

SUMMIT EDUCATIONAL TRUST
(Registration number IT1634/1994)
Annual financial statements
for the year ended 31 December 2020

SUMMIT EDUCATIONAL TRUST
(Registration number: IT1634/1994)
Annual Financial Statements for the year ended 31 December 2020

General Information

Country of incorporation and domicile	South Africa	
Trustees	A.E. Wentzel G.E. Kerr-Phillips G.L. Korner L.L. Lalla N.T. Mapetla M.D. Stalley	Chairman
Registered office	Building 7, Perspective Place Sunninghill Office Park Peltier Drive Sunninghill 2191	
Business address	Building 7, Perspective Place Sunninghill Office Park Peltier Drive Sunninghill 2191	
Bankers	First National Bank, a division of FirstRand Bank Limited Investec Private Bank	
Auditors	Orkin Brown and Associates Chartered Accountants (S.A.) Registered Accountants and Auditors	
Trust registration number	IT1634/1994	
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the trust deed.	
Issued	07 June 2021	
NPO	011/413 NPO	

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Trustees' Responsibilities and Approval

The trustees are required 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 trust 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 the International Financial Reporting Standard for Small and Medium-sized Entities.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include 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. These controls are monitored throughout the trust and all employees are required to maintain the highest ethical standards in ensuring the trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the trust's cash flow forecast for the year to 31 December 2021 and, in the light of this review and the current financial position, they are satisfied that the trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 6 to 20, which have been prepared on the going concern basis, were approved by the trustees on 07 June 2021 and were signed on their behalf by:

Trustee

Trustee

Independent Auditor's Report

To the Trustees of Summit Educational Trust

Opinion

We have audited the annual financial statements of Summit Educational Trust (the trust) set out on pages 7 to 16, which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Summit Educational Trust as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Trust Property Control Act 57 of 1988.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the trust in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The trustees are responsible for the other information. The other information comprises the information included in the document titled "Summit Educational Trust annual financial statements for the year ended 31 December 2020", which includes the Trustees' Report as required by the Trust Property Control Act 57 of 1988 and the supplementary information as set out on page 20, which we obtained prior to the date of this report. The administrator/ manager's report, does not form part of the annual financial statements. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Annual Financial Statements

The trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Trust Property Control Act 57 of 1988, and for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the trustees are responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the trust or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Orkin Brown and Associates
Partner: G.P. Brown
Chartered Accountants (S.A.)
Registered Accountants and Auditors
07 June 2021

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Trustees' Report

The trustees have pleasure in submitting their report on the annual financial statements of Summit Educational Trust (SET) for the year ended 31 December 2020.

This trustees' report is considerably more concise than that of previous years as it has been decided that the administrators/ managers (KP Fiduciary Solutions (Pty) Ltd) will present most of the detail on the activities and operations of the trust in a separate administrator/ manager's report.

1. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities. The accounting policies have been applied consistently compared to the prior year.

Considerable effort has been made to provide adequate explanations in the notes to the financial statements so that the reader is able to gain a deeper understanding of the Trust and its performance.

We are pleased to report that these financial statements finally reflect a more accurate picture of the real financial position of the "new Summit Educational Trust" as they are clear of the legacy accounting issues relating to the joint venture with Odyssey Finance Corporation (Pty) Ltd (OFC).

The Trust recorded a deficit after tax for the year ended 31 December 2020 of R 431,789. This is however mainly as a result of non-recurring or non-operational items (e.g. fair value impairments). It is worth noting that the trust actually made an 'operational' surplus of R 703 218 if one excludes the fair value adjustments on investments.

The Trustees are confident however that the longer-term outlook is one of sustainable surpluses given:

- The probability that interest rates and dividends will 'normalise'.
- Investment markets recover after the selloff induced by the Covid 19 sell off, and
- The bursaries awarded under the ADvTECH bursary fund are matched by notional income.

While Covid 19 is dealt with in greater detail in the administrators report, it is worth noting that that SET responded quickly and decisively to the educational crisis brought on by Covid19, especially in providing impacted learners the opportunity to continue their studies virtually.

The financial position of the Trust is extremely sound, with cash and financial assets exceeding R 32 million as at year end.

2. A focus on early childhood development

The Trustees see merit in investing in the area of early childhood development as this is the foundation of all learning, but do so in collaboration with organisations that have scale and a real impact in the area, examples being Judea Hope and the Curriculum Development Project of Makers Valley.

3. Trustees

The trustees in office at the date of this report are as follows:

Trustees

A.E. Wentzel
G.E. Kerr-Phillips
G.L. Korner
L.L. Lalla
N.T. Mapetla
M.D. Stalley

4. Events after the reporting period

The trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Auditors

Orkin Brown and Associates continued in office as auditors for the trust for 2020. They will continue in office for the 2021 financial year.

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Statement of Financial Position as at 31 December 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Non-Current Assets			
Investment property at fair value	3	3 404 783	3 404 783
Listed investments	2	12 108 530	10 069 600
Capital bursary fund	4	20 000 000	21 000 000
		35 513 313	34 474 383
Current Assets			
Trade and other receivables	5	86 493	48 402
Cash and cash equivalents	6	20 301 193	22 905 040
		20 387 686	22 953 442
Total Assets		55 900 999	57 427 825
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders			
Trust capital		100	100
Accumulated surplus		35 558 774	35 990 563
		35 558 874	35 990 663
Capital bursary fund reserve		20 000 000	21 000 000
		55 558 874	56 990 663
Liabilities			
Non-Current Liabilities			
Deferred income	7	303 645	380 455
Current Liabilities			
Trade and other payables	8	38 480	56 707
Total Liabilities		342 125	437 162
Total Equity and Liabilities		55 900 999	57 427 825

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2020	2019
Other income		4 674 316	2 689 946
Operating expenses		(6 459 058)	(4 831 984)
Operating surplus		(1 784 742)	(2 142 038)
Investment revenue	10	1 352 953	1 954 958
Finance costs	11	-	(311)
Deficit for the year		(431 789)	(187 391)

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Statement of Changes in Equity

	Trust capital	Accumulated surplus	Trust capital, property revaluation reserve and accumulated surplus	Capital bursary fund reserve	Total equity
Figures in Rand					
Balance at 01 January 2019	100	36 177 954	36 178 054	22 000 000	58 178 054
Deficit for the year	-	(187 391)	(187 391)	-	(187 391)
Decrease in capital bursary fund reserve	-	-	-	(1 000 000)	(1 000 000)
Total contributions and distributions recognised directly in equity	-	-	-	(1 000 000)	(1 000 000)
Balance at 01 January 2020	100	35 990 563	35 990 663	21 000 000	56 990 663
Deficit for the year	-	(431 789)	(431 789)	-	(431 789)
Decrease in capital bursary fund reserve	-	-	-	(1 000 000)	(1 000 000)
Total contributions and distributions recognised directly in equity	-	-	-	(1 000 000)	(1 000 000)
Balance at 31 December 2020	100	35 558 774	35 558 874	20 000 000	55 558 874

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Statement of Cash Flows

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Cash used in operations	15	(1 782 863)	(1 850 168)
Interest income		1 090 834	1 754 881
Dividends received		262 119	200 077
Finance costs		-	(311)
Net cash from operating activities		(429 910)	104 479
Cash flows from investing activities			
Additions to listed investments		(2 038 930)	(4 663 721)
Movement in capital bursary fund		1 000 000	1 000 000
Fair value adjustment on listed investments		(1 135 007)	(1 143 878)
Sale of listed investments		-	31 598
Net cash from investing activities		(2 173 937)	(4 776 001)
Total cash movement for the year		(2 603 847)	(4 671 522)
Cash at the beginning of the year		22 905 040	27 576 562
Total cash at end of the year	6	20 301 193	22 905 040

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Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. In addition, only investment property whose fair value can be measured reliably without undue cost of effort on an ongoing basis is included in investment property. All other investment property is included in property, plant and equipment.

Investment property is initially measured at cost.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Costs include costs incurred initially to acquire or construct an investment property and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of investment property, the carrying amount of the replaced item is derecognised.

After initial recognition, investment property is measured at fair value at each reporting date.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through surplus and deficit.

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Accounting Policies

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

1.4 Provisions and contingencies

Provisions are recognised when the trust has an obligation at the reporting date as a result of a past event; it is probable that the trust will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the trust will comply with the conditions attaching 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.

1.6 Revenue

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income received from property that is leased to Summit College under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term and in accordance with the management agreement.

1.7 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. Listed investments		
Listed shares	12 108 530	10 069 600
The fair value of listed investments are based on the quoted market prices on the reporting date.		

The trust continues the process of building an endowment fund, similar to those established by the ivy league universities in the US.

The motivation for an endowment fund is to ultimately replace the ADvTECH bursary fund (i.e. to generate adequate income to replace the funding), to create a strong capital base (and income) for the Trust to ensure effectiveness over the very long term.

3. Investment property at fair value

Reconciliation of investment property at fair value - 2020

Investment property	Opening balance	Total
	3 404 783	3 404 783

Details of property

Investment property comprises of land and buildings situated on portion 7 of Erf 1159, Sunninghill Extension 71 Township, Gauteng, measuring 551 square metres in extent and held under deed of transfer T49631/2018.

The Trustees have not considered it necessary to do a revaluation of the property as the property has been owned for less than three years and it has a tenant that has only completed a little over two years of a five-year lease.

4. Capital bursary fund

At amortised cost

Capital bursary fund	20 000 000	21 000 000
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Non-current assets

At amortised cost	20 000 000	21 000 000
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SET opted to take a portion of the proceeds of the sale of the property and school in the form of a bursary fund (the ADvTECH bursary fund). The ADvTECH bursary fund essentially represents a notional capital fund that will allow the Summit Educational Trust to offer deserving learners financial support to attend ADvTECH institutions, be they at schools or tertiary institutions.

The fund provided for an initial amount of R2.5 million for 2016 to be allocated at the discretion of the SET trustees. The bursary fund essentially was valued at R25 million in determining the amount to be paid to SET (in cash) for the sale of the school.

The bursary fund will operate for an initial period of up to 25 years (21 years remaining), with the annual amount available escalating by the annual average increase in the fees determined by ADvTECH.

The fund is amortised by R 1 million per year and hence the reduction in the asset value from R 21 million in 2019 to R 20 million in 2020.

While the fund is essentially a notional asset, the trustees see this fund serving as a key way in which we will provide financial assistance to deserving learners. It may be argued that the 'true value' of a R2.5 million annuity fund that will operate for 25 years will be considerably higher than the illustrated R25 million.

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Trade and other receivables		
Trade receivables	86 493	24 500
Summit College debtors	-	23 902
	86 493	48 402

Included in trade and other receivables is a collection of legacy debtors (The Summit College debtors). This asset is the resulting accounting treatment of the settlement of OFC for the debtors book on the final wind down of the JV. Debtors recovered result in the amortisation of the asset. The asset disappeared in the 2020 year and will be treated as bad debts recovered from this point.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	20 301 193	22 905 040
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The cash balance decline is mainly attributable to the allocation of capital to the equity component of the endowment fund.

7. Deferred income

Government grants	303 645	380 455
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Split between non-current and current portions

Non-current liabilities	303 645	380 455
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These amounts relate to an interest free loan provided by Government on 2 June 1994. The terms of the loan required inter alia that a school remains operative on the property for a period of 30 years from 2 June 1994, failing which the pro-rata amount of the loan still owing shall be refunded to the Government.

The loan was secured by a bond, but this was cancelled when the school was sold to ADvTECH. The loan is written off in 30 equal annual instalments. The accounting treatment effectively offsets the liability against deferred income.

The Trustees do not see this as a real liability as the loan will be fully written off in the 2024 financial year and ADvTECH has undertaken to continue operating a school on the property well into the future, especially after a very significant investment by them in the school over the past few years.

An offer was made to the Government for the settlement of this liability following the sale of the property.

8. Trade and other payables

Accrued audit fees	14 375	19 872
Accrued expenses	24 105	36 835
	38 480	56 707

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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9. Adjustment on the sale of Summit College

Legal expenses - debt collection	123 096	(263 300)
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This line item will not appear in future financial statements as the joint venture with OFC is now fully wound up and all residual accounting issues resolved.

10. Investment revenue

Dividend revenue

Listed financial assets - Local	262 119	200 077
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Interest revenue

Bank and investments	1 090 834	1 754 881
	1 352 953	1 954 958

Interest earned in the year is lower mainly as a result of the sharp decline in interest rates as the South African Reserve Bank aggressively cut interest rates in response to the economic impact of Covid 19.

11. Finance costs

Trade and other payables	-	311
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12. Taxation

No provision for taxation has been made as the Trust is exempt from taxation in terms of S10(1)(cN) of the Income Tax Act.

13. Auditor's remuneration

Fees	14 375	19 872
Adjustment for previous years	(6 072)	22 800
	8 303	42 672

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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14. Bursaries awarded

Bursaries awarded for the year increased by a very significant 66% (2020: R 4 742 661 vs. 2019 R 2 862 532), mainly as a result of the once of additional funding (of R 500 000) provided to Rosebank college, to provide deserving final year learners with the technology required to complete their studies virtually and the short term finance support facility (of R 1 million) provided to the ADvTECH schools division, to provide temporary assistance to families who were financially impacted by the Covid 19 pandemic.

Both these amounts utilised carried forward surpluses on the SET ADvTECH bursary fund. This has quite significantly reduced the carried forward surplus on the bursary fund.

‘Normalised bursaries’ can therefore be assumed at R 3 242 661, which is marginally higher than the previous year.

While total bursaries of R 4 742 661 represent 79% of total income, normalised bursaries of R 3 242 661 represent 72% of total income adjusted down by the additional bursaries. This figure is still slightly below our target of a 75% distribution for the reasons given below;

1. The Trust is in the process of building a portfolio of projects, many of which take time to investigate and develop.
2. The deployment of capital into the endowment fund (e.g. into listed equities) will result in lower income (in the short to medium term) as yields on cash typically exceed yields on listed equity, and
3. Bursaries typically represent fairly long term (e.g. 4 to 5 year) commitments, the result of which is a slow build up to the ideal annual distribution. It takes time to blend current bursaries awarded with the need to support new entrants over time.

15. Cash used in operations

Deficit before taxation	(431 789)	(187 391)
Adjustments for:		
Fair value adjustment and profit on sale of listed investments	1 135 007	1 112 280
Dividends received	(262 119)	(200 077)
Interest received	(1 090 834)	(1 754 881)
Finance costs	-	311
Amortisation of capital bursary fund	(1 000 000)	(1 000 000)
Changes in working capital:		
Trade and other receivables	(38 091)	213 693
Trade and other payables	(18 227)	42 707
Deferred income	(76 810)	(76 810)
	(1 782 863)	(1 850 168)

16. Legal fees

The legal fees relate to the legal expenses incurred in recovering the Summit College debtors book. While the fees appear high relative to the recoveries, the trustees believe that the expenses are likely to decline significantly over time, whereas the recoveries are expected to increase as judgements have been obtained in many cases.

While some may question why a Public Benefit Organisation would pursue these debtors, the Trustees deem it appropriate to pursue historic debtors as these debts were incurred by individuals and/ or families who received quality private education on strict commercial terms. The Trustees feel it appropriate to recover these funds and to ultimately use the recovered amounts to assist deserving learners from disadvantaged backgrounds.

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Administrator / Management Report

SET has outsourced its daily management to KP Fiduciary Solutions (Pty) Ltd (KPFS). This outsourced management arrangement provides that KPFS handle all routine administration and management, including:

- Managing the bursary funds, including the screening of applicants and the mentoring of existing recipients and liaising with the ADvTECH group.
- The sourcing, evaluation and managing of projects and programmes, including the screening of potential partners.
- Handling the Trust administration (including regulatory and Masters Office compliance). This includes preparing the minutes of trustee minutes.
- Maintaining the financial records of the trust and preparing the pack required for the audit.
- Doing the ongoing reporting to the trustees and partners, and
- Managing and maintain the property.

This includes the engagement of a suitably qualified administrator and an accountant. The Trust entered into this arrangement as it is considered a more cost effective way of achieving effective management of the Trust than the appointment of staff.

1. Covid 19

Covid 19 impacted SET significantly in several ways, namely:

- It materially impacted our income (mainly interest) earned and our portfolio value.
- It resulted in massive challenges in the education sector, with massive pressure on learners and their parents, and
- It impacted our (and our partners) ability to operate.

The first and less critical way was the impact of the sharp decline in income earned and the impact of the pandemic on our investment portfolio. The sharp decline was mainly as a result of the decline in interest earned, as a result of the significant decline in interest rates, as the SA Reserve Bank (like all central banks) aggressively cut the repo rate to help offset the impact of Covid 19 on the local economy. These are dealt with in more detail below and in notes 2 and 10.

The second, and more important impact however was the impact of Covid 19 on the needs in the education sector (especially learners) and the need for SET to respond to these challenges.

There can be little doubt that Covid 19 had a deep and wide-ranging impact on learning and education, not only for millions of learners in South Africa but hundreds of millions throughout the world.

SET accordingly dipped materially into the carryover ADvTECH bursary fund and its cash resources so as to provide short-term funding support and by equipping some learners with the technology (and data) required to continue their studies in a more virtual learning environment.

SET responded in a number of ways. SET made an amount of R 500 000 available to the Rosebank College for the supplying of deserving students with the technology (laptops) to final year learners. This project is estimated to have allowed roughly 100 learners to continue their studies digitally. SET also provided R 1 million to ADvTECH schools division to assist deserving families with the bridging finance needed to keep deserving learners in school. This programme is believed to have allowed more than 60 learners to remain in school.

SET also assisted some learners at model C schools with the technology (mainly data) needed to continue studying during the remote learning phase of 2020.

While some parts of the education sector (mainly tertiary and the private sector) respond quickly and decisively to limit the impact of Covid 19 on academics (e.g. by migrating to online learning), many others, especially those in remote areas and those in disadvantaged communities were unable to make this transition to a more digital/virtual model. The net result was that 2020 was a devastating year for many learners. There is a real concern that the lost learning year may haunt many learners (especially those in the last few years of schooling) for years to come.

It is hoped that some of the progress made in the utilisation of technology will be expanded on and that this will help to usher in an era in which technology is more widely used in education, as this could significantly improve the educational experience for learners in disadvantaged or remote communities.

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2. Financial commentary

The Trust recorded a deficit after tax for the year ended 31 December 2020 of R 431 789.

This performance was however attributable to three factors. These items which are listed below are discussed in more detail in the paragraphs below.

1. Considerably higher bursaries awarded.
2. Considerably lower investment income, and
3. Negative fair value adjustments on the value of the investment portfolio.

Higher bursaries paid

Bursaries awarded in 2020 amounted to R 4 742 661 versus R 2 862 532 for 2019. While the bursaries awarded under the SET ADvTECH fund are matched by an equal notional income stream, the Trust did increase its non-ADvTECH bursaries in the year.

Lower investment income

As mentioned, the sharp reduction in local interest rates and the decision of many listed companies to reduce or suspend dividends in response to the Covid 19 economic impact resulted in a sharp decline in investment income, from R 1 954 958 in 2019, to R 1 352 953 in 2020.

While interest rates are expected to remain fairly low, we expect dividends to resume and this, coupled with higher equity allocation should see investment income rise quite materially in the 2021 year.

Fair value adjustments

Fair value adjustments on financial assets (shares) reflected an impairment of R 1 135 007 in 2020.

It was pleasing to see the significant recovery in the portfolio value after the financial year end.

As mentioned in the Trustee report, the operating result excluding fair value adjustments reflected an operating profit. It is also important to note that the portfolio has recovered well in 2021 (after balance sheet date).

3. An ongoing focus on early childhood development

The Trustees remain committed to the medium to long term objective of making a significant contribution in the area of early childhood development as this is seen as the foundation of all further learning.

While the Covid lockdowns severely impacted our ability to find and develop new projects in this regard, SET continued to support the projects we were engaged in and hope to find worthy new projects and partners later in 2021 and well into the future.

The Trustees preferred approach to ECD projects remains one of collaboration and in projects where ECD centres and their staff are developed to increase the impact of our spend. The Trust prefers not to fund operating expenses for ECD's or ECD's that do not demonstrate financial viability.

4. Bursary management and support

The once off Covid support programmes and projects resulted in direct beneficiaries increasing to an estimated 160 individuals.

The real reach of the assistance provided is however far greater as the investments made in teacher and ECD development has a multiplier effect on our spending. It is estimated for example that the reach of our ECD programme with the CDP alone has an indirect impact on thousands of preschool learners.

The Trust is increasingly allocating funds to ADvTECH institutions for them to screen and allocate financial assistance programmes as these institutions typically have a deeper understanding of the needs in their communities and are able to identify and manage deserving candidates more effectively than ourselves. The Trust does however expect not only adequate feedback on recipients but that the institutions will manage the overall learner in a more active way than the Trust could do.

The above is especially true given the scale and the scope of the various SET programmes and projects.

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5. The Endowment Fund

The Trustees have resolved to build a long term "endowment fund", much like those of venerable institutions such as Harvard and Yale. The purpose of the endowment fund is to generate adequate income to fund bursaries and projects in the long term.

The targeted capital allocation to the endowment fund is R 27 million. The bulk of the portfolio (70%) is earmarked for equity investments (initially only listed equity but this could change if circumstances deemed it appropriate), with 10% allocated to each of property, cash and fixed income.

While the investment mandate targets moderate growth, the underlying equity positions will typically be more balanced in nature.

The listed equity portfolio value at year end was R 12 108 530 (2019: R 10 069 600).

The increase in the value of the portfolio was primarily attributable to the allocation of additional capital to equities. The 2020 calendar year proved a trying and volatile one for markets, as Covid 19 had a material impact on the global economy and the broader equity markets over the year.

It has been deemed appropriate to only invest when value is apparent and as such only around 65% of the capital had been deployed as at year end.

6. The investment property

2021 represents the third year of ownership of the property. The current rental translates into a gross yield of 9.3%.

The decision to buy a direct property, rather than a portfolio of listed property stocks, proved to be a good decision as the yield is steadily improving and the avoidance of the JSE listed property sector shielded the Trust against an average decline of roughly 50% in capital value of listed property stocks.

We have also only needed to do minimal maintenance since purchasing the property but expect some repairs and maintenance spending over the coming financial year.

7. Relationship with ADvTECH

The Trust has a healthy and constructive working relationship with ADvTECH management.

While cautious and judicious in the allocation of resources (including the carried forward balances of the SET ADvTECH bursary fund), we remain engaging, constructive and generally responsive to requests for assistance, as evidenced by the allocation of significant sums of money to Covid emergency relief funds.

The trust remains hopeful of forging deeper relationships with ADvTECH regarding teacher training and teaching assistant development as we feel there is a natural synergy in these areas.

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Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Other income			
Rental income		309 101	297 162
Bad debts recovered		1 663	-
Bursary fund income received		4 286 742	2 284 376
Profit on sale of investments		-	31 598
Government grants		76 810	76 810
		4 674 316	2 689 946
Operating expenses			
Administration and management fees		227 700	269 100
Auditor's remuneration	13	8 303	42 672
Bank charges		63 779	74 703
Bursaries awarded	14	4 742 661	2 862 532
Consulting fees		15 810	1 515
Fair value adjustment on listed investments		1 135 007	1 143 878
Insurance		10 856	10 711
Legal fees - debt collection		123 096	263 300
Levies		39 264	42 872
Municipal expenses		54 469	75 276
Portfolio management fees		38 113	32 571
Repairs and maintenance		-	12 854
		6 459 058	4 831 984
Operating deficit			
		(1 784 742)	(2 142 038)
Investment income	10	1 352 953	1 954 958
Finance costs	11	-	(311)
		1 352 953	1 954 647
Deficit for the year		(431 789)	(187 391)