hand	1 006 762	3 402 332
Credit Card	(14 076)	-
	<u>5 676 213</u>	<u>33 827 803</u>

6. FINANCIAL ASSETS

Current financial assets include:

	2015	2014
	R	R
Prepayments and deposits	429 373	275 821
VAT	1 864 264	7 672 529
Other receivables		82 826
Staff debtors	-	10 000
	<u>2 293 637</u>	<u>8 041 176</u>

7. ACCRUED INCOME

As at 31 December 2015, the following amounts were accrued by the Trust as expenditure had been incurred on the specific education programmes, but the respective committed funding had not been received by the Trust:

	2015	2014
	R	R
Department of Basic Education	21 716 219	18 620 985
EDTP SETA	2 250 000	362 000
Zenex	5 197 546	-
	<u>29 163 765</u>	<u>18 982 985</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED INCOME

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

As at 31 December 2015, no amounts from donor funds were deferred by the Trust. Comparative amounts for 2015 are presented as follows:

	2015 R	2014 R
Standard Bank	-	7 500 000
ABSA Bank	-	3 500 000
	<u>-</u>	<u>11 000 000</u>

9. FINANCIAL LIABILITIES

Non current financial liabilities	2015	2014
Financial liabilities measured at amortised costs:	R	R
Finance lease liability	62 079	128 628
Current financial liabilities	2015	2014
Financial liabilities measured at amortised costs:	R	R
Accounts payables	31 653 519	23 509 837
Accruals and provisions	9 445 027	20 998 402
Short term finance lease obligation	66 633	31 578
Other payables	836 471	474 775
	<u>42 001 650</u>	<u>45 014 592</u>

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

2015	Up to 1 year	2 to 5 years	Total
	R	R	R
Minimum lease payments	81 011	75 229	156 240
Finance costs	(14 378)	(13 150)	(27 528)
Present value	<u>66 633</u>	<u>62 079</u>	<u>128 712</u>
2014	Up to 1 year	2 to 5 years	Total
	R	R	R
Minimum lease payments	49 786	155 289	205 075
Finance costs	(18 208)	(26 661)	(44 869)
Present value	<u>31 578</u>	<u>128 628</u>	<u>160 206</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. OTHER PAYABLES

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

	2015	2014
	R	R
PAYE,SDL & UIF	800 511	441 319
Retirement Annuity	22 000	22 000
Medical Aid payable	13 960	11 456
	<u>836 471</u>	<u>474 775</u>

11. ACCRUALS AND PROVISIONS

2015	Accruals	Leave provision	Total
	R	R	R
Charged to income statement	9 144 420	300 607	9 445 027
2014	Accruals	Leave provision	Total
	R	R	R
Charged to income statement	20 871 819	126 583	20 998 402

12. 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.

13. EXCESS/SHORTFALL OF INCOME OVER EXPENDITURE

11.1 Restricted excess of income over expenditure

2015	R	R	R
	Revenue	Expenditure	Excess/shortfall
Restricted: Government and SETA Grants	122 178 234	(122 214 790)	(36 557)
Non-restricted programmes' funds	64 364 556	(74 029 461)	(9 664 904)
	<u>186 542 790</u>	<u>(196 244 251)</u>	<u>(9 701 461)</u>
2014	R	R	R
	Revenue	Expenditure	Excess/shortfall
Restricted: Government, Labour and SETA Gra	78 276 302	(78 276 302)	-
Non-restricted programmes' funds	38 549 867	(33 311 522)	5 238 345
	<u>116 826 169</u>	<u>(111 587 824)</u>	<u>5 238 345</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.2 Excess of finance income over finance costs

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

	2015	2014
	R	R
Finance income	1 046 777	1 008 073
Finance costs	(20 643)	(20 918)
	<u>1 026 134</u>	<u>987 155</u>

14. INTEREST RECEIVED

	2015	2014
	R	R
Current and call accounts	969 334	1 008 073
Interest received on VAT refunds	77 443	-
	<u>1 046 777</u>	<u>1 008 073</u>

15. OTHER INCOME

Other income relates to amounts arising from insurance claims on a damaged computer and a binding machine.

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

	2015	2014
	R	R
Excess of income over expenditure	(9 701 461)	5 238 345
Interest received	1 046 777	1 008 073
Interest expense	(20 643)	(20 918)
Other income	4 705	
Adjustment for non cash items		
Depreciation and amortisation	583 482	243 260
Loss on disposal	(22 335)	(76)
Operating cash inflow before working capital changes	(8 109 475)	6 468 684
Cash generated on working capital	(18 466 307)	28 956 493
Decrease/(Increase) in Government and SETA Grants receivable	(10 180 780)	(18 982 985)
Decrease/(Increase) in receivables	5 747 539	(8 041 176)
Increase/(decrease) in payables	(14 033 066)	55 980 654
Net cash from operating activities	(26 575 782)	35 425 177

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. OPERATING LEASE EXPENSE

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

Future commitments of the operating lease are summarised as follows

	2015	2014
	R	R
Not later than one year	689 393	632 470
Later than 1 year and less than 5 years	1 570 505	2 259 898
	<u>2 259 898</u>	<u>2 892 368</u>

18. RELATED PARTY TRANSACTIONS

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

	2015	2014
	R	R
Key management personnel	4 085 112	4 437 627

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.

- (a) Depreciation of property, plant and equipment.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2015	Carrying amount	Contractual cash flows	Less than 1 year
	R	R	R
Accounts payable	31 653 519	31 653 519	31 653 519
Accruals and provisions	10 281 498	10 281 498	10 281 498
Finance leases	66 633	66 633	66 633
	42 001 650	42 001 650	42 001 650

2014	Carrying amount	Contractual cash flows	Less than 1 year
	R	R	R
Accounts payable	23 509 837	23 509 837	23 509 837
Accruals and provisions	21 473 177	21 473 177	21 473 177
Finance leases	31 578	31 578	31 578
	45 014 592	45 014 592	45 014 592

iii) Credit risk

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

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

	R	R
Government & SETA Grants	29 163 765	18 982 985
Other receivables	2 293 637	92 826
	31 457 402	19 075 811

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

Below is a list of the current standards and interpretations that have been issued, but may not be effective. This list excludes those standards/interpretations that are not expected to apply to the Trust. Application of the standards will not have an impact on the Trust's financial statements:

Standard	Details of amendment	Annual periods beginning on or after
IAS 32	The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)).	1 January 2014
IFRS 9	IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets.	1 January 2015

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 deficit of R8 670 623 (2014 surplus: R6 225 500).

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.