JET turns 21

2012
ANNUAL
REPORT

JET EDUCATION
SERVICES

We are improving learning and teaching

VISION
Quality education for every child in South Africa.

MISSION
We offer educational research and knowledge-based interventions that are innovative, cost effective, and sustainable to our clients who support disadvantaged young South Africans through education development initiatives.

JET EDUCATION SERVICES

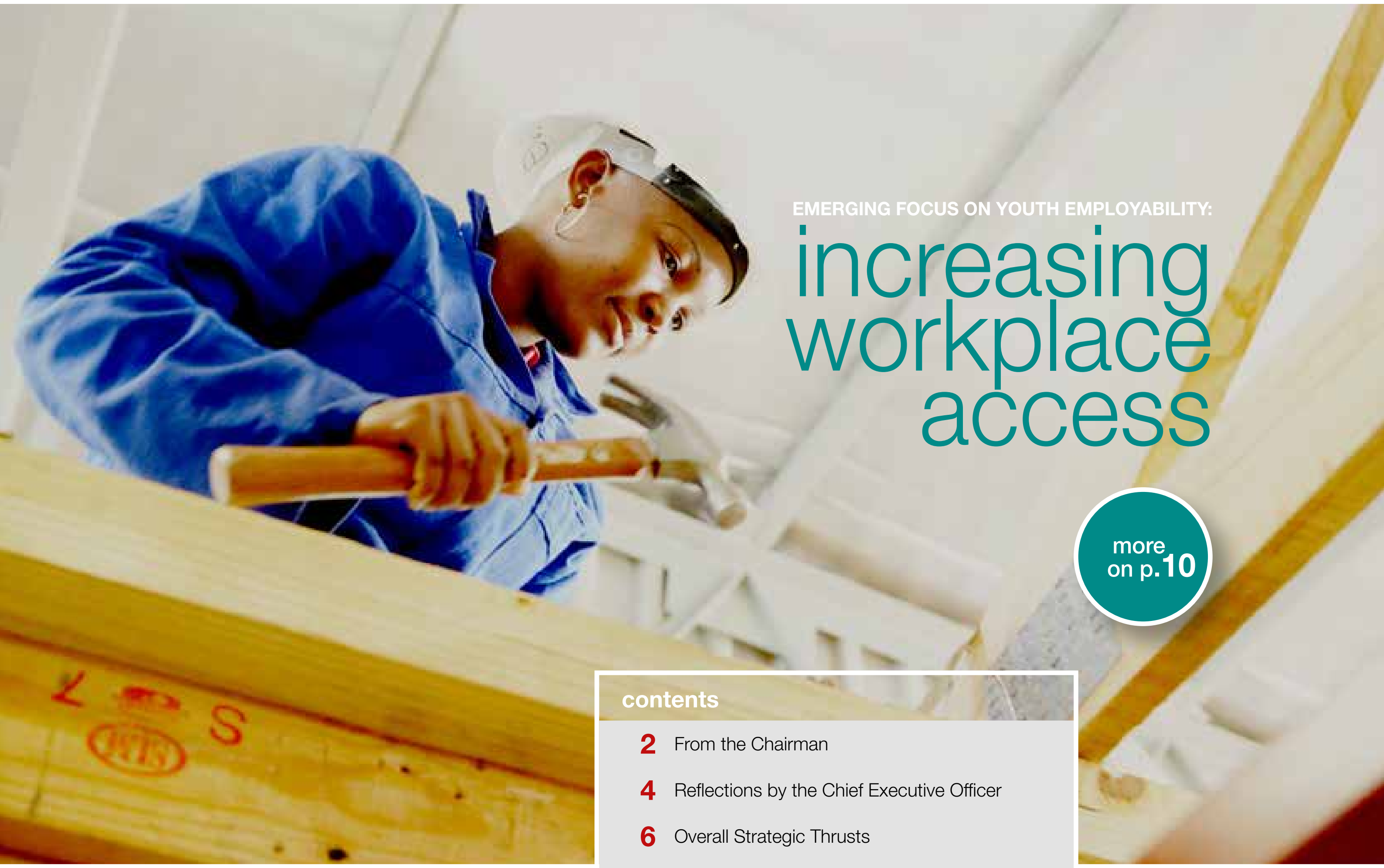
VALUES

- Professional and knowledge-based
- Innovative and courageous
- Independent but accountable
- Effective and measurable
- Respectful and respected

FOCUS AREAS

- Education planning
- School improvement
- Education research
- FET college improvement
- Evaluation and assessment

JET Education Services is an independent non-governmental organisation with its roots in the Joint Education Trust founded in 1992. JET works with government, the private sector, international development agencies, and education institutions to improve the quality of education, and the relationship between education, skills development and the world of work.



EMERGING FOCUS ON YOUTH EMPLOYABILITY:

increasing workplace access

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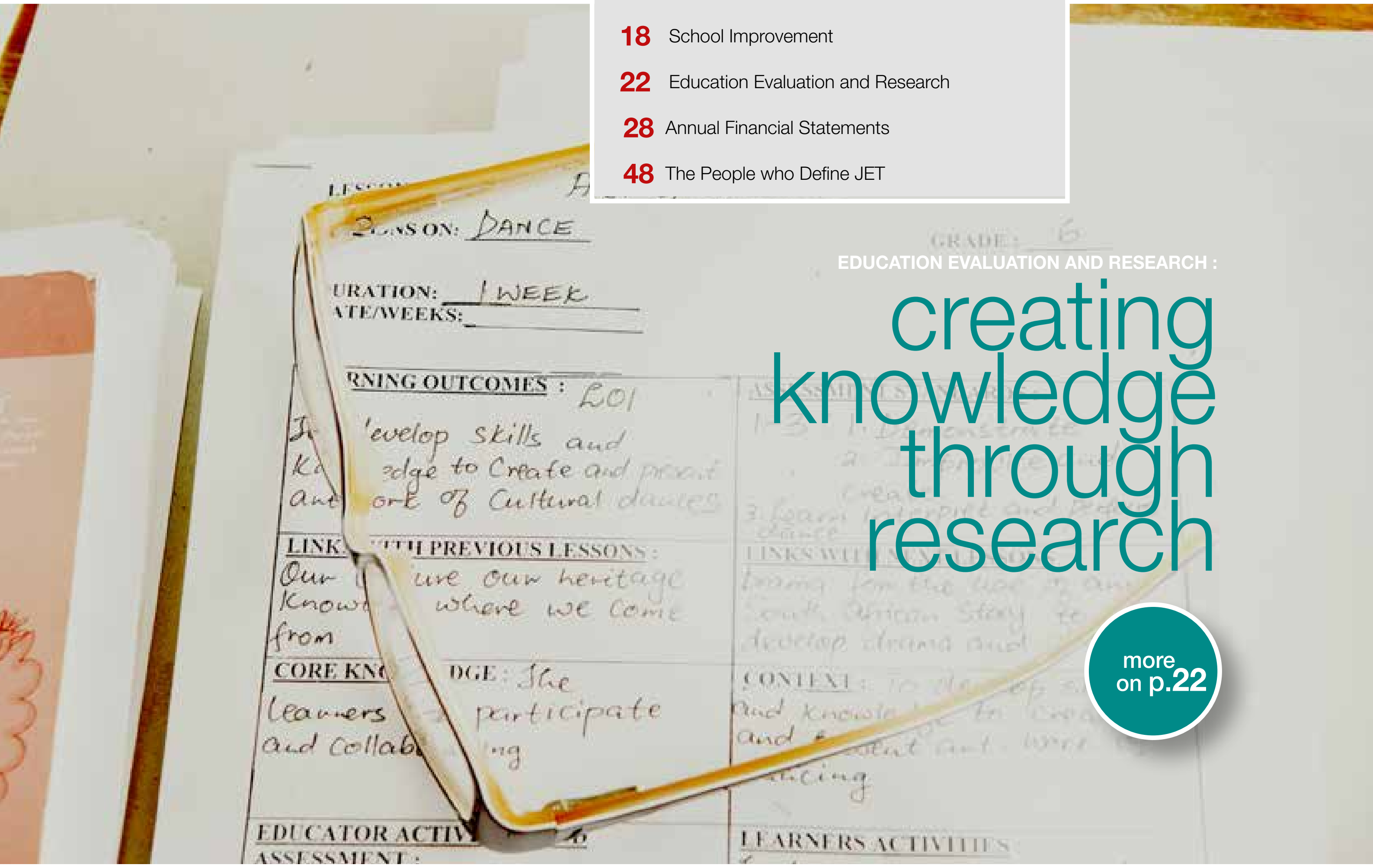

EDUCATION EVALUATION AND RESEARCH :

creating knowledge through research

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JET Education Services represents one of the most successful outcomes of collaboration between government and its social partners

JET turns 21

JET was founded in 1992 by a group of 21 organisations led by big business and including business, civil society organisations, political parties, and trade unions that heeded the call by Nelson Mandela, the then President of the ANC, to work together to fund and support the reconstruction of education in South Africa.

By the year 2000 JET had distributed over R500 million – over R2.5 billion in today's terms – to deserving educational institutions and organisations. After 2000 JET repositioned itself to become a service NGO that supported government and business entities or multinational funders with an interest in education development; JET provided fundholding, project management, research and evaluation, and development facilitation services to a variety of organisations in the education and training sector.

In 2001 the then CEO of the Tshikululu Social Investment Trust, Margie Keeton, said *" The best way of looking at JET is to see it as part of the incredible journey upon which South Africa embarked in the early 1990s"*. Through the many roles that it has played, JET has contributed significantly to the shaping of education policies and programmes that are being implemented nationally today, including the National Development Plan, to which JET contributed both directly and indirectly. Paying tribute to JET, the second Minister of Education, Professor Kader Asmal, urged JET to play a more catalytic role in education. He said: *"The organisation is the prototype of the kind of 'social actor' organisation we need, particularly over the next two decades"*. Following its original path, in 2012 JET worked with captains of industry and the government to organise a national education dialogue which seeks to promote collaborative education reform initiatives among big business, labour, civil society, and government. Currently JET is working in the field of teacher development with various teacher unions, including the South African Democratic Teachers' Union, one of its founding members.

JET Education Services represents one of the most successful outcomes of collaboration between government and its social partners. Although its role has evolved during 21 years of operation, JET has not strayed far from its roots and founding principles and remains relevant; its values, vision and work go directly to the heart of the National Development Plan which promotes active citizenry.

In response to its strategic role of supporting government to improve the functionality of education and training systems and institutions, JET has grown considerably in size. Over the past year the staff complement increased from under 40 to a fulltime equivalent of 80 and another 60 short-term staff members. As indicated in the following table, funds available and the concomitant expenditure have grown significantly from the previous years, due largely to an increase in government funded work. Due to these changes JET made a surplus of just under R3 million before interest.

I would like to thank the JET management team and staff for a job well done, and my fellow directors and our partners who have

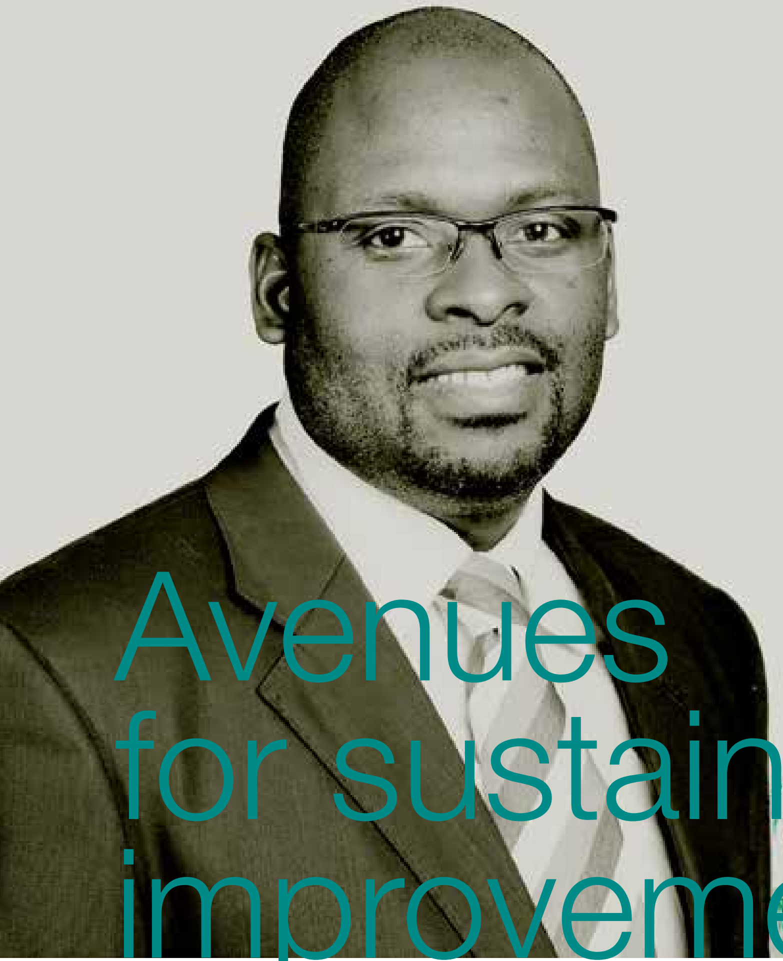
Currently JET is working in the field of teacher development with various teacher unions, including the South African Democratic Teachers' Union, one of its founding members

FIVE YEAR FINANCIAL REVIEW

Projects and operations	**2012**	2011	2010	2009	2008	**Average**
Funds available	**98 633 627**	32 973 542	35 244 315	34 854 250	42 265 120	**48 794 171**
Expenditure	**(73 929 055)**	(30 017 129)	(31 776 175)	(31 034 796)	(29 773 069)	**(39 306 045)**
Projects funds deferred and/or returned	**(24 704 572)**	(5 539 838)	(6 246 652)	(6 005 406)	(13 197 352)	**(11 138 764)**
Interest received	**2 210 317**	2 376 522	3 034 596	4 045 896	5 314 660	**3 396 398**
Surplus/(deficit) on operations	**2 954 473**	(206 903)	256 084	1 859 944	4 609 359	**1 894 591**

demonstrated their commitment to JET's public benefit work in the service of education in our country. In concluding, I wish to bid farewell to Board members Nomavuso Mnxasana who served on the Board for a brief period, and to Marianne MacRobert who retired in December after many years of dedicated and sterling service.

Nathan Johnstone
CHAIRMAN



The proportion of learners passing mathematics and physical science increased

The mathematics pass rate increased from 46.3% in 2011 to 54% in 2012, and the physical science pass rate from 53.4% to 61.3% in the same period

Avenues for sustainable improvements

The old dilemma of whether the glass is half full or half empty occupied national reflections when the 2012 National Senior Certificate (NSC) results were announced. Despite the achievement of the highest pass rate in 20 years, there was a nation-wide uproar about the poor quality of the passes. In fact, the Department of Basic Education (DBE) itself recognised the need to improve the quality of the passes. What must be acknowledged, however, is that the number of candidates who sat for the NSC examinations increased, as did the number of learners who passed, and the number who achieved bachelor passes. The proportion of learners passing mathematics and physical science also increased – the mathematics pass rate increased from 46.3% in 2011 to 54% in 2012, and the physical science pass rate from 53.4% to 61.3% in the same period. While the jury is still out on what a good measure of the quality of an education system is, available statistics indicate that education in South Africa is improving. In addition to improved performance in the NSC, results achieved in the Southern and Eastern Africa Consortium for Monitoring Education Quality and Trends in International Mathematics and Science Study comparative assessments signify an improvement, and so do the 2012 Annual National Assessment (ANA) results, apart from those for grade 9, which were dismal.

Patterns and correlations are discernible in the performance of our learners. The most affluent provinces, Gauteng and the Western Cape, are the best performing provinces. Twenty seven of the 31 districts that are deemed to have performed poorly in the NSC and the ANA are in the three largest and historically poorest provinces: the Eastern Cape, KwaZulu-Natal, and Limpopo. It is notable that in 2011 corporates spent only 18.1% of their social investment capital in these three provinces, in spite of the fact that the provinces accounted for 52.6% of the country's NSC entrants. As opposed to the best performing provinces, the three provinces mentioned above spend much of their budget on personnel. Worse, departments of education in two of the three provinces were placed under administration due to their considered failure to meet their constitutional obligations to provide education. A national plan is required to help these provinces out of the quagmire, and to clear the systemic obstacles to development, especially in the Eastern Cape and Limpopo. Such a plan requires political and bureaucratic leadership, and would hopefully attract the private sector support which arguably stays out of the two provinces to avoid the risk of losing investments. Government could assist by creating avenues for social partners to join with government in reversing the systemic blockages and create opportunities for sustainable improvements.

It is against this background that JET played an active role in organising a national education leadership dialogue in December 2012. Preparation for the gathering solicited views from over 30 key stakeholders, and the meeting brought together over 40 players in the education sector. The discussion focused on how to support government to achieve its mandate of delivering quality education.

The quality of education is equally the main concern in the FET college sector, another of JET's focus areas. The good news is that FET colleges are currently receiving the attention they deserve. The colleges have received additional funding from the National Skills Fund and the Sector Education and Training Authorities with a view to increasing enrolment figures. However, there are increasingly compelling questions about how best to balance increasing the numbers of students in FET colleges with ensuring that the education

JET continues to contribute to the improvement of the quality of education in South Africa

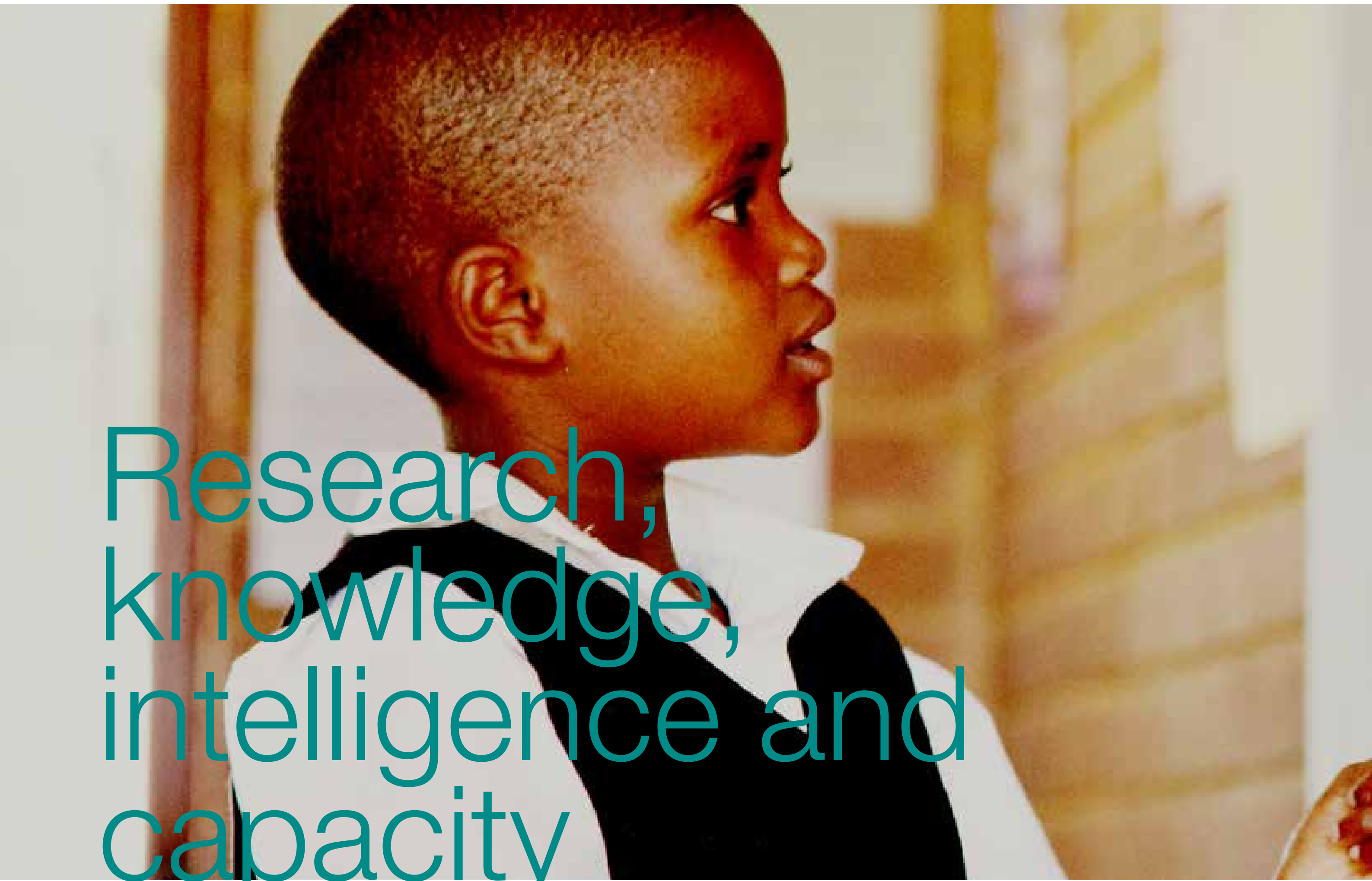
they receive is of a high quality. The looming risk is that the colleges' capacity to improve quality is being sapped by the demands of the massification drive. An even bigger challenge is that we are in a hurry to improve quality and quantity before we have tested effective models. Based on our work with 15 colleges in two provinces over the past year, JET is planning a review of the college improvement model being implemented, with a view to confirming the efficacy of the change theory being pursued, and identifying the conditions necessary for successful transformation to occur and take root.

Looking forward, JET will continue to provide research, facilitation, technical assistance, planning, and support services to contribute to the improvement of the quality of education in South Arica. We have started the laborious but rewarding process of designing a six-year panel study that will provide useful information to the education and training sectors for use in long-term planning. While panel studies are not cheap to run, they are crucial for good planning and we hope that the government and private sector will join hands in funding this important initiative.

In 2012 JET's capacity grew significantly. We employed a greater number of young interns and researchers as our contribution to preparing researchers and development practitioners for the future. We seconded three staff members to DBE to perform critical functions of systems evaluation and teacher development. As demonstrated in the annual financial statements, our overall performance increased year on year, and our forecast is positive.

I would like to express our gratitude to the following partners, clients and funders for the confidence they have shown in us: the DG Murray Trust, the Michael and Susan Dell Foundation, the National Lotteries Board, Tshikululu Social Investments, the Gauteng Education Development Trust, the South African Democratic Teachers' Union, the Departments of Basic and of Higher Education and Training, and all the provincial departments of education.

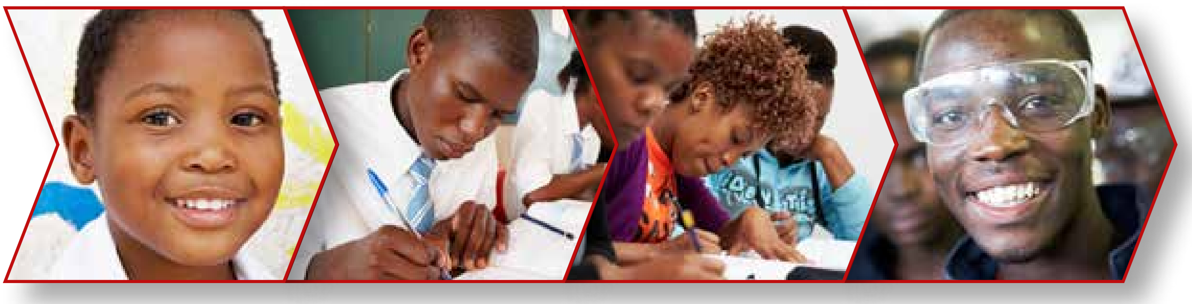
Godwin Khosa
CHIEF EXECUTIVE OFFICER



Research, knowledge, intelligence and capacity

JET's work since its inception in 1992 has centred on creating knowledge and building the capacity of the South African education and training system to improve the quality of education, particularly for disadvantaged groups.

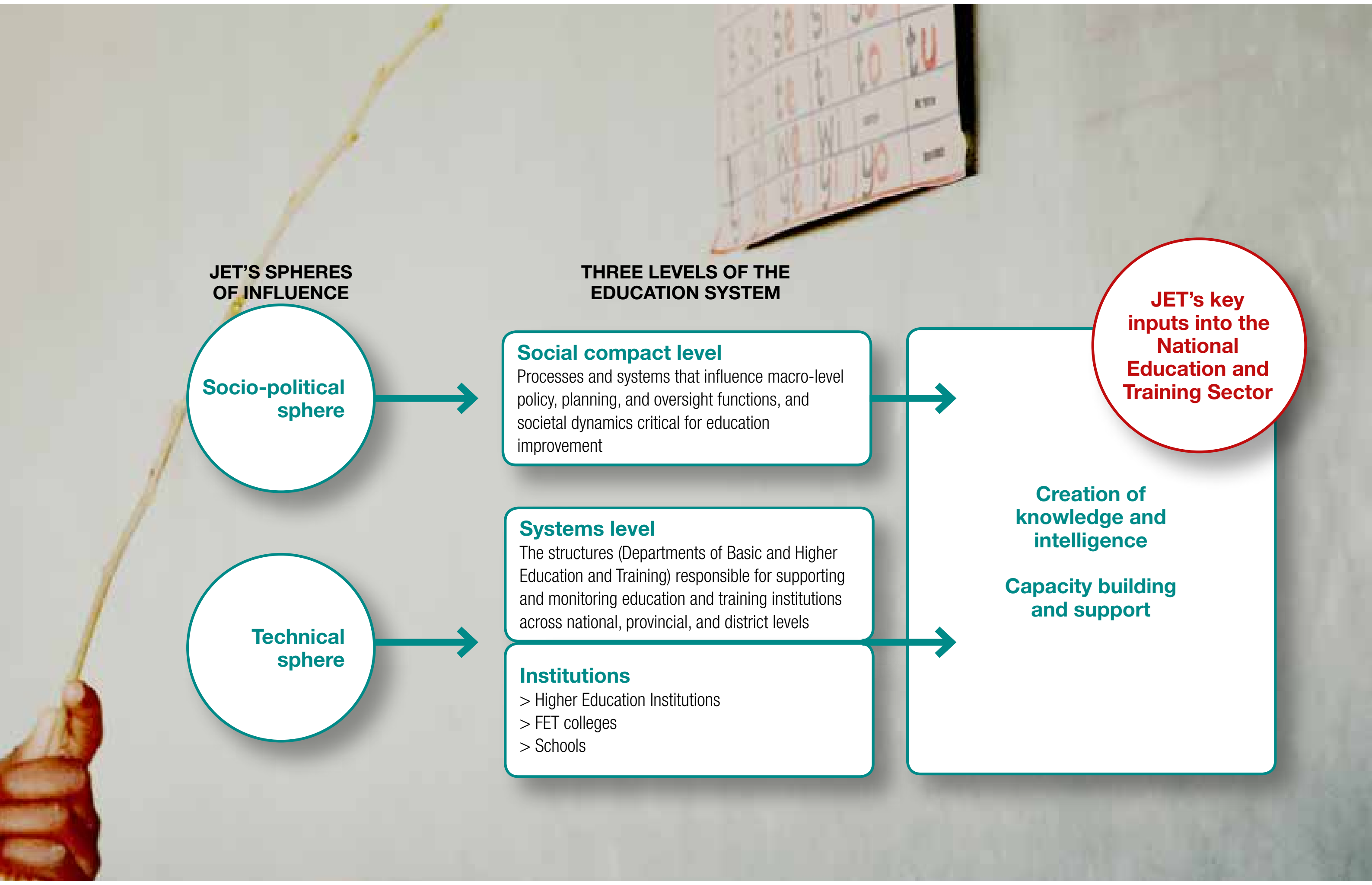
The services offered by JET can be seen to cover the lifespan of a child as he or she journeys through primary school to the post-school phase.



Furthermore, the services cut across the policy making and implementation segments of the education system, i.e. from policy research to planning, implementing, and monitoring education projects in schools, colleges, and other education institutions.

JET's services can be categorised under the headings:

- Research
- Institutional Effectiveness
- Monitoring and Evaluation
- Planning and Support



The table below illustrates how some of our major projects fit into this paradigm.

SERVICE AREA	SCHOOL PROJECTS	POST-SCHOOL PROJECTS
RESEARCH	> Initial Teacher Education Research Project > Research into teacher professionalisation	
	> South African National Education Panel Study – understanding schooling and post-schooling transitions	> South African National Education Panel Study – understanding schooling and post-schooling transitions
INSTITUTIONAL EFFECTIVENESS	> Cofimvaba Centres of Excellence School Improvement Project > Bojanala Systemic School Improvement Project > RedCap Centres of Excellence School Improvement Project	> Further Education and Training (FET) Colleges Improvement Projects in the Eastern Cape and Limpopo > Building linkages between colleges and workplace opportunities
MONITORING AND EVALUATION	> Review of education districts' capacity to implement national policies and programmes > Evaluation of Gauteng Primary Literacy Strategy and the Western Cape Education Department's Lit Num Strategy > Review of the Annual National Assessments	> Development of a Monitoring and Evaluation Framework for FET Colleges > Review of the Gauteng Department of Economic Development's job placement initiative
PLANNING SUPPORT	> Gauteng Education Development Trust > South African Democratic Teachers' Union Professional Development Institute > National Education Leadership Dialogue	> Assisting the Department of Higher Education and Training to strengthen FET colleges' data management processes for planning purposes > Supporting FET colleges in their planning processes

For most of its first 20 years, JET contributed to the technical sphere of policy making and implementation in the education sector. JET worked on creating knowledge through research to support policy and planning, and worked directly with the various levels of the education system to build capacity to improve the implementation of education policy and programmes. JET's services focused on education and training institutions, particularly schools, and regional, provincial, and national bureaucracies.

In 2012 JET's management and Board resolved to get more involved in the socio-political sphere of the education and training sector. This sphere comprises processes and systems that influence macro-level policy, planning, and oversight functions, as well as societal dynamics critical to bringing about change. The players in the space include the National Planning Commission, cabinet, and parliamentary portfolio committees, the National Economic Development and Labour Council (NEDLAC), and teacher unions. JET has made significant inroads at this level, culminating in being a convening partner in the National Education Leadership Dialogue at the end of 2012.

JET's strategic focus going forward will thus be twofold: It will focus on the socio-political sphere of the education sector, and on the systems and institutions that make up the sector's technical sphere responsible for education delivery. JET will use lessons from its education improvement work and its research, as well as new knowledge and intelligence, to contribute to the building of capacity at the three levels of the education system.

FEATURE ARTICLE

The National Education Leadership Dialogue

– a contribution towards building a social compact in education

In 2012 a collective of leaders in the education improvement space, hereafter referred to as the **Convening Committee**, resolved to work with government to organise a national education dialogue.

Members of the committee were Sizwe Nxasana, Phumzile Mlambo-Ngcuka, Futhi Mtoba, Godwin Khosa, Ihron Rensburg, Thobile Ntola, and John Maluleke.

The committee's resolution was met with mixed reactions. Some stakeholders were excited at the prospect of an opportunity to engage in a dialogue on the state and future of our education system, and how social partners could join hands with government to increase the pace of improvement. Others were skeptical of what another conversation could possibly add to the already much-discussed topic. Between the optimists and skeptics were the 'cautious': those who thought nothing should be done until after the ANC's elective conference in Mangaung. Indeed, one cannot completely blame the skeptics because many dialogues have come and gone without tangible outcomes. However, skepticism should be countered as it risks curbing invention and diminishing hope, and the caution expressed by some seemed to reflect a lack of courage or a desire to maintain the status quo. The Convening Committee chose to take a positive, courageous, and constructive stand, and forged ahead with the planned dialogue. The Committee worked with the Minister of Basic Education to secure her collaboration in taking this initiative forward, and the Dialogue took place on 6 December 2012. Forty leaders from the civil society, business, academic, government, parastatal, and labour sectors engaged with each other in a discussion about education.

The Dialogue aimed to:

> Create an avenue for open, honest engagement

> Be apolitical and inclusive, providing an opportunity for all organisations to explore joint societal actions

> Develop action plans for various stakeholders to take forward

> Look for 'quick wins', but take a long-term view to education improvement

In preparation for the Dialogue, the committee collected information from 32 people actively working in the education sector. These individuals were asked to respond to survey questions to establish their views on what has or has not gone well in education over the past years, and what needs to be done going forward in the short, medium and long term.




In general, the survey respondents felt that:

- > The 'diversity project' is going well in schools; learners in our schools may be among the best behaved in the world; and we have a fair proportion of good teachers, many of whom are middle-class, primary school, female teachers.
- > Splitting the former Department of Education into two departments responsible for basic and higher education respectively was positive, and has led to greater stability in the system.
- > The introduction of the Annual National Assessments and workbooks for learners will contribute to improving quality.
- > The energies and commitment of social partners is a potential that needs to be increasingly tapped in the quest to improve the quality of education.

Furthermore, the respondents identified 21 issues that they felt should be addressed.

These were summarised under the following six themes to facilitate further discussions and identification of the actions that should be taken by business and civil society in collaboration with government:

Theme 1	Professionalisation of the Civil Service
Theme 2	Encouraging Courageous Leadership
Theme 3	Government Capacity to Deliver
Theme 4	Resourcing: Teachers, books, and Infrastructure
Theme 5	Community and Parent Involvement
Theme 6	The Role of Business and Corporate Social Investment Partnerships in Education

Programmes are currently being designed and funds are being raised to implement activities under each of the six themes. Among these is a project to roll out leadership training for teacher unions, targeting 1 181 branch and regional leaders from the eight unions recognised by the Education Labour Relations Council. A process aimed at developing a framework for cross-sector collaboration in the education sphere is also in the development phase.

JET has been appointed the secretariat of the National Education Leadership Dialogue.

Increasing workplace access

In 2009 JET took a strategic decision to expand its focus on youth development.

The shortage of skills amongst youth represents one of the major constraints to job creation in South Africa. The creation of the Department of Higher Education and Training (DHET) provided the possibility for a greater alignment between post-school education and training provision and the skills needs of industry. Given the potential of public further education and training (FET) colleges to address the mid-level skills shortage, JET's intention is to support government in its endeavours in order to strengthen the quality of vocational education and training (VET) in colleges, thereby supporting youth transitions and enhancing the employability of young school leavers.

South Africa's 50 public FET colleges currently enroll around 650 000 students across more than 270 sites. Since the establishment of the DHET, college enrolment has almost doubled due to massive increases in bursary funding and profiling of the colleges as institutions of choice for young people wishing to further their education. The key role of FET colleges is to provide young school leavers with a foundation of sound vocational skills that enables them to enter the workplace and be trained in more specialised fields. Currently, colleges provide training across 19 vocational fields, with varying levels of student success. While there has been a general improvement in success rates in colleges over the past three years, many colleges still struggle to deliver sufficient graduates to meet market demand, particularly in the engineering fields.

The DHET produced two important instruments in 2012 for better positioning the colleges in the post-school arena. The first was the amendment to the Further Education and Training Colleges Act, No. 16 of 2006, which made the colleges a national competence. The second was the Green Paper on Post-School Education and Training 2012, which outlined government's intention to massively expand access to FET colleges over the next couple of decades. Through the production of the new legislative and policy framework, the DHET began to finally take a firm hold on the colleges.

The DHET's strategy for transforming the FET colleges is driven by three key objectives: increasing access; increasing success; and increasing workplace access. JET's Youth and Community Development (YCD) Division has aligned its own strategic objectives with these government objectives. YCD is particularly concerned with workplace access, be it in the formal or informal sector. The division is seeking to test out effective models of facilitating young college students' participation in workplace learning in order to enhance their employability. In rural areas where no workplaces exist, YCD is testing out models of rural livelihoods that will enable youth to generate sustainable incomes with the skills they acquire.

Through its four strategic objectives, YCD has positioned itself to work with the DHET to address the key institutional conditions necessary to support the transition of youth to the labour market. In order to assist the colleges to realise their role in supporting youth transitions and youth employability, it is important to understand the critical challenges facing the FET college sector and the DHET.

PLANNING AND MONITORING

In the first instance, the delivery of VET and supporting youth transitions in an integrated manner requires effective planning based on reliable data.

For the DHET, the strategic alignment of FET colleges, sector education and training authorities (SETAs), and universities requires sub-systems to produce reliable data which can then be integrated at a system level. YCD has worked with the DHET since 2010 to strengthen planning and monitoring at an institutional level and within the DHET itself.

In the colleges

In 2010 and 2011 JET worked with the DHET to create and implement a Monitoring and Evaluation (M&E) Framework for FET colleges. In 2012 the key challenge was to assist colleges to better understand the relationship between the broader objectives of the DHET and the specific objectives of the colleges. Colleges' appreciation of the relationship enables the DHET to better guide planning at the college level, and ensure that the targets set by colleges are aligned to those set nationally.

This work highlighted the extent to which reliable data in the FET college sub-system is lacking: FET colleges do not generally have the necessary systems, processes, and capacity to effectively manage data. The lack of reliable data impacts on the manner in which colleges are able to monitor student performance and address students' challenges. The deficiency in data also impacts on the extent to which the DHET can assess the health of the colleges and plan interventions to mitigate the risk of student dropout and poor performance. In addition, planning at a college and system level without reliable data is highly precarious.

In order to enhance the reliability of institutional data, and hence of strategic and operational planning tools and processes, YCD supported the DHET in 2012 to strengthen the FET colleges' data management processes. Given the colleges' relatively weak data management capacity, particular emphasis was placed on teaching and learning indicators. These indicators highlight teaching and learning challenges and the areas in which interventions could be targeted to optimally affect student performance.

For each indicator, colleges had to measure their current performance, set targets for improvements, and put in place plans to achieve these targets. Colleges required high levels of support to measure, analyse, and use these indicators effectively.

For youth transitions

Effective planning for youth transitions also requires data in the form of information about the characteristics of youth that are exiting the secondary schooling system. This information allows us to understand on what basis school leavers make choices to follow particular pathways, including vocational ones. To this end, in 2012 YCD worked closely with JET's Education Evaluation and Research Division (EERD) to initiate and design the South African National Education Panel Study (SANEPS) which seeks to map the pathways of post-grade 9 youth over a six- to eight-year period. A key complementary element of this study will be to trace a cohort of 18 000 college students who were surveyed by JET in 2010. The data collected by SANEPS will enable the DHET to better understand the challenges faced by young school leavers and better plan the positioning of the colleges to address these challenges.

STRENGTHENING FET COLLEGE EFFECTIVENESS – The FET Colleges Improvement Project

While YCD initially worked primarily at a system level, in late 2011 JET was given the mandate by the DHET to implement a turnaround strategy for the 15 FET colleges in the Eastern Cape and Limpopo over a three-year period, with funding from the National Skills Fund (NSF). During 2012 YCD set up two provincial project offices staffed with technical advisors across the key operating areas in colleges. The first task was to investigate and make sense of the factors in colleges that contribute to poor performance. A global intervention was designed and planned; the technical advisors developed their own intervention plans in line with the overall design.

The logic model underlying the intervention design describes the intervention's goals and objectives:

Overall project goal
To demonstrate an effective systemic model of FET College Improvement that can be replicated throughout the college sector

Overarching Strategic Objectives for the Programme
To improve the functionality and capacity of the 15 colleges in order to improve teaching and learning and provide the foundations for further learning and improved employability of graduates

Strategic Objective Indicators (by the end of the programme)
> 15% enrolment growth per annum
> Improved throughput (5% above the national rate)
> Improved certification rate (5% above the national rate)
> Increased number of learners placed in workplace learning situations such as structured work-based experience, learnerships, apprenticeships or internships (5% above the national rate)

The project emphasises teaching- and learning-related interventions (including student support services) in order to achieve its core objectives. Fifty-five percent of the resources provided by the NSF are allocated to addressing curriculum planning and monitoring, selection and placement systems and processes, teaching and learning in the classroom, academic support practices, and the management of work-based learning, both pre- and post-qualification.

During 2012 the Student Support Services team placed particular emphasis on developing effective systems and processes for selection and placement. Despite the intensive support given to colleges in developing operational plans, many colleges tend to bypass the enrolment targets outlined in their plans, and proceed to enroll large numbers of candidates, regardless of whether the candidates are suited to the particular programmes on offer. This indicates that the colleges are merely responding to the demand from government to expand. This enrolment practice places excessive pressure on the teaching and learning capacity of colleges, and therefore impacts drop-out rates and performance levels.

In the area of student support, YCD has been fortunate to have been able to draw on the lessons learned while managing the Danida SESD III project, which it has done since July

2011. Some of the 12 participating colleges have been implementing innovative projects in the arenas of pre-entry, on-programme, and exit support. Those colleges that have made sound progress have become important resources for good practice.

The Teaching and Learning team engaged with the DHET to ensure that lecturer development interventions are in line with the national professional development framework for college lecturers. Intensive support was offered to lecturers and students in preparing for examinations, and an induction programme to give college lecturers a better understanding of their role as vocational educators was presented. A curriculum-planning framework and modules for specific interventions in mathematics, mathematical literacy, and assessment were designed.

The first year of the intervention highlighted the complexity of transforming colleges into effective institutions. The project team found a myriad of issues that threaten the stability of colleges on a daily basis. In particular, the colleges have generally been under-resourced and poorly supported by provincial departments of education, resulting in shortcomings and inefficiencies in the colleges' funding and management. JET's actions to address these shortcomings included implementing a stabilisation strategy in the Limpopo colleges and the appointment of a Stakeholder Liaison Technical Advisor in the Eastern Cape. These actions provided some support to the DHET as it endeavoured to tackle college instability across the country. A key outcome has been the placement of some colleges under Administration; YCD has provided support to these Administrators in the relevant colleges in the Eastern Cape.

The context of instability increases the risk of the college improvement interventions not having the desired impact. Colleges that have achieved higher levels of stability are invariably more responsive to interventions. More importantly, the levels of stability are also related to the levels of functionality – colleges that have high levels of instability also struggle with dysfunctionality in some of their core functions. Consequently, YCD found it necessary to develop college-specific plans to address the particular challenges in each of the 15 colleges. In addition, in line with the DHET's strategic and operational planning processes, various colleges received tailored support, depending on their planning capacity. This allowed all 15 colleges to produce plans with realisable targets and budgets.

Other key achievements for 2012 include the development of charters and guidelines for new college councils and for college administrators, and the development and piloting of a Management Control System which has been implemented in all Limpopo colleges, and which will be rolled out to Eastern Cape colleges in 2013.

The FET Colleges Improvement Project provides YCD with the opportunity to demonstrate a model of institutional improvement that can be taken up by the DHET and replicated nationally. Already in 2012, some of the lessons from the provincial interventions have been incorporated into the DHET's National Turnaround Strategy, which is currently being implemented.

INCREASING ACCESS TO THE WORKPLACE

Workplace access is a critical ingredient for successful transition to the labour market. This is a consistent theme in research, both locally and internationally. YCD's strategic approach to the issue of youth employability is to work with the DHET to create the mechanisms for effective entry of youth into workplaces.

Working with the National Business Initiative (NBI), the Swiss South African Co-operation Initiative (SSACI), and the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MerSETA), YCD initiated a pilot study in 2011 to test a model of post-qualification placement of National Certificate (V) engineering students in internships in MerSETA companies.

The placement of college graduates in internships has been taken up through the National Skills Accord and government, industry, and labour have jointly committed to this on a large scale. The work of YCD and its partners highlighted some of the challenges associated with fulfilling this commitment. See the details in the feature article on **Promoting Workplace Learning** on the opposite page.

During 2012 YCD actively sought to design and implement a model of skills training for youth livelihoods in rural areas. Recognising the challenges of preparing rural youth for workplace entry where no formal industries exist prompted YCD to conceptualise a youth livelihoods model. The model proposes that rural youth can be trained in technical skills by FET colleges, placed in rural development / infrastructure projects or municipalities for workplace training, and then be provided with support in developing livelihood business skills which will enable them to begin generating incomes.

In early 2012 YCD was awarded a project by the National Skills Fund aimed at aligning college training to the skills needed in school infrastructure development projects in the Eastern Cape and North West provinces. The project entailed recruiting 180 youth from villages in the vicinity of the FET colleges in those provinces, and placing the recruits on the project sites of schools under construction. The underlying idea of the project is that once the construction has been completed, the youth will have developed skills which will enable them to generate earnings and contribute to rural household incomes. YCD began to engage with the National Rural Youth Service Corps (NARYSEC) project within the Department of Rural Development to roll this approach out at various sites.

The intention of both the internship and livelihoods models is to assist colleges to be more responsive, and to tailor their programmes to the job creation opportunities in their local environments. The two initiatives, which in 2012 were still in their infancy, are innovative ways of building the FET colleges' capacity to promote youth transitions and enhance the employability of young school leavers.

FEATURE ARTICLE

Promoting Workplace Learning as a tool for Enhanced Employability

Public FET colleges are expected to prepare large numbers of young school leavers to be employable.

While the colleges' primary role is to provide youth with industry-relevant skills, employability also depends on the extent to which young job-seekers can apply what they have learned in the workplace. Globally, state-driven interventions to enhance youth employability face the challenge of how to create vocational training strategies that include sufficient learning on-the-job. The provision of on-the-job learning opportunities can only be achieved effectively in environments in which there are strong social partnerships that stimulate and coordinate the interface between institutional and workplace training. In countries such as Germany and Switzerland, for example, industry takes the lead in determining the curricula of colleges, and has established mechanisms whereby youth can engage with employers and secure workplace opportunities before enrolling in vocational training courses.

In the South African context, formal industry has increasingly distanced itself from the public vocational education system; young school leavers who enter into vocational education and training are unlikely to have access to workplace learning. Given that the majority of youth in the country lack personal or social networks that can provide access to workplaces, the role of public colleges as intermediaries that can facilitate such access is critical. Without relevant workplace experience, the value of qualifications obtained through the FET colleges is diminished substantially.

In this context, JET adopted a strategic objective of supporting government to establish mechanisms which enable FET college students to participate in work-based experience (WBE) as an integral part of their training. Working in partnership with SSACI and the NBI, JET developed a model of college-industry engagement which seeks to reconnect companies and colleges and build the necessary trust that will enable students to enter workplaces for WBE. The role of Sector Education and Training Authorities (SETAs) is crucial in providing the necessary funding to support WBE, including providing students with stipends.

In 2011 JET and its partners lobbied the MerSETA to take a leading and pioneering role in supporting WBE. JET and SSACI went further and co-funded a WBE pilot project in which college students participated in six-month internships in manufacturing industries following completion of the three-year National Certificate (Vocational) qualification. The MerSETA provided funding for 50 interns. YCD was responsible for finding and assessing appropriate candidates and preparing them for entry into the internships through work readiness training. During this process it became apparent that, while there were a number of NCV engineering graduates, many of them did not meet the basic requirements stipulated by the MerSETA: they had not achieved a 50% pass

mark across their seven NCV subjects at Level 4. YCD had to extend its search for qualifying graduates to colleges beyond the immediate areas surrounding the participating companies. The challenge of finding appropriate candidates raised significant concerns regarding the capacity of colleges to deliver graduates that can be easily absorbed into workplaces.

Arcelor-Mittal South Africa came into the project as a key partner and took on 30 interns across its three plants. Other participating companies included Bell Equipment, ABB, Exxaro, Schindler, and Mondi. Arcelor-Mittal placed all interns into their Accelerated Artisan Training Programme (AATP), while at least 13 of the remaining 20 graduates were retained by the companies in which they had done their internships.

According to the final evaluation, the pilot was successful in engaging companies that had not had strong relationships with colleges or a clear understanding of the colleges' curricula. The companies were generally positive about the project's outcomes and the prospects for future relationships with colleges. In Richards Bay, Bell Equipment was particularly positive about working with Umfolozi FET College, and has actively committed to taking on NCV students every year for WBE, both during training and after qualification. Arcelor-Mittal, however, voiced concern that while college graduates were well-versed in the theoretical aspects of the engineering fields they had studied, they were severely lacking in practical application skills. This meant that companies had to provide extensive input into upgrading graduates' practical skills, an exercise that was costly for the companies.

Following the success of the pilot, JET and its partners approached the MerSETA once again to explore the possibility of scaling-up the project. The MerSETA agreed to make a further 200 internship grants available. Furthermore, it agreed to position the internship as a route into the AATP for those interns who performed satisfactorily. This approach provides FET college graduates with opportunities to be trained through well-structured apprenticeships towards full artisan status.

Recognising Arcelor-Mitta's concern, the project partners decided that the selected graduates would first undergo an assessment of their practical skills, and that a period of gap training would be provided to address identified shortcomings before students entered the workplace. SSACI took on the task of managing the assessment and gap training. After completing the gap training, the students were placed in the participating companies.

In conclusion, 2012 has proved to be a highly challenging year for YCD in realising its strategic goal of enhancing the employability of youth. The division has had some success in achieving its four objectives, and will continue to work through the FET college sub-system as a valuable way of contributing actively to enhancing youth employability. YCD believes that strengthening the public FET college sub-system and labour market linkages will build an accessible and affordable institutional mechanism for increasing the employability of large numbers of youth. For government and industry, this sustainable supply of skills is vital for meeting meaningful growth targets in the future.

The WBE project succeeded in creating an effective model for college-industry engagement around workplace entry for students. However, the project's impact to date has been on a small scale, and there are significant challenges in scaling the project up. These challenges include:

- Ensuring a sufficient pool of graduates who meet the necessary criteria for entry into the AATP. This situation will not change until the output of colleges improves.
- Extending the programme to other sectors. While the partners have begun lobbying other SETAs to fund internships in their particular sectors, it has proved difficult to convince SETAs to commit funds. The expansion of the project thus requires the active intervention of the DHET to mobilise the support of additional SETAs. The MerSETA and the participating engineering companies should become champions in this regard.

The possibility of accessing WBE which can lead to meaningful job opportunities should provide an incentive to college students to work harder and perform better in their studies. If WBE can be expanded and embedded within the qualifications being offered by colleges, there may be a positive spin-off in terms of improved student performance. This remains to be tested. On a positive note, some departments within colleges are beginning to ensure that all students get some WBE, and to integrate WBE into the continuous assessment process of the curriculum. This development bodes well for the successful adoption of WBE as a key element of FET colleges' approach to ensuring that students are well on the road to employability when they leave college.

Redefine, re-align and reposition

The 2012 External Output to Purpose Review of the BSSIP project stated that:

"the model has not only identified the key areas needed to leverage change, but also worked out how to practically embed these practices in the complex and messy world of lived teaching and learning practices. The model has refused to step away from the complexity of the task of engaging all relevant stakeholders involved and putting them into play with each other in a sustained way. That this project has held together all stakeholders and participants over three years in a functioning way is deeply impressive, as there are competing interests and differing demands throughout the assorted groupings. This is a model that other provinces, countries and organisations need to know about, and it is incumbent on the project leaders to carry forward and publicise this model and project."

Over the past three years, the main thrust of the School Improvement Division has been to test the efficacy of JET's systemic school improvement model to change educational outcomes and improve learner performance.

This testing was undertaken through the implementation of two anchor projects in education districts in rural areas of the North West Province (the Bojanala Systemic School Improvement Project) and the Eastern Cape (the Centres of Excellence Project).

Each of these multi-year projects was projected to cost R31 million. Funding was secured from various trusts, foundations, and corporate donors, with co-funding from the JET Board. A total of R42 million was raised for the projects. While participating schools were expected to contribute some of their own funds, they were not able to do so as envisaged. This was partly due to the incomplete transfer of monies from the provincial levels to the schools.

The implementation of the projects has been hailed as successful by the independent review teams that reviewed the projects annually: the projects successfully achieved their objective of testing a systemic school improvement model.

Among other achievements, a number of the Systemic School Improvement model's components that were tested in the projects have been adopted by government, and incorporated into government practices and policy. The following examples attest to this observation:

> The Department of Basic Education (DBE) is in the process of designing a teacher testing system in line with JET's experiences of teacher testing in the two projects.

> The lessons from the parental involvement component of the model are now being used to explore a test project with the DBE on the effects of parental involvement in schooling.

Nonetheless, the successes have been accompanied by challenges and pitfalls, and the lessons learnt are being written up for the benefit of other school improvement practitioners in the corporate social investment and government sectors. The book, which will be released later this year, will cover the areas of teacher mentorship, teacher training, cost of teacher training, management development, parental involvement, district capacity, and stakeholder involvement.

FUTURE FOCUS

Following several years of successfully implementing the Systemic School Improvement model, JET Management has resolved that the organisation's school improvement work should in future focus on the following programmes:

Supporting government to strengthen teacher development

JET is contributing to the DBE's teacher development agenda in two ways:

- Two JET staff members have been seconded to the National Institute for Curriculum and Professional Development where they are assisting the DBE to set up the National Institute for Continuing Professional Development.
- JET, through its work with the South African Democratic Teacher's Union (SADTU), is making a significant contribution to the DBE's Teacher Union Collaboration Programme. See the feature article JET's work with SADTU on page 20 for details.

Improving the utilisation of Assessment for Learning as a strategy to improve the quality of education

South African classrooms are data rich but do not have the tools and programmes to utilise the data for improvement purposes. Assessment data is principally used for accountability purposes. JET is developing a programme to increase the capacity of district officials and teachers to use the Annual National Assessment and classroom assessment data to improve the quality of teaching and learning.

Supporting district development

Experience in the projects has shown us that school improvement interventions will not be sustained unless they are supported by, and implemented through, the district offices, provided that the district offices have adequate capacity in terms of staff, communication and transport resources, and clear programmes aimed at improving learning. JET plans to work with one district to test the veracity of this assertion, and establish whether a district with sufficient capacities and a well-designed programme will, in fact, have a tangible and sustainable positive impact on school improvement.

FEATURE ARTICLE

JET's work with SADTU

The DBE's Teacher Union Collaboration (TUC) Programme is an innovative approach to the professional development of teachers.

The TUC has seen the various teacher unions in South Africa creating professional development institutes to deliver teacher development programmes to their members. This is an enormous breakthrough in the teacher development landscape, and JET is proud of its participation in this newly carved-out space of teacher professionalisation.

During 2011 the South African Democratic Teachers' Union (SADTU), one of the 21 founding organisations of the Joint Education Trust, approached JET to ask for the organisation's support in setting up the SADTU Curtis Nkondo Professional Development Institute (SCNPDI). JET embraced the idea of a partnership with the country's biggest teacher union: SADTU has a membership of over 251 000 or 67.2% of South African teachers.

JET's role in the partnership was to assist in investigating and recommending the organisational architecture of the Institute, to set up the Institute's governance structures, and to help it raise funds. JET continues to support the Institute to design and implement its capacity development programmes. The programme proposed by JET and approved by the Institute's Board consists of seven components, shown on the opposite page.

The SADTU Curtis Nkondo Professional Development Institute's approach to capacity development

COMPONENT	AIM
Teacher development	To develop 2 000 lead teachers, initially in Assessment for Learning, mathematics and language teaching
Management development	To support Assessment for Learning and curriculum development
Professionalisation of teaching	To investigate aspects of teacher professionalisation and how SADTU can support a teacher professionalisation programme
Research and evaluation	To discover relevant information and evidence to support the Institute's work
Systems and planning training	To provide training for SADTU members in educational planning and systems
District based teacher development	To set up school- and cluster-based teacher development activities
Labour relations programme	To build labour relations management expertise among school managers as a proactive way of improving the labour relations environment

As managing agents for the SCNPDI, JET is able to harness resources provided by the TUC to attain a number of objectives that augment and strengthen the work of the DBE, the provincial education departments, and education districts in the field of teacher development.

Over a period of 15 months the Institute has engaged over 45 000 teachers in a variety of teacher development programmes:

- Curriculum Assessment Policy Statements (CAPS) teacher orientation training in KwaZulu-Natal and Mpumalanga for 8 300 foundation phase and 6 112 grade 10 teachers.
- Extended CAPS orientation for 3 712 foundation phase teachers nationally
- Labour law training for 879 SADTU lead teachers nationally
- Assessment for Learning training for 556 lead teachers in all nine provinces
- Libode District intervention model for district convenors, circuit leaders, district task teams, and subject leaders

Creating knowledge through research

FEATURE ARTICLE

Evaluation of the Gauteng Department of Economic Development Youth Placement Programme

JET's research and evaluation function is geared to respond to both the demands and needs of the education sector.

The demand-driven activities relate to work that is carried out in response to calls for proposals and government tenders. The needs-driven activities are projects that JET initiates because it considers these projects to be strategic and necessary.

In the demand-driven space, JET is engaged in monitoring and evaluating the FET College Improvement Project being implemented by JET's Youth and Community Development Division (see page 12) and the Gauteng Youth Placement Project being implemented by the Gauteng Department for Economic Development. Both projects are aimed at improving the skills and employment opportunities of youth. See the feature article on the evaluation of the Gauteng Youth Placement Project for more details.

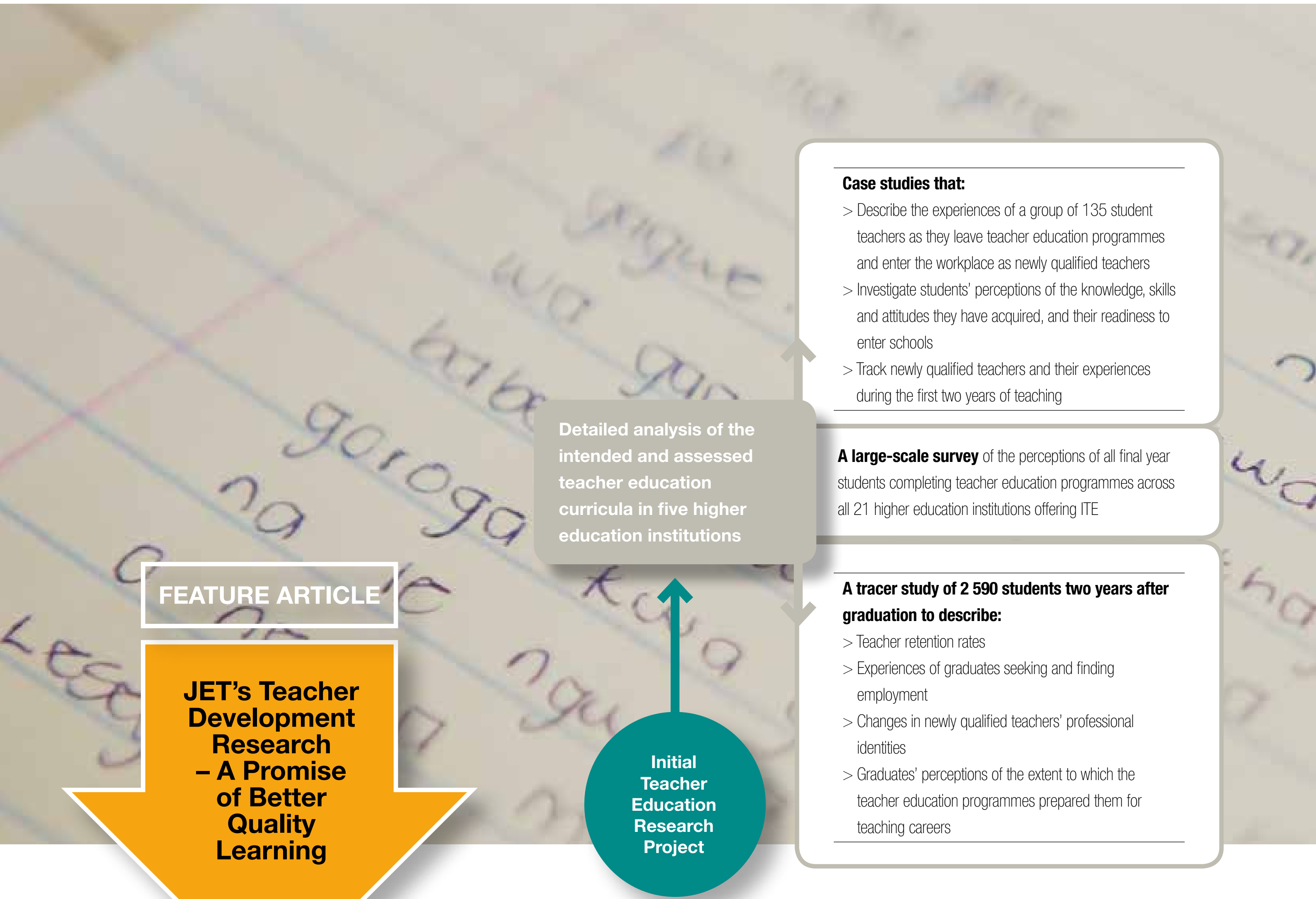
JET is working with Gauteng's Department of Economic Development (GDED) to evaluate its Youth Placement Programme.

This programme was conceptualised by the GDED with the aim of placing 21 500 young people in employment over a three-year period, starting in July 2012 and ending in June 2013.

The programme's purpose is to test a scalable intervention that could have a widespread impact on youth unemployment in Gauteng. Monitoring and evaluation is a central component of this work given the ambitious nature of the outcomes. The intention of JET's evaluation is thus to establish whether this intervention, which entails assessment, matching, training, and placement of young job-seekers, makes a noticeable difference to the ability of new entrants to the labour market, specifically young people, to access sustainable employment opportunities. Rigorous monitoring and evaluation of the programme will collect credible and valid evidence on the intervention's achievements, and document the enabling factors and the lessons learnt as to how the programme can be enhanced. This evidence can be used to support further programme expansion within the province, and will indicate how the programme can most effectively be replicated nationally.

JET began monitoring the programme's implementation and outcomes in 2012. Monitoring activities included developing the programme's theory of change, collecting baseline information from all youth applicants – approximately 7 000 by the end of December 2012 – and continuously monitoring all components of the project. The monitoring process so far confirms that youth employment remains a key challenge in economic development, and that placing young people in jobs is a complex and daunting task. With the high and increasing migration of job seekers into Gauteng, youth unemployment in the province is set to increase, and therefore the information the project can provide on how to improve the pace of placement is crucial.

Two projects dominate the category of JET-initiated projects: The Initial Teacher Education (ITE) research project, which is conducting research into the preparation and initial teaching experiences of new teachers; and the South African National Education Panel Study (SANEPS), which seeks to understand the education and training pathways of learners from grade 9 onwards. The ITE is in its second year of implementation, and has presented its first report. The feature articles on the following pages provide further details.



FEATURE ARTICLE

JET's Teacher Development Research – A Promise of Better Quality Learning

The Initial Teacher Education (ITE) Research Project is one of JET's flagship research projects.

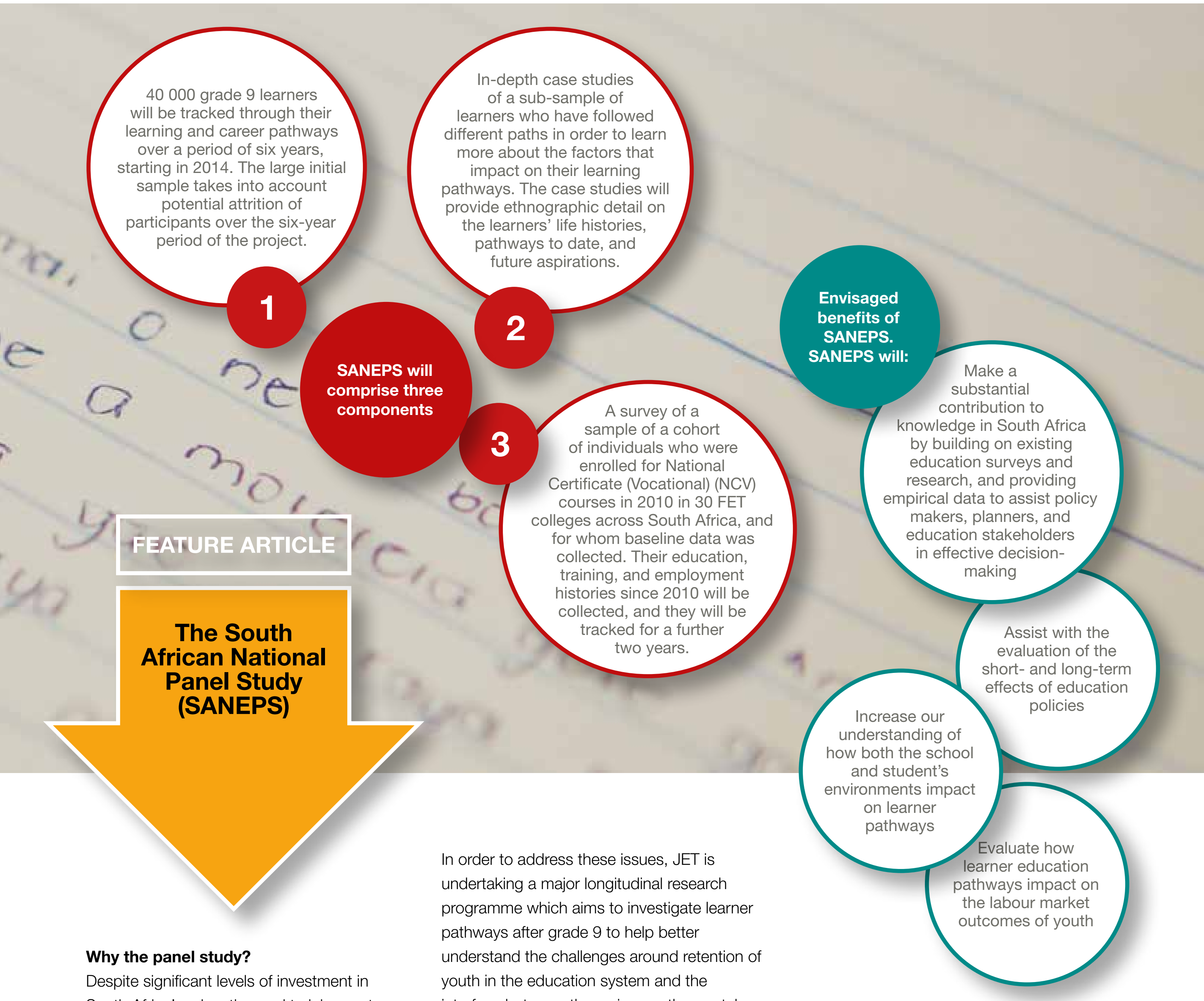
This study was prompted by concerns about the poor quality of schooling outcomes in South Africa, and the consideration that research has shown teacher quality to be a key determining factor of an education system's quality. The aim of the ITE research project is to inform the Department of Higher Education and Training (DHET) and the Department of Basic Education (DBE) about the state of initial teacher education and the early teaching experiences of newly qualified teachers in South Africa. Both education departments were consulted to ensure that the research produced meets their needs. The study is expected to contribute to debate on the nature, quality, content, and duration of teacher education programmes; and to also help shape policy in this area.

While much is known about the poor performance of learners in the South African school system, we have little systematic knowledge about teachers. A review by the Higher Education Quality Committee (HEQC) began the process of understanding the processes and outcomes of ITE, and the ITE research project will build on this work. The importance of this study cannot therefore be understated, especially within JET's strategic focus to assist government in designing quality teacher development programmes.

The five-year study combines elements that allow for detailed analysis of both the content and design of teacher education programmes, and the attitudes and experiences of trainee teachers as they complete these programmes. The study also traces the teachers' initial experiences in schools, and surveys trends across a large sample of student teachers.

FEATURE ARTICLE

The South African National Panel Study (SANEPS)



Why the panel study?

Despite significant levels of investment in South Africa's education and training system since 1994, the country still faces critical shortages in the availability of skills to support sustainable growth in the economy. In particular, South Africa faces a persistent crisis of young people exiting the schooling system prematurely and without the necessary foundational knowledge and skills to become productive members of society. In addition, the FET system, which has historically suffered from high levels of fragmentation and inefficiency, currently offers little opportunity for extending learning opportunities and enhancing employability. Compounding these issues is the challenge of the absence and underutilisation of relevant data, and the general lack of adequate longitudinal, multi-year, nationally representative education, skills development, and labour market data on which planning and monitoring can be based.

In order to address these issues, JET is undertaking a major longitudinal research programme which aims to investigate learner pathways after grade 9 to help better understand the challenges around retention of youth in the education system and the interface between the various pathways taken and labour market prospects.

SANEPS is also expected to strengthen policy coherence by promoting discussion between the education departments, other relevant government departments, and key education stakeholders. Furthermore, SANEPS aims to build research capacity in education, particularly among emerging young researchers. It also aims to build capacity within the relevant government departments to collect, manage, and utilise data from large scale research studies for improved monitoring and planning purposes.

Partners

JET will be collaborating with various partners, including the Departments of Basic and Higher Education, the Human Sciences Research Council, the Labour Market Intelligence Partnership, and Research on Socio-Economic Policy (ReSEP) at the University of Stellenbosch.

SANEPS project rollout

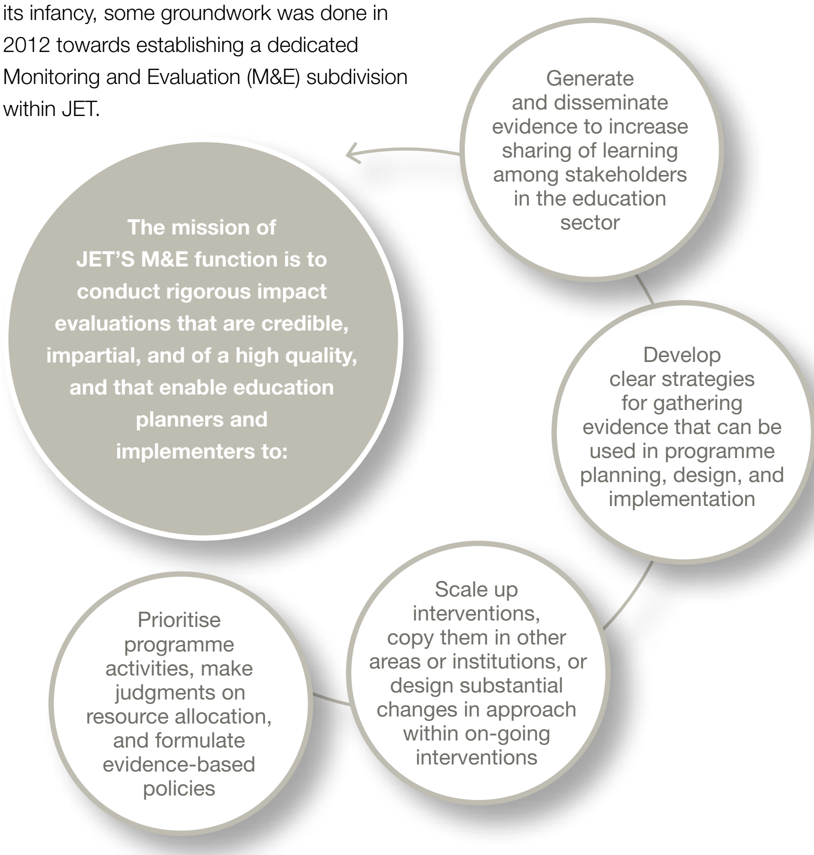
Preparation for SANEPS began in 2012. The first wave will take place in 2014, with further waves occurring annually for six years, provided funding is available. JET has committed R2 million to starting the project and is seeking to raise between R70 and R80 million over the next six years.

	2012	2013	2014	2015	2016	2017	2018	2019
Inception	■							
Design	■	■						
Pilot		■						
Surveys			■	■	■	■	■	■
Case studies				■	■	■	■	■
Analysis			■	■	■	■	■	■
Reports		■		■	■	■	■	■

JET's Monitoring and Evaluation Function Remodeled

South Africa's historical social inequalities have resulted in poor education in parts of the country, particularly in poorer rural areas. In an effort to bring about redress, the corporate sector has made significant investments in education, and the government itself spends a significantly higher proportion of its budget on education than many other governments. Yet the returns on all this investment have been low, with little evidence of improvement in the quality of the South African education system. In view of this poor outcome, both the private sector and the government are attaching more weight to monitoring and evaluation, with a view to increasing value for money and the pace of development. The establishment of the Department of Performance Monitoring and Evaluation (DPME) in the Office of the Presidency in 2011 is evidence of this.

Rigorous evaluations that demonstrate impact, increased knowledge, and accountability are central to the success of this results-driven agenda. In response to this need, JET resolved to strengthen its evaluation function within its Education Evaluation and Research Division. While still in its infancy, some groundwork was done in 2012 towards establishing a dedicated Monitoring and Evaluation (M&E) subdivision within JET.



JET's remodelled M&E function

Objectives

- Improve education outcomes through impact evaluations
- Develop capacity to conduct and use results from impact evaluations
- Generate evidence for policy and decision making
- Build a knowledge base of effective education programmes
- Build a culture of evidence-based policy and decision making
- Build partnerships to grow and sustain the evidence-based agenda

What we will do

- Engage with clients and government to conduct robust evaluations of key interventions
- Communicate audience –specific evaluation findings to trigger utilisation of results
- Conduct evaluation workshops to raise awareness of impact evaluation
- Engage external partners to carry out quality assurance of our evaluations
- Promote use of mixed methods approaches to achieve robust evaluation results
- Train education planners in impact evaluation
- Train education planners in cost-effectiveness methods for use in making decisions on resource allocation

Anticipated results of our work

- Increased capacity of education planners to carry out rigorous impact evaluations
- Increased use of evidence to inform policy and programme design and implementation
- Increased utilisation of evaluation findings
- Improved quality of impact evaluations
- Increased effectiveness in the design and implementation of education programmes
- Increased credibility of JET as the organisation of choice for impact evaluations

annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

contents

Approval of annual financial statements

Directors' responsibilities and approval

The directors are required by the Companies Act, 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year 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 annual financial statements.

The annual 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 directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company endeavours to minimise risks by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's budget and cash resources for the year to 31 December 2013 and, in the light of this review and the current financial position, they are satisfied that the company 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 company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 31.

The annual financial statements set out on pages 34 to 47, which have been prepared on the going concern basis, were approved by the Board of Directors on 28 March 2013 and were signed on its behalf by:

Godwin Khosa
Chief Executive Officer

Nathaniel Johnstone
Chairman

Johannesburg
28 March 2013

Report of the independent auditors
to the members of JET Education Services

Report on the financial statements

We have audited the annual financial statements of JET Education Services, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, 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, as set out on pages 34 to 47.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 2008. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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' judgement, 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JET Education Services as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 2008.

Other reports

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between the report and the audited financial statements. The report is the responsibility of the preparers. Based on reading the report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited the report and accordingly do not express an opinion on the report.

SizweNtsalubaGobodo Inc

SizweNtsalubaGobodo Incorporated
Registered Auditors

Per CV Patel
Director

Johannesburg
28 March 2013

Report of the directors

The directors present their annual report which forms part of the audited annual financial statements of the company for the year ended 31 December 2012.

The company was registered on 20 April 2000 as a non-profit company to carry on the mission of the Joint Education Trust. The company was formed by the PSI Joint Education Trust for this purpose.

Business and operations

The main activities of the company are to:

i. Improve the quality of schooling and systems through which schools are supported and managed;
ii. Provide support to institutions that provide entrepreneurial education and training for young people and adults;
iii. Improve the knowledge and skills of working adults through systematic schooling, instruction and training;
iv. Provide resources to public schools and educational institutions;
v. Supplement tuition and enrich the education and training of the poor and needy; and
vi. Provide financial services and products that promote educational programmes.

Ancillary activities encompass:

- Management of grants, planning, facilitation and management of projects;
- Advocacy and networking and evaluation and research;
- Carrying out investigations at schools and other learning sites to establish which delivery models work best and under what conditions; and
- Performing accounting services and fund management services in respect of educational projects.

Financial results

The operating results and state of affairs of the company are fully set out in the attached annual financial statements.

The company's operations recorded an operating excess of income over expenditure before interest of R756 646 (2011: (R2 581 834)), whilst projects recorded an overall shortfall of R3 915 010 (2011: R3 437 000). The R3.9 million shortfall by projects is accounted for by JET's contribution to project expenditure as per the Board's decision to co-fund some of the projects.

Accounts receivable

The Department of Higher Education and Training owed JET R9 068 542 as at 31 December 2012 being funding for the FET College Improvement project. This amount was received subsequent to year end, in January 2013.

The financial results are set out on pages 34 to 47 and do not, in our opinion, require any further comment.

Tax status

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

Events subsequent to the year end

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

Going concern

The annual 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.

Directors

The directors of the company are:

Non-Executive

Mr. Nathaniel Timothy Johnstone (Chairman) [1,2]
Prof. Brian De Lacy Figaji
Ms. Marianne MacRobert (Resigned 31 December 2012)
Mr. Nigel Ian Matthews [1,2]
Ms. Mashudu Angelinah Phaliso[2]
Mr. James Wotherspoon[1]
Mr. John Samuel
Ms. Maud Rita Motanyane-Welch
Ms. Nomavuso Patience Mnxasana[1] (Resigned 30 August 2012)

Executive

Mr Godwin Khosa

We draw attention to the fact that the following directors of the company, duly appointed by the Board, have not yet been reflected by the Companies and Intellectual Property Commission as directors of the company:

Mr. John Samuel
Ms. Maud Rita Motanyane-Welch
Ms. Nomavuso Patience Mnxasana

[1] Member of Finance and Audit Committee
[2] Member of Remuneration and Nominations Committee

Statement of financial position

as at 31 December 2012

	Notes	**2012** **R**	2011 R
ASSETS			
Non-current assets		1 997 506	803 818
Property, plant and equipment	2	1 945 584	753 438
Intangible assets	3	51 922	50 380
Current assets		85 122 471	54 700 654
Donor funds designated for projects	6	8 552 331	1 509 448
Accounts receivable	4	17 450 375	5 414 936
Cash and cash equivalents	4	59 119 765	47 776 270
Total assets		**87 119 977**	**55 504 472**
FUNDS AND LIABILITIES			
Funds		44 265 990	43 263 014
Accumulated funds		30 505 809	25 587 823
JET funds designated for projects	5	13 760 181	17 675 191
Non-current liabilities		452 000	163 404
Finance lease liability	7	309 388	13 754
Operating lease liability	7	142 612	149 650
Current liabilities		42 401 987	12 078 054
Donor funds designated for projects	6	33 256 903	7 049 286
Accounts payable	7	6 159 353	4 316 980
Short-term portion of lease liability	7	451 666	4 365
Provisions	8	2 534 065	707 423
Total funds and liabilities		**87 119 977**	**55 504 472**

Statement of comprehensive income

for the year ended 31 December 2012

	Notes	2012 R Projects	2012 R Operations	2011 R Projects	2011 R Operations
INCOME					
Revenue		–	24 277 263	–	16 898 796
Other income		–	526 649	–	2 167
Donor funds for designated projects		73 929 055	–	26 580 129	–
	6	**73 929 055**	**24 803 912**	**26 580 129**	**16 900 963**
EXPENDITURE		**(77 844 065)**	**(24 047 266)**	**(30 017 129)**	**(19 482 797)**
JET funds utilised on designated projects	5	(3 915 010)	–	(3 437 000)	–
Operations and administration		–	(24 047 266)	–	(19 482 797)
Donor funds for designated projects utilised	6	(73 929 055)	–	(26 580 129)	–
(Shortfall)/excess of income over expenditure	11	**(3 915 010)**	**756 646**	**(3 437 000)**	**(2 581 834)**
Finance income	12	–	2 210 317	–	2 376 522
Finance cost		–	(12 490)	–	(1 591)
(Shortfall)/excess of income over expenditure		**(3 915 010)**	**2 954 473**	**(3 437 000)**	**(206 903)**
Other comprehensive income		–	–	–	–
Total comprehensive (shortfall)/excess of income over expenditure		**(3 915 010)**	**2 954 473**	**(3 437 000)**	**(206 903)**

Statement of changes in funds

for the year ended 31 December 2012

	Notes	JET Designated project funds R	Accumulated funds R	Total R
Balance at 1 January 2011		**27 194 693**	**17 932 827**	**45 127 520**
Transfer from JET designated project funds		(6 082 502)	6 082 502	–
JET funds utilised on designated projects	11	(3 437 000)	1 779 397	(1 657 603)
Shortfall of income over expenditure		–	(206 903)	(206 903)
Balance at 31 December 2011		**17 675 191**	**25 587 823**	**43 263 014**
JET funds utilised on designated projects	11	(3 915 010)	1 963 513	(1 951 497)
Excess of income over expenditure		–	2 954 473	2 954 473
Balance at 31 December 2012	**5**	**13 760 181**	**30 505 809**	**44 265 990**

Statement of cash flows

for the year ended 31 December 2012

	Notes	2012 R	2011 R
Cash generated/(utilised) by operating activities			
Cash receipts from customers and funders		81 058 350	44 644 723
Cash paid to suppliers and employees		(70 925 008)	(45 659 322)
Cash generated/(utilised) by operations	14	10 133 342	(1 014 599)
Interest income	12	2 210 317	2 376 522
Interest expense		(12 490)	(1 591)
Net cash generated in operating activities		**12 331 169**	**1 360 332**
Cash flows from investing activities		**(1 730 610)**	**(340 091)**
Proceeds from disposal of assets		–	8 453
Acquisition of equipment and intangible assets		(1 730 610)	(348 544)
Cash flows from financing activities		**742 936**	**94 382**
Increase in lease liabilities		742 936	94 382
Net increase in cash and cash equivalents		**11 343 495**	**1 114 623**
Cash and cash equivalents at the beginning of the year		47 776 270	46 661 647
Cash and cash equivalents at the end of the year	**4**	**59 119 765**	**47 776 270**

Notes to the annual financial statements
for the year ended 31 December 2012

1. ACCOUNTING POLICIES

Statement of compliance
The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa, 2008.

Basis of preparation
The annual financial statements have been prepared on the historical cost basis, except as modified by measuring financial instruments at fair value. The principal accounting policies adopted and applied, which are set out below, are consistent in all material respects with those applied in the previous year.

1.1 Income recognition
Income comprises the fair value of the consideration received or receivable and is accounted for as and when received. Project funds received are deferred and recognised in the statement of income and expenses when utilised. Any unspent amounts are disclosed as current liabilities for donor funds. JET funds designated for projects are reflected under the reserves of JET. Funds designated for projects are those funds the use of which is restricted by the Board and JET for projects.

Project income mainly comprises:

Government grants
Government grants are recognised when there is reasonable assurance that:
- The company will comply with the conditions attached to them; and
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Donations
Donations are recognised in the statement of comprehensive income in full when received.

Exchange revenue
Exchange revenue represents conditional funds received from corporates and other sources with conditions attached to them. These are measured at the fair value of the consideration received or receivable and are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

1.2 Project accounting and expense allocation
Project costs that are clearly identifiable are allocated directly against project funds in terms of its contractual obligations. Indirect and shared costs are recovered through management fees allocated to the projects in terms of the contracts.

Notes to the annual financial statements
for the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the useful lives of the assets at the following rates:

Computer equipment	33.3% per annum
Office equipment and furniture	20.0% per annum
Motor Vehicles	33.3% per annum
Leasehold improvements	20.0% per annum

Property, plant and equipment acquired for projects are written off over the project's life in order to effect project expenditure in terms of the contract.

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	33.3% per annum

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 company assesses at each end of the 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 profit or loss. 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 profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments

a) Financial assets

Loans and receivables

Loans and 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, loans and receivables are measured at amortised costs using the effective interest rate method, less any impairment losses. Loans and receivables are recognised on the statement of financial position when the company has become party to the contractual provisions of the instrument.

Loans and receivables comprise trade and other receivables and cash and cash equivalents:

Trade and other receivables

Trade and other receivables, which generally have 30 to 90 day terms, are recognised initially at fair value of consideration receivable and subsequently measured at amortised cost using effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

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 company unless otherwise stated.

b) Financial liabilities

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

The company's principal financial liabilities comprise the following:

Trade and other payables

Trade and other payables, which generally have 30 to 90 day terms, 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

1.7 Leases

a) Leased assets

Assets held by the company under leases which transfer to the company 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 annual financial statements
for the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

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

b) Lease payments

Payments made under operating leases are recognised in profit or loss 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 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and leases.

1.9 Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of events for which it is probable that an outflow of economic benefit 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. Contingencies are disclosed in Note 10.

1.10 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 Company 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.

2. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R	Office equipment R	Furniture and fittings R	Motor vehicles R	Leasehold improvements R	Total R
Cost	911 977	215 185	452 340	257 858	144 824	1 982 184
Accumulated depreciation	(537 895)	(141 234)	(317 432)	(182 675)	(49 510)	(1 228 746)
Carrying amount at 31 December 2011	**374 082**	**73 951**	**134 908**	**75 183**	**95 314**	**753 438**
Cost	1 155 755	245 947	716 390	1 356 260	157 053	3 631 405
Accumulated depreciation	(739 231)	(107 316)	(365 811)	(391 049)	(82 414)	(1 685 820)
Carrying amount at 31 December 2012	**416 524**	**138 631**	**350 579**	**965 211**	**74 639**	**1 945 584**
Reconciliation of assets						
Carrying amount at 1 January 2011	396 642	57 440	151 674	204 112	89 462	899 330
Additions	188 675	47 751	20 443	–	35 279	292 148
Depreciation	(204 249)	(31 239)	(37 210)	(128 929)	(29 427)	(431 054)
Reclassified – cost	(33 710)	–	–	–	–	(33 710)
Reclassified – accumulated depreciation	33 710	–	–	–	–	33 710
Disposals – cost	(193 104)	(127 721)	(19 935)	–	–	(340 760)
Reclassified – accumulated depreciation	186 118	127 721	19 935	–	–	333 774
Carrying amount at 31 December 2011	**374 082**	**73 952**	**134 907**	**75 183**	**95 314**	**753 438**
Additions	243 777	102 760	264 050	1 098 403	12 228	1 721 218
Depreciation	(201 335)	(38 081)	(48 378)	(208 375)	(32 903)	(529 072)
Disposals	–	(72 000)	–	–	–	(72 000)
Depreciation on disposals	–	72 000	–	–	–	72 000
Carrying amount at 31 December 2012	**416 524**	**138 631**	**350 579**	**965 211**	**74 639**	**1 945 584**

Included under property, plant and equipment is office equipment with a carrying amount of R11 769 (2011: R17 909) and vehicles with a carrying amount of R649 808 (2011: R0) in respect of assets held under finance leases.

3. INTANGIBLE ASSETS

	2012 R	2011 R
Computer software		
Cost	99 499	90 107
Accumulated amortisation	(47 577)	(39 727)
Carrying amount at 31 December 2012	51 922	50 380
Reconciliation of assets		
Carrying amount at 1 January	50 380	–
Additions	9 392	56 396
Reclassified – cost	–	(33 710)
Reclassified – depreciation	–	33 710
Amortisation	(7 850)	(6 016)
Carrying amount at 31 December 2012	51 922	50 380

Notes to the annual financial statements
for the year ended 31 December 2012

4. FINANCIAL ASSETS

	2012 R	2011 R
Current financial assets include		
Accounts receivable	17 450 375	5 414 936
Cash and cash equivalents	59 119 765	47 776 270
Trade and other receivables		
Trade receivables	14 879 488	4 440 615
Gross amounts	15 328 719	4 854 549
Provision for doubtful debts	(449 231)	(413 934)
Interest receivable	400 955	234 618
Prepayments	21 733	98 452
Other receivables	2 148 199	641 251
	17 450 375	**5 414 936**
Trade receivables ageing		
0 to 30 days	4 774 758	1 148 192
31 to 60 days	9 168 172	1 687 392
61 to 90 days	234 213	562 889
Over 90 days	702 345	1 042 142
	14 879 488	**4 440 615**
Reconciliation of allowance account for credit losses for financial assets measured at amortised costs:		
Opening balance	413 934	360 425
Additional impairment losses	35 297	53 509
Closing balance	**449 231**	**413 934**
Fair value of trade and other receivables		
Carrying amount	17 450 375	5 414 936
Fair value	17 450 375	5 414 936

For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Cash and cash equivalents comprise the following:		
Short-term deposits	56 245 177	38 537 677
Balances with banks and cash on hand	2 874 588	9 238 593
	59 119 765	47 776 270

5. JET FUNDS DESIGNATED FOR PROJECTS

	2012 R	2011 R
Unutilised prior year funds	17 675 191	27 194 693
Transferred to other reserves	–	(6 082 502)
Project expenditure	(3 915 010)	(3 437 000)
	13 760 181	**17 675 191**

The funds of R13 760 181 (2011: R17 675 191) are under the control of the directors for use in JET's own projects and/or in projects funded jointly with partners whose projects are in line with the mandate of JET. These projects are approved by the Board.

6. DONOR FUNDS DESIGNATED FOR PROJECTS

Unutilised prior year funds	5 539 838	6 083 252
Funds received during the year	92 807 244	25 936 352
Interest earned	286 545	100 363
Total donor project funds available	98 633 627	32 119 967
Project expenditure	(73 929 055)	(26 580 129)
	24 704 572	5 539 838
Donor funds designated for projects receivable	**(8 552 331)**	**(1 509 448)**
Donor funds designated for projects payable	**33 256 903**	**7 049 286**

7. FINANCIAL LIABILITIES

Non current financial liabilities

Financial liabilities measured at amortised costs:		
Finance lease liability	309 388	13 754
Operating lease liability	142 612	149 650
	452 000	**163 404**

Current financial liabilities

Financial liabilities measured at amortised costs:		
Trade payables	632 952	1 033 729
Accruals	1 864 308	2 199 041
Other payables	3 662 093	1 084 210
	6 159 353	**4 316 980**

Short-term finance lease liability	402 716	4 365
Short-term operating lease liability	48 950	–
	451 666	**4 365**

Notes to the annual financial statements
for the year ended 31 December 2012

7. FINANCIAL LIABILITIES (continued)

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

	Up to 1 year	1 to 5 years	Total
2012			
Minimum lease payments	447 435	318 724	766 159
Finance costs	(44 719)	(9 358)	(54 077)
Present value	**402 716**	**309 366**	**712 082**
2011			
Minimum lease payments	9 840	18 860	28 700
Finance costs	(5 475)	(5 106)	(10 581)
Present value	**4 365**	**13 754**	**18 119**

8. PROVISIONS

	Incentive awards	Other	Leave*	Total
Balance at 1 January 2011	–	–	664 061	664 061
Charged to the income statement	–	–	43 362	43 362
Balance at 31 December 2011	–	–	707 423	707 423
Charged to the income statement	870 400	180 000	776 242	1 826 642
Balance at 31 December 2012	**870 400**	**180 000**	**1 483 665**	**2 534 065**

* Leave pay amounting to R649 774 relates to fixed term employees recruited during the year for some of the organisation's big projects.

9. TAXATION

The company has been approved as a public benefit organisation and the South African Revenue Services has granted the company 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.

10. CONTINGENT LIABILITIES

	2012 R	2011 R
Guarantees	**242 280**	**242 280**

The bank has guaranteed an amount of R242 280 (2011: R242 280) for rentals to the landlord in respect of the leased premises occupied by the company. The guarantee commenced on 1 January 2010 and expires on 31 March 2015.

Legal

31 December 2012:

Litigation is in process against the company relating to a dispute with a former employee who was affected by a retrenchment exercise which was finalised at the end of 2009. The former employee is seeking damages of R100 000. The directors and the legal experts of the company are of the opinion that the claim can be successfully defended by the company.

The company successfully defended the case amounting to R1 259 500 which was dismissed by the Labour Court with costs.

10. CONTINGENT LIABILITIES (continued)

Legal (continued)
31 December 2011:
Litigation is in process against the company relating to a dispute with former employees who were affected by a retrenchment exercise which was finalised at the end of 2009. The former employees are seeking damages of R1 359 500. The directors and the legal experts of the company are of the opinion that the claim can be successfully defended by the company.

11. EXCESS/SHORTFALL OF INCOME OVER EXPENDITURE

11.1 Projects shortfall of income over expenditure

	2012 R	2011 R
JET funded projects		
Paid to third parties	1 951 497	1 657 603
Utilisation of internal resources	1 963 513	1 779 397
	3 915 010	3 437 000

JET projects were funded solely from reserves designated for project activities.There was no additional external income received during the year for JET projects. The funding is accounted for in the statement of changes in funds. Unutilised donor funds are deferred and recognised as a libility per Note 6.

11.2 Operations excess of income over expenditure

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

Profit on disposal of assets	–	1 467
Depreciation and amortisation	536 922	437 070
Lease expenses – premises	749 650	972 253
Staff costs	17 868 162	14 636 476
Audit fees	331 000	250 000

12. INTEREST RECEIVED

Operations		
Short-term investments	1 901 665	1 415 999
Current and call accounts	308 652	960 523
	2 210 317	**2 376 522**

13. RELATED PARTY TRANSACTIONS

Transactions with directors:		
Executive directors		
For management services	1 182 856	1 137 819
Non-executive directors		
For service as directors	473 160	504 033

Notes to the annual financial statements

for the year ended 31 December 2012

14. RECONCILIATION OF EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE TO CASH UTILISED/GENERATED BY OPERATIONS

	2012 R	2011 R
Excess/(shortfall) of income over expenditure	**1 002 976**	**(1 864 506)**
Projects	(3 915 010)	(3 437 000)
Use of internal resources	1 963 513	1 779 397
Operations	2 954 473	(206 903)
Interest received	(2 210 317)	(2 376 522)
Interest expense	12 490	1 591
Adjustment for non cash items		
Profit on disposal of assets	–	(1 467)
Movement in provisions	1 826 642	43 362
Movement in operating leases	(7 038)	–
Depreciation and amortisation	536 922	437 070
Operating cash inflow/(outflow) before working capital changes	**1 161 675**	**(3 760 472)**
Cash utilised on working capital	**8 971 667**	**2 745 873**
Increase/(decrease) in donor funds designated for projects	19 164 734	(543 413)
Increase/decrease in receivables	(12 035 439)	1 708 512
Increase/(decrease) in payables	1 842 372	1 580 774
Net cash inflow/(outflow) from operating activities	**10 133 342**	**(1 014 599)**

15. OPERATING LEASE EXPENSE

Future commitments of the operating lease are summarised as follows:		
Not later than 1 year	1 254 967	803 567
Later than 1 year and less than 5 years	1 564 083	2 090 619
	2 819 050	**2 894 186**

The company rents offices under a non-cancellable 5 year operating lease, which commenced on 1 January 2010 and expires on 31 March 2015 and which has base rentals at a fixed rate of R51 168 and operating costs at a fixed rate of R5 969.

16. 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 company 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.
(b) Amortisation of intangibles.
(c) Fair value of trade and other receivables.
(d) Fair value of trade and other payables.

17. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk. JET Education Services' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the finance and audit committee as well as by management. The Board identifies, evaluates and hedges financial risks in close co-operation with the company'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 company's interest rate risk arises from short-term investments. Financial assets with variable interest rates expose the company to cash flow interest rate risk. The company's exposure to interest rate risk is managed closely by the finance and audit committee. All investments are approved by this committee to minimise such risk. The company analyses its interest rate exposure on a dynamic basis.

ii) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Management monitors rolling forecasts of the company'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 company in accordance with practice and limits set by the board.

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

Liquidity Risk	Carrying amount R	Contractual cash flows R	Less than 1 year R	Between 2 and 5 years R	Over 5 years R
2012					
Accounts payable	6 159 353	6 159 353	6 159 353	–	–
Finance leases	712 104	765 440	437 595	327 845	–
	6 871 457	**6 924 793**	**6 596 948**	**327 845**	**–**
2011					
Accounts payable	4 316 980	4 316 980	4 316 980	–	–
Finance leases	–	–	–	–	–
	4 316 980	**4 316 980**	**4 316 980**	**–**	**–**

)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 company, however, has no significant concentration of credit risk, due to the nature of its activities.

18. GOING CONCERN

The annual 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 company has recognised a surplus of R2 954 473 (2011: deficit of R206 903) for the year ended 31 December 2012 and as at that date, current assets exceed current liabilities by R42 720 484 (2011: R42 622 600).

Board of directors

Back row
John Samuel, Prof. Brian Figaji, Jim Wotherspoon, Godwin Khosa (CEO)

Front row
Maude Motanyane, Nathan Johnstone (Chairman), Angie Phaliso

ABSENT
Nigel Matthews
Marianne MacRobert

JET staff

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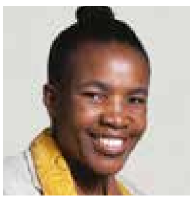

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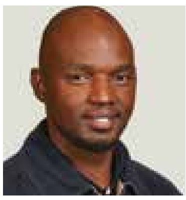

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