The National Education Collaboration Trust
Registration Number: IT2559/13T

Annual Financial Statements for the year ended 31 December 2022

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	A Trust registered as a non-profit organisation to strengthen partnerships among business, civil society, government and labour in South Africa to achieve the education goals of the country's National Development Plan. The Trust strives both to support and influence the agenda for the reform of basic education.
Trustees	Mr. Sizwe Errol Nxasana Ms. Angelina Motshekga Ms. Ntombifuthi Temperance Mtoba Ms. Tebele Makhetha Mr. Basil Lawrence Manuel Mr. Nkosana Dolopi Mr. Hubert Mathanzima Mweli Prof. Brian De Lacy Figaji Dr. Godwin Khosa
Registered office	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Business address	Ground Floor, Block D Lakefield Office Park 272 West Avenue Centurion 0163
Auditor	PricewaterhouseCoopers Inc. Registered Auditors
Trust registration number	IT2559/13T
Banker	First National Bank
Preparer	Mr Sandile Mkhonto CA(SA) Chief Financial Officer

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Trustees' Responsibilities and Approval

The Trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Trust as at the end of 31 December 2022 and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Trust and place considerable importance on maintaining a strong control environment. This includes the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The Trust endeavours to minimise risks by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Trustees have reviewed the Trust's cash flow forecasts until 31 December 2023, the available cash resources and the current financial position; and, in the light of this review, they are satisfied that the Trust has access to adequate resources to continue to operate into the foreseeable future.

The trustees are responsible for the controls over, and security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to stakeholders.

The external auditor is responsible for independently reviewing and reporting on the Trust's annual financial statements. The annual financial statements have been examined by the Trust's external auditor and their report is presented on pages 12 to 14.

The financial statements set out on pages 15 to 49, which have been prepared on the going concern basis, were approved by the Board of Trustees on 10 May 2023 and were signed on its behalf by:

Chairperson **Risk and Audit Committee**	**Chairman** **Board of Trustees**

REPORT OF THE TRUSTEES

The National Education Collaboration Trust (NECT) Trustees present the annual report for the year that ended 31 December 2022. The report forms part of the statutory Audited Financial Statements of the Trust.

INCORPORATION

The Trust was registered on 12 July 2013 as a non-profit organisation with the aim to strengthen partnerships among business, civil society, government and labour in South Africa to achieve the national education goals outlined in South Africa's National Development Plan (NDP). The Trust strives to support and influence the agenda for improving basic education.

TAX STATUS

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

BUSINESS AND OPERATIONS IN 2022

Since its founding, the NECT has used a systemic approach to education improvement which aims to strengthen the government's critical systems and capacity to deliver quality education sustainably. In January 2021, the NECT's programming was reoriented to accommodate efforts to support the education system to reboot and recover from almost two years of Covid-19 disruptions. As such, the 2022 programming comprised aspects of post-pandemic recovery support and regular education improvement programming.

The year 2022 was also critical in the lifespan of the NECT. It was the ninth year of the initial 10-year lifespan of the NECT. Noting this commitment, the Board of Trustees led a reflection process, which commenced in 2021, on the strategic role of the NECT beyond 2023. The reflections were preceded by an independent review of the NECT, which was commissioned and sponsored by the FirstRand Empowerment Foundation. The independent review report was used to underpin reflections with the stakeholder groups of the NECT, including over 300 of its education district beneficiaries. From the reflections, the NECT Board confirmed the need to extend the role of the NECT in supporting education improvement beyond its initial 10-year lifespan. Among the considerations were the improvements needed towards the NDP's 2030 goals and the unexpected adverse effects of the Covid-19 lockdown, which will require additional efforts to help the affected learner cohorts to recover.

Given the above, the Trustees resolved in August 2022 that the NECT's lifespan will be extended beyond 2023 to support further education improvement towards the 2030 goals. As such, the strategic and programming focus for 2022 was on consolidating the successes and lessons learnt since 2013, supporting the education rebooting and recovery post-Covid-19 disruption and preparing proposals for the organisation's strategy and programming in the future.

REPORT OF THE TRUSTEES (CONTINUED)

2022 HIGHLIGHTS

Several notable achievements were registered in 2022. These include the programmes of the NECT reaching over 90% (22 812 schools) of the basic education schooling system. This was mainly achieved by implementing the post-Covid-19 national rebooting and recovery initiatives. Through the Recovery Planners and Trackers initiative, teachers were provided with Term 1 – Term 4 teaching plans and training to enable them to commence with learning recovery in languages, mathematics, and science, in line with the adjusted curriculum following the pandemic. This initiative provided guidance and frameworks to the over 200 000 classrooms in South African schools and involved nearly 80% of the subject advisors in the country who were capacitated to better support teachers with teaching the recovery curriculum and using the Recovery Planners and Trackers.

1. SUPPORTING RESPONSES TO CLIMATE AND POLITICAL DISASTERS IN KWAZULU-NATAL

The NECT continued to play a strategic role in supporting the Department of Basic Education (DBE) to respond to emergencies. In this category of work, the NECT coordinated the efforts of several partners to support responses to the unrests and flood damages in KwaZulu-Natal (KZN) between 2021 – 2022. One of the highlights of this response was the completion of refurbishments in all five beneficiary schools affected by the July 2021 unrest, with the project benefiting over 4 800 learners. This included a new administration block constructed with the support of UNICEF and Proctor & Gamble (P&G) to replace one burnt down at Siphosethu Primary School, Pinetown.

For the KZN Floods Disaster response, the NECT supported the province by:

- Conducting independent infrastructure and education assessments in 630 schools across KZN and the Eastern Cape affected by the April 2022 floods. The assessments provided critical profiling information that enabled the DBE to understand the extent of the damages, allocate budgets, and plan for the provision of resources and the refurbishment of damaged infrastructure.
- Undertaking minor refurbishment of 15 schools affected by the floods with financial support from Momentum Metropolitan Holdings and the Industrial Development Corporation (IDC). To date, refurbishments have been completed in nine (60%) schools.

2. SUPPORTING POST COVID-19 EDUCATION RECOVERY AND REBUILDING

The Covid-19 Response Initiative (CRI) was introduced by the NECT in 2021 to support the education system with education recovery and rebuilding the pandemic. The notable achievements from 2022 include the following:

- Ensuring adequate resourcing and training of teachers, school management and subject advisors to continue driving curriculum recovery. As cited in the sections above, Recovery Planners and Trackers were developed and distributed to 22 812 (90%) schools across all nine provinces.

REPORT OF THE TRUSTEES (CONTINUED)

- Launching the One Million African Storybook Project, which saw the development of 189 storybook titles in all official African Languages, and the printing and distribution of over one million copies of the books to 8 842 primary schools across all provinces, close to 62% of the primary schooling system.

As part of the NECT's contribution to rebuilding a stronger and more responsive education system, the organisation also supported the DBE with the conceptualisation and design of a strengthened curriculum, including the development of the South African Competency Framework, which outlines the skills and competencies that learners should have to better prepare them for the 21st Century.

3. CONTINUED CONTRIBUTIONS TO EDUCATION IMPROVEMENT

3.1. Schools and District Support

Schools and district support entails the implementation of interventions aimed at improving the quality of teaching and learning and providing capacity building to improve school management at the district and school levels. This is achieved through teacher professionalisation initiatives, leadership and management development, parent and community involvement, and resource provision. Through these interventions, the NECT has achieved the following:

- Reached teachers and district officials in 100% (75) of the education districts.
- Increased the number of teachers and subject advisors trained and supported from 103 641 in 2021 to over 110 000 teachers (26%) and over 16 500 subject advisors and school managers across all provinces on curriculum delivery for maths, science, languages and reading.
- Provided more than 12.2 million units of support materials to assist teachers with the pacing and pitching of the curriculum; and to support parents with facilitating continued learning at home. This brings the total number of materials provided to 32 million since 2016.
- For reading improvement, the NECT has trained and resourced 37 067 English First Additional Language (EFAL) teachers to teach reading better.
- Through the Reading Champions programme, 19 763 youth were recruited, trained and allocated to 13 596 (95%) primary schools in 2022. The programme, which forms part of the Basic Education Employment Initiative (BEEI), places reading champions in schools to support teachers with conducting reading activities in class. Since 2020, 61 367 youth have been trained through this initiative.

Another notable achievement has been the NECT's partnership with the Teaching, Teacher and Teacher Education for Equitable and Quality Learning (TTTEQL) Consortium, which comprises ten (10)[1] South African universities to implement the classroom pedagogics research project. The project aims to respond to the need for greater research on the learning and teaching dynamics in South African classrooms and their impact on learning outcomes.

[1] Cape Peninsular University of Technology; University of Witwatersrand; Tshwane University of Technology; Durban University of Technology; Nelson Mandela University; University of Limpopo; University of Free State; University of South Africa; Walter Sisulu University; University of Fort Hare.

REPORT OF THE TRUSTEES (CONTINUED)

3.2. Monitoring and Evaluation

The Monitoring and Evaluation (M&E) unit provides programme implementation and strategic support by collecting and analysing data on critical areas of education improvement. In 2022, the unit's notable contributions were in the following areas:

- Conducting educational assessments in 651 schools affected by the April 2022 floods in KwaZulu-Natal and the Eastern Cape (See Section 1).
- Piloting a district assessment in three districts across the Eastern Cape, Limpopo and North West. The assessments aimed to evaluate district preparedness to support schools with reopening in 2023 with a focus on 1) policy and decision-making, 2) district and school functionality, 3) teaching and learning readiness and 4) district capacity.

  The report on the pilot has been submitted to the DBE for review, and the overall approach and methodology for the assessment is being refined in preparation for scaling to 36 targeted districts across the country. It is envisaged that the data collected through these assessments will form the basis for strengthening the NECT's district improvement interventions in the future.

- Contributing to the evidence base on the impact of Covid-19 on school functionality, teaching and learning by conducting school functionality studies in 500 schools across South Africa. The study aimed to determine the extent to which schools had returned to normal timetabling and the levels of curriculum coverage; and made recommendations on the best response to addressing not only the pandemic losses but the historical learning backlogs as well.

3.3. Systemic Capacity Building

Systemic capacity building interventions are designed to support the improvement of the education system's capacity to deliver quality education. The NECT's support in this regard has been through the Education Technical Assistance Office (ETAO), the modernisation of the South African School Administration and Management System (SA-SAMS), and special projects and partnerships. Some notable achievements include the following:

3.3.1. **ETAO:** Since 2019, ETAO has engaged 17 technical assistants and project managers to support the DBE in coordinating and accelerating policy reform for four strategic imperatives:

- Institutionalisation of the National Institute for Curriculum and Professional Development (NICPD). The NICPD is currently located in the DBE's Teacher Development Unit, and preparations are underway to legally establish it as a non-profit organisation (NPO) outside the DBE.
- Establishment of the National Language Unit with financial support from Old Mutual Foundation. The unit will serve as an advisory body to the Minister on policy and strategy to promote parity of esteem and equitable treatment of languages in the basic education sector.

REPORT OF THE TRUSTEES (CONTINUED)

- Supporting the introduction of the Three Stream Curriculum Model by providing technical assistance to design appropriate interventions, strategies and frameworks to successfully expand technical education.
- Support the Migration of Early Childhood Development (ECD) from the Department of Social Development to the Department of Basic Education. With collaboration from UNICEF and active engagement with over 300 partners and stakeholder groups in the ECD sector.

3.3.2.**Modernisation of SA-SAMS:** The modernisation of the SA-SAMS system is aimed at ensuring that the DBE operates a web-based system that improves access to valid and reliable data on schools, teachers and learners. This data is used by the DBE, provincial departments, and sister departments such as the National Treasury to make informed decisions about resourcing and managing schools. Below are some of the highlights of progress made in 2022:

- In addition to enhancing the solution to meet the SA-SAMS functionality, the second core module - learner management - was released and tested with provincial education departments. This is in addition to the first core module (school management) completed in 2021.
- An independent assessment of the project was conducted and concluded in 2022. The report highlighted the successes and challenges facing the SA-SAMS modernisation project and potential sustainability challenges. It also provided recommendations *inter alia* for addressing backlogs and funding concerns.
- As recommended by the Board of Trustees, a Board subcommittee on ICT was established. The sub-committee comprises invited industry representatives to strengthen the technical oversight of the project.

3.3.3.**Innovation Programme:** The NECT continued with researching, testing, and incubating innovations that facilitate the embedding of competencies and skills of the future in the basic education curriculum. In 2022, the unit had a significant focus on curriculum strengthening and supporting the DBE by developing a National Competency Framework. This also included hosting 36 provincial workshops attended by over 400 teachers, parents, learners, academics and other stakeholders to gather inputs on focus areas for curriculum strengthening.

3.3.4.**Strategic Partnerships and Special Projects:** Strategic partnerships were established to implement initiatives that respond to emerging needs in the sector relating to talent management, capacity building, and infrastructure resourcing in schools. In this regard, the NECT achieved the following:

- Piloted the District Winter School Programme in July 2022, targeting 54 district officials from the Eastern Cape, Limpopo, KwaZulu-Natal and North West. This programme was in response to the need for coordinated capacity building of district officials on education planning and management to enable them to support schools and teachers better.

REPORT OF THE TRUSTEES (CONTINUED)

- In partnership with Nelson Mandela University, the University of Venda, and the University of Limpopo, the NECT has continued implementing the Postgraduate Support Programme. The programme seeks to develop a cohort of academics that will strengthen the research and intellectual capacity of the education sector. In 2022, 81 Masters and PhD candidates were enrolled in the programme, of which seven (7) graduated from their respective programmes at the end of the year.

- Implemented the Gender Responsive Pedagogy for Early Childhood Education (GRP4ECE) project, which reached 3 715 (93%) targeted ECD practitioners and Grade R teachers. Through the project, the beneficiaries received training and tablets with materials which will support them in understanding the impact of gender stereotypes and non-inclusive environments on children and how they can prevent them from realising their full potential and identity.

- Since 2018, the NECT has implemented the Sanitation Appropriate for Education (SAFE) project, which contributes to the Presidential Initiative aimed at eradicating pit latrines in schools. In 2022, projects in a total of 392 (70%) DBE-allocated schools were completed and an additional 78 (78%) schools were provided with ablution facilities through private-sector funding.

3.4. SOCIAL CAPITAL BUILDING AND PARTNERSHIPS

The NECT has maintained and strengthened the collaboration of stakeholder groups in the education sector. This was pursued through stakeholder engagement and strategic communication and by creating platforms for pooling resources towards achieving education improvement outcomes. The 2022 highlights achieved in this regard include the following:

3.4.1. Education DialogueSA: The dialogues programme has been an essential platform for facilitating discussions amongst all stakeholders on strategic issues including policy changes. In 2022, the NECT hosted 14 national and provincial dialogues, attended by over 2 000 people, on issues related to teacher and learner safety, youth development and leadership.

Three dialogues were also hosted on the Early Childhood Development (ECD) migration from the Department of Social Development to the DBE. This brings the total number of ECD dialogues hosted since 2021 to nine (9) dialogues, with an average of 300 participants per dialogue.

3.4.2. Education Investment Portfolios: The Remote and Digital Learning (RDL) and Care and Support for Teaching and Learning (CSTL) education Investment Portfolios were introduced in 2020 in response to the need to prioritise emerging critical areas for education improvement and as vehicles for mobilising resources to accelerate the development of these areas. The following are some of the highlights in this regard.

REPORT OF THE TRUSTEES (CONTINUED)

- The RDL portfolio offers a supplementary learning support programme that helps learners, teachers and parents with curriculum coverage, revision and exam preparation. Through the television and radio broadcasting campaigns, an audience of over 2 million was reached on the DBE Channel (OpenView Channel 122) and SABC and community radio stations in 2022.

- The CSTL portfolio has supported the DBE and other education stakeholders to deliver on the national care and support mandate for the overall health and well-being of the system's learners and teachers. A notable achievement has been the expansion of the One Million Ubuntu Youth Leaders programme from 10 pilot schools in KwaZulu-Natal in 2021 to 38 schools across eight (8) provinces and reaching 1 917 (191.7% of target) learners. The programme aims to create young change agents who will restore the values of Ubuntu in schools and communities.

  Furthermore, the NECT supported the DBE with revising the CSTL Conceptual Framework, which will be distributed to all 75 districts in 2023. The framework aims to ensure that care and support activities are well coordinated, resourced and monitored in a way that addresses non-educational barriers to teaching and learning. The NECT commenced with training on CSTL Foundations, as guided by the Conceptual Framework, in the Eastern Cape and North-West provinces and reached 340 (85% of target) education officials. Training in the remaining provinces will be completed in 2023.

4. FINANCIAL RESULTS

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

In 2022, the Trust recognised revenue of R466,971,246 (2021: R433,965,214). Total expenditure amounted to R505,528,260 (2021: R375,624,660), out of which 97% was direct investment in education programmes, while 3% was spent on administration expenses. The 2022 Trust's operations recorded a deficit of R29,402,152 and a surplus of R63,809,476 in 2021.

The financial results are set out on pages 15 to 49 and do not, in our opinion, require any further comment.

Events subsequent to the year end

The Trustees are not aware of any material facts or circumstances that took place between the accounting date and the date of this report that may have had an impact on the financial statements.

Going concern

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

REPORT OF THE TRUSTEES (CONTINUED)

Trustees

The Trustees for the period under review were as follows:

Mr. Sizwe Errol Nxasana (Chairman)
Ms. Angelina Motshekga (Deputy Chairman)
Ms. Ntombifuthi Temperance Mtoba
Ms. Tebele Makhetha
Mr. Basil Lawrence Manuel
Mr. Nkosana Dolopi
Mr. Hubert Mathanzima Mweli
Prof. Brian De Lacy Figaji
Dr. Godwin Khosa (Chief Executive Officer)

Independent auditor's report

To the Trustees of National Education Collaboration Trust

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Education Collaboration Trust (the Trust) as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

National Education Collaboration Trust's financial statements set out on pages 15 to 49 comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

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Other information

The trustees are responsible for the other information. The other information comprises the information included in the document titled "National Education Collaboration Trust Audited Annual Financial Statements for the year ended 31 December 2022". The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: R Ramdhany
Registered Auditor
Johannesburg, South Africa
30 May 2023

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

ASSETS	Notes	2022 R	2021 R
Non-Current Assets		**4,287,758**	**6,360,393**
Property, plant & equipment	2	1,712,865	2,399,943
Right-of-use assets	3	2,528,528	3,898,678
Intangible assets	4	46,366	61,772
Current Assets		**254,352,678**	**297,287,183**
Trade and other receivables	5	15,837,424	49,807,661
Cash and cash equivalents	6	238,515,254	247,479,523
Total assets		**258,640,437**	**303,647,577**
FUNDS AND LIABILITIES			
Funds		**111,913,693**	**141,315,845**
Accumulated Funds		111,913,693	141,315,845
Non-Current Liabilities		**1,403,462**	**2,565,948**
Lease liability	7	1,403,462	2,565,948
Current Liabilities		**145,323,282**	**159,765,783**
Deferred Income	8	81,841,414	116,815,709
Lease liability	7	1,313,248	1,439,343
Trade payables and accruals	9	51,376,486	38,520,712
Other payables	10	9,583,329	1,854,968
Provisions	11	1,208,805	1,135,051
Total funds and liabilities		**258,640,437**	**303,647,577**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 R	2021 R
INCOME		**466,971,246**	**433,965,214**
Government grants & SETAs	12	408,150,978	351,602,130
Private Sector donations	13	50,783,806	72,447,815
Foundations and Trusts donations		-	395,857
Other income	14	8,036,462	9,519,412
EXPENDITURE		**505,528,260**	**375,624,660**
Programme expenses	15	163,177,155	92,346,537
Special projects	15 &16	324,694,056	265,450,734
Administration expenses	15	17,657,049	17,827,389
OPERATING SURPLUS/(DEFICIT)		**(38,557,014)**	**58,340,554**
NET FINANCE CHARGES		**9,154,863**	**5,468,922**
Finance income	17	9,414,006	5,622,629
Finance charges	18	(259,143)	(153,707)
SURPLUS/(DEFICIT) FOR THE YEAR		**(29,402,152)**	**63,809,476**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT)		**(29,402,152)**	**63,809,476**

STATEMENT OF CHANGES IN FUNDS
for the year ended 31 December 2022

Balance as at 31 December 2020	**77,506,369**
Changes in funds	
Surplus for the year	63,809,476
Total comprehensive surplus for the year	63,809,476
Balance as at 31 December 2021	**141,315,845**
Changes in funds	
Deficit for the year	(29,402,152)
Total comprehensive deficit for the year	(29,402,152)
Balance as at 31 December 2022	**111,913,693**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022	2021
		R	R
Cash flows from operating activities			
Cash receipts from funders	19	465,967,187	353,271,235
Cash paid to suppliers and employees	20	(482,304,041)	(350,391,922)
Cash generated from/(used in) operations	21	**(16,336,854)**	**2,879,313**
Finance income	17	9,414,006	5,622,629
Interest paid on lease liability	18	(259,143)	(153,707)
Net cash flows from/(used in) operating activities		**(7,181,991)**	**8,348,235**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(339,387)	(899,810)
Purchase of intangible assets	4	-	(30,387)
Net cash used in investing activities		**(339,387)**	**(930,197)**
Cash flows from financing activities			
Capital repayment of lease liability	22	(1,442,887)	(1,818,026)
Net cash flows used in financing activities		**(1,442,887)**	**(1,818,026)**
Net increase/(decrease) in cash and cash equivalents		(8,964,265)	5,600,013
Cash and cash equivalents at beginning of period		247,479,523	241,879,506
Cash and cash equivalents at end of period		**238,515,254**	**247,479,523**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Trust's annual financial statements have been prepared under the historical cost basis.

The financial statements are presented in South African Rands, which is the Trust's functional and presentation currency and rounded to the nearest rand.

1.1 Income recognition

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

Income mainly comprises:

1.1.1 Government grants

Government grants comprised of cash received from the Government departments. The Trust has adopted the income approach in recognising the Government grants in compliance with IAS 20.

Government grants are recognised in the statement of financial position initially as deferred income when they are received. They are subsequently recognised in the statement of comprehensive income on a systematic basis over the periods in which the Trust recognises, expenses, the related costs for which the grant is intended to compensate or when the Trust complies with the conditions attached to them.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust with no link to the future related costs or obligations are recognised in statement of comprehensive income on the period in which it becomes receivable.

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

1.1.2 Donations

IFRS 15: Revenue from contracts with customers

According to IFRS 15 par. 6, revenue from transactions or events that does not arise from a contract with a customer does not fall under the scope of IFRS 15 and should be recognized in accordance with other standards. Such transactions or events include but are not limited to dividends and non-exchange transactions, such as donations or contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.1.2 Donations (continued)

The NECT management reviewed the current donation agreements/contracts in line with the said IFRS 15 par. 6 and concluded that the current donation agreements are not an exchange transaction, therefore the donations received are excluded from IFRS 15.

Management further noted that the current NECT donations received do not meet one or more of the following IFRS 15 criteria's:

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

Management considered the applicability of the following revenue standards on the current NECT donations received:

IAS 20: Government grants

IAS 20 shall be applied in the accounting and disclosure of government grants and in the disclosure of other forms of government assistance Government refers to government, government agencies and similar bodies whether local or national. International Business, Foundation and trust donations are not government entities, thus disqualifying the NECT donations received from IAS 20.

IFRS 11: Joint arrangement

A joint arrangement has the following characteristics:

a) The parties are bound by a contractual arrangement (IFRS 11, paragraphs B2–B4).
b) The contractual arrangement gives two or more of those parties joint control of the arrangement (IFRS 11, paragraphs 7–13).

Based on the current contract review, management concluded that the private donors do not have joint control with NECT on the project done. The donor merely receives reports from the NECT on the progress of the project but do not get to make decisions on how the funds are spent in relation to the project. As a result, the NECT donations received does fall under of IFRS 11.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In the absence of an IFRS that specifically applies to a transaction, other event or condition, IAS 8 requires that management use its judgement in developing and applying an accounting policy that will results in information that is:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

a. relevant to the economic decision-making needs of users; and
b. reliable, in that the financial statements:
    I. represents faithfully the financial position, financial performance and cash flows of the entity;
    II. reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
    III. are neutral, i.e., free from bias;
    IV. are prudent; and
    V. are complete in all material respects [IAS 8 para 10].

In developing a standard, management could use a standard within IFRS which would best provide the comfort over the requirements listed under IAS 8 paragraph 12b.

In light of the above, the NECT management decided to apply Government grants policy detailed above to the Donations received. Management is satisfied that the approach adopted is consistent to the principles of the IFRS framework and would provide users of the financial statements with a faithful representation of the financial performance of the Trust.

Donations are recognised in the statement of comprehensive income. Donations-in-kind are recognised where there are contractual arrangements with donors to the extent that the services have been rendered.

1.1.2 Deferred Income

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

1.1.3 Finance income

Finance income comprises interest income on funds invested. Interest is recognised, in the statement of comprehensive income, using the effective interest rate method.

1.1.4 Project management fees/Cost recovery

The Project management fees are levied to the special projects/ring-fenced funding to cover the Trust's overhead costs. The project management are charged based on the agreed fee stipulated in the agreements. The project management fees are measured at fair value and are recognised in the period which they are incurred.

1.2 Project accounting and expense allocation

The project costs are measured at cost and are recognised in the period which they are incurred. Project costs that are clearly identifiable are allocated directly against project funds in terms of the project's contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the Trust; and
- the cost of the item can be measured reliably.

An item property, plant and equipment is initially measured at its cost. The cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Some of the assets are held by the lead agencies for the exclusive use in the delivery of the Trust's education programmes. Depreciation is provided using the straight-line basis less estimated residual value over the useful lives on the property, plant and equipment as follows:

▪ Computer equipment	3 years
▪ Office equipment	3 - 5 years
▪ Furniture and fittings	8 years
▪ Motor vehicles	4 years
▪ Mobile Science lab	2 years

The depreciation charge for each period is recognised in surplus and deficit.

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 the cash generating units that the asset belongs to are written down to their recoverable amount.

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

The carrying amount of an item of property, plant and equipment shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Gains shall not be classified as other income.

1.4 Leased Assets

For any new contracts entered into on or after 1 January 2019, the Trust considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Trust assesses whether the contract meets key evaluations which are whether:

NATIONAL EDUCATION COLLABORATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.4 Leased Assets (Continued)

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Trust;
- the Trust has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Trust has the right to direct the use of the identified asset throughout the period of use; and
- the Trust assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Trust recognises a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Trust, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). After recognition, right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Trust depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Trust also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Trust measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Trust's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced with payments made and increased with interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Trust has elected to account for short-term leases assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately in face of statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.5 Intangible assets

An intangible asset shall be recognised if, and only if:

- it is probable that future economic benefits that are attributable to the asset will flow to the Trust; and
- the cost of the asset can be measured reliably.

Intangible assets comprised of Computer software. The Computer software is initially measure at its cost. After initial recognition, Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

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

- Computer software 3 years

The residual values and useful lives of all intangibles are reviewed and adjusted, if necessary, at each reporting date and, if an impairment in value has occurred, it is written off in the period in which the circumstances have been determined.

An intangible asset shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between net disposal proceeds, if any, and the carrying amount of the asset and be included in surplus or deficit. Gains shall not be classified as other income.

1.6 Impairment of non-financial assets

The Trust assesses, at the end of each reporting period, whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use.

If the recoverable amount of an asset is less than it's 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 to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.7 Trade and other receivables

Trade and other receivables comprise of Accrued income and other receivables.

i) Accrued Income

The Accrued Income comprise of funding receivable as at year end. Accrued Income is recognised when the Trust has complied with the grants and donation conditions, however the funding had not been received by the Trust.

Accrued Income is initially recognised at cost plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised costs using the effective interest rate method, less any provision for impairment losses.

Impairment

The Trust recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Trust's historical experience and informed credit assessment and including forward-looking information.

Write-off of financial assets

Generally, the Trust writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount.

The Trust currently does not have any enforcement rights over these write-offs. The Trust considers a financial asset to be in default when the debtor is unlikely to pay its obligations based on the credit risk assessment or the financial asset is more than a year past due.

i) Other receivables

The Other receivables comprised of VAT receivable and prepayments which does not meet the definition of financial instruments.

The Other receivables are recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the Trust and the transaction amount can be measured reliably.

The Other receivables are initially recognised at their transaction amount. Subsequent to initial recognition, the Trust measures the Other receivables using cost method. Under the cost method, the initial measurement of the Other receivables is changed subsequent to initial recognition to reflect any interest or other charges that may have accrued on the other receivables, impairment losses and amount recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, petty cash and instruments which are readily convertible, within 32 days, to known amounts of cash and are subject to an insignificant risk of changes in value and are measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of credit card liability and they all are available for use by Trust unless otherwise stated. Cash and cash equivalents are initially measured at fair value and as these instruments meet the SPPI and business test, they are measured subsequently at amortised cost.

Impairment

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Trust considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties. No impairment was therefore deemed necessary. There are no significant restrictions on the Trust's ability to access or use the assets and settle the liabilities of the Trust.

1.9 Trade payables and accruals

Trade payables are obligations for goods and services that have been acquired in the ordinary course of business from suppliers.
Trade payables are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

1.10 Other payables

Other payables mainly comprised of statutory liabilities relating to employees. The Other payables are recognised on the amount expected to be paid, if the Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
The Other payables are initially recognised at their transaction amount. Subsequent to initial recognition, the Trust measures the other payables using cost method. Under the cost method, the initial measurement of the Other payables is changed subsequent to initial recognition to reflect any interest or other charges that may have accrued on the other payables.

1.11 Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of events for which it is probable that an outflow of economic benefits will occur, and a reliable estimate of the obligation can be determined. A contingent liability, being a possible obligation, is not recognised but is disclosed unless the possibility of an outflow of economic benefits is remote.

NATIONAL EDUCATION COLLABORATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.11 Provisions and contingencies (continued)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation, the unwinding of the discount shall be recognised as a finance cost in surplus or deficit in the period it arises 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 Trust 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 Trust has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised, however are disclosed in the notes to financial statements.

1.12 Employee benefits

The Employee benefits comprised of Short-term employee benefits and post-employment benefits in form of the provident fund.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

The Post-employment benefit is classified as defined contribution plan. The Trust shall recognise contribution payable to a defined contribution in exchange for that service:

- As liability (Other payables), after deducting any contribution already paid; and
- As Expense (Employee costs).

1.13 Related parties

Parties are considered to be related to the organisation if they have the ability, directly or indirectly, to control, jointly control or exercise significant influence in making financial and operating decisions, or vice versa.

Related parties also include key management personnel which are those persons having authority and responsibility for planning, directing and controlling the activities of the organisation, directly or indirectly.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the organisation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.14 Events after the Reporting Period

Events after the report period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Adjusting events are events occurring after the reporting date that provide evidence of conditions that existed at the end of the reporting period. The Trust adjust the amounts recognised in its financial statements and/or relevant disclosures to reflect such events. The Trust does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT

2022	Motor Vehicle R	Computer Equipment R	Office Equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	551,686	2,368,243	965,237	1,698,930	-	**5,584,095**
Accumulated depreciation	(496,518)	(1,470,896)	(797,110)	(1,106,707)	-	**(3,871,230)**
Carrying amount at 31 December 2022	**55,169**	**897,347**	**168,127**	**592,223**	**-**	**1,712,865**
Reconciliation of assets						
Carrying amount at 1 January 2022	**82,204**	**1,225,262**	**306,301**	**741,579**	**44,597**	**2,399,943**
Additions	-	289,835	14,008	32,536	-	**336,379**
Reclassification	-	3,008	(4,347)	4,347	-	**3,008**
Depreciation	-	(467,249)	(131,134)	(162,376)	-	**(760,759)**
Disposals at cost	(270,353)	(812,959)	(152,824)	(119,809)	(514,592)	**(1,870,537)**
Accumulated depreciation on disposals	243,317	659,450	136,123	95,946	469,995	**1,604,832**
Carrying amount at 31 December 2022	**55,169**	**897,347**	**168,127**	**592,223**	**-**	**1,712,865**

2021	Motor Vehicle R	Computer Equipment R	Office Equipment R	Furniture & Fittings R	Science Lab R	Total R
Cost	822,039	2,891,367	1,108,400	1,781,856	514,592	**7,118,254**
Accumulated depreciation	(739,835)	(1,666,105)	(802,099)	(1,040,277)	(469,995)	**(4,718,310)**
Carrying amount at 31 December 2021	**82,204**	**1,225,262**	**306,301**	**741,579**	**44,597**	**2,399,943**
Reconciliation of assets						
Carrying amount at 1 January 2021	**92,738**	**829,477**	**494,478**	**939,602**	**44,597**	**2,400,891**
Additions	-	896,939	-	2,871	-	**899,810**
Reclassification	-	-	-	-		**-**
Depreciation	(10,534)	(430,087)	(184,715)	(200,894)	-	**(826,230)**
Disposals at cost	-	(439,462)	(35,010)	-	-	**(474,472)**
Accumulated depreciation on disposals	-	368,396	31,548	-	-	**399,944**
Carrying amount at 31 December 2021	**82,204**	**1,225,262**	**306,301**	**741,579**	**44,597**	**2,399,943**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. RIGHT-OF-USE ASSETS

2022	**Office Buildings R**	**Office Equipment R**	**Total R**
Cost	4,525,466	362,325	**4,887,791**
Accumulated amortisation	(2,146,962)	(212,301)	**(2,359,263)**
Carrying amount at 31 December 2022	**2,378,504**	**150,024**	**2,528,528**
Reconciliation of assets			
Carrying amount at 1 January 2022	**3,864,009**	**34,669**	**3,898,678**
Additions	-	154,310	**154,310**
Depreciation	(1,485,505)	(38,956)	**(1,524,460)**
Disposals at cost	(208,015)	-	**(208,015)**
Accumulated amortisation on disposals	208,015	-	**208,015**
Carrying amount as at 31 December 2022	**2,378,504**	**150,024**	**2,528,528**

2021	**Office Buildings R**	**Office Equipment R**	**Total R**
Cost	4,733,481	208,015	**4,941,496**
Accumulated amortisation	(869,472)	(173,346)	**(1,042,818)**
Carrying amount at 31 December 2021	**3,864,009**	**34,669**	**3,898,678**
Reconciliation of assets			
Carrying amount at 1 January 2021	**1,686,346**	**104,008**	**1,790,353**
Additions	3,689,529	-	**3,689,529**
Depreciation	(1,511,866)	(69,338)	**(1,581,204)**
Disposals at cost	(3,930,375)	-	**(3,930,375)**
Accumulated amortisation on disposals	3,930,375	-	**3,930,375**
Carrying amount as at 31 December 2021	**3,864,009**	**34,669**	**3,898,678**

The Trust leases two (2) office buildings and a Printer (Office Equipment). With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset.

The current Leased assets useful lives are as follows:

- Office building (Head Office) 3 years
- Office building (SA-SAMS) 2 years
- Printer (Office Equipment) 3 years

Lease payments are generally fixed. Each lease generally imposes a restriction that, unless there is a contractual right for the Trust to sublet the asset to another party, the right-of-use asset can only be used by the Trust. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.RIGHT-OF-USE ASSETS (CONTINUED)

The Trust is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings, the Trust must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

There were no rent concessions arising from the COVID-19 pandemic.

The table below describes the nature of the Trust's leasing activities by type of right-of-use asset recognised on balance sheet:

Right – of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with options to purchase	No. of leases with extension options
Office Buildings	2	1 - 3 years	2 years	-	-
Office Equipment (Printers)	2	35 months	35 months	-	-

4. INTANGIBLE ASSETS

Computer Software	2022 R	2021 R
Cost	349,714	379,622
Accumulated amortisation	(303,347)	(317,850)
Carrying amount at 31 December	**46,366**	**61,772**

Reconciliation of assets		
Carrying amount at 1 January	**61,772**	**44,904**
Additions	-	30,387
Amortisation	(12,493)	(13,519)
Disposals at cost	(29,908)	-
Accumulated amortisation on disposals	26,996	-
Carrying amount as at 31 December	**46,366**	**61,771**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TRADE AND OTHER RECEIVABLES

As at 31 December 2022, the following amounts were receivable and/or accrued to the Trust as expenditure had been incurred on the specific education programmes and the respective committed funding had not been received by the Trust:

Accrued income	**2022**	**2021**
	R	**R**
First Rand Empowerment Foundation (FREF)	7 900 000	29 469 129
National Department of Basic Education	-	1 346 690
South Korea Embassy (SKE)	2 826 678	2 387 524
Assupol Life Limited	693 818	553 665
EDTP SETA	3 584 191	2 431 518
United Nations International Children's Emergency Fund (UNICEF)	105 250	-
	15 109 937	**36 188 525**

Other receivables		
Prepayments and deposits	668 592	690 145
VAT	-	12 912 283
Other debtors	58 895	16 708
	727 487	**13 619 136**
Total	**15 837 424**	**49 807 661**

6. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits for varying periods of between one day and 32 days, depending on the immediate cash requirements of the Trust, and earn interest at the respective short-term deposit rates.

At 31 December 2022, the Trust's Cash and cash equivalents comprised of the following:

	2022	**2021**
	R	**R**
Short-term deposits	238,507,326	247,487,730
Cash on hand	9,854	9,645
Credit Card	(1,926)	(17,853)
	238 515 254	**247 479 523**

7. LEASE LIABILITY

	2022	**2021**
Non-Current liabilities	**R**	**R**
Lease liability	1,403,462	2,565,948
Current liabilities		
Lease liability	1 313 248	1 439 343
	2 716 710	**4 005 291**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. LEASE LIABILITY (CONTINUED)

The undiscounted maturity analysis of lease liabilities at 31 December is as follows:

2022:

Minimum lease payments	Office Equipment R	Office Building R	Total R
1 year	63,000	1,416,854	1,479,854
2-3 years	120,750	1,346,943	1,467,693
Total undiscounted payments	**183,750**	**2,763,797**	**2,947,547**
Finance charges	(32,931)	(197,906)	(230,837)
Net Present values	**150,819**	**2,565,891**	**2,716,710**

2021:

Minimum lease payments	Office Equipment R	Office Building R	Total R
1 yea	40,419	1,656,361	1,696,780
2-3 years	-	2,763,797	2,763,797
Total undiscounted payments	**40,419**	**4,420,158**	**4,460,577**
Finance charges	(1,177)	(454,109)	(455,286)
Net Present values	**39,242**	**3,966,049**	**4,005,291**

Lease liabilities as at 31 December are presented in the Statement of financial position as follows:

2022:

	Office Equipment R	Office building R	Total R
Current	45,127	1,268,120	1,313,248
Non-current	105,691	1,297,771	1,403,462
Total	**150,819**	**2,565,891**	**2,716,710**

2021:

	Office Equipment R	Office building R	Total R
Current	39,242	1,400,158	1,439,400
Non-current		2,565,890	2,565,891
Total	**39,242**	**3,966,049**	**4,005,291**

Lease payments not recognised as a liability.

The Trust has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis in Statement of comprehensive income as part of the administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. LEASE LIABILITY (CONTINUED)

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 December 2022 R	31 December 2021 R
Short-term leases	341,355	334,999

On 31 December 2022, the Trust was committed to short term leases and the total commitment at that date was R226,674.08 (2021: R322,228).
The Trust rents offices under a non-cancellable 3-year operating lease at the head office which commenced on 1 December 2021 and expires on 30 November 2024 and a 3-year leases for project office in Centurion which expires on 31 January 2023 respectively.

The following amounts are recognised in the statement of cash flows:

Cash outflow for leases (IFRS16) – financing activity	**2022** **R**	**2021** **R**
Principal	1,442,887	1,818,026
Interest	259,143	153,707
Total cash outflow from financing activity	**1,702,030**	**1,971,733**
Short-term leases payments*	341,355	334,999
Total cash outflows from financing and Operating activity	**2,043,385**	**2,306,732**

*Short term lease payments are included in the 'cash paid to suppliers and employees' within Cash generated from operating activities in the statement of cash flows

8. DEFERRED INCOME

Deferred income relates to funds received from funders, but the Trust has not rendered the services at year end to recognise the income.

Deferred Income comprise:	**2022** **R**	**2021** **R**
Core programmes*	2,000,000	2,000,000
Special project: SA-SAMS	6,322,529	20,871,628
Special project: SAFE	41,212,841	48,478,892
Special project: Remote learning	10,193,900	17,883,726
Special project: Learner Teacher Support Materials	8,314,393	12,389,886
Special project: Early Childhood Development (ECD)	1,910,153	3,165,640
Special project: Life Orientation	3,296,806	2,181,134
Special project: PSRIP	2,390,191	6,890,799
Special project: EU/UNICEF- REALS	796,520	2,857,364
Special project: KZN Floods demage	5,237,419	-
Special project: CSTL (Telehealth)	166,663	-
Special project: PSRIP - CATC	-	96,641
	81 841 414	**116 815 709**

* Core programmes deferred income includes income received in advance from Woolworths.
**Deferred income is classified as Current liability as it is expected to be utilised within the next 12 months from Reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED INCOME (CONTINUED)

The deferred income balances above mainly relate to the funds received for the DBE-SAFE, Remote and Digital learning (RDL), ETDP SETA – PSRIP, SA-SAMS, UNICEF KZN Floods damage, Life Orientation projects and ring-fenced DBE funding (LTSM and ECD) projects. The DBE-SAFE deferred income relates to the remaining funds from R129.6 million tranche received in December 2022 and these funds are expected to be utilised on the 1st quarter of 2023. Most of the aforementioned Special Projects are expected to be completed in 2023.

9.TRADE PAYABLES AND ACCRUALS

Trade payables and accruals are non-interest bearing and normally settled on 30-day terms.

	2022	2021
	R	R
Trade payables	31,783,423	31,750,006
Accruals	19,593,062	6,770,705
	51 376 486	**38 520 712**

10. OTHER PAYABLES

Other payables are non-interest bearing and have an average term of less than 30 days.

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

	2022	2021
	R	R
PAYE,SDL & UIF	2,083,043	1,646,080
VAT	7,312,708	-
Employee related deductions	187,578	208,888
	9 583 329	**1 854 968**

11. PROVISIONS

	2022	2021
	R	R
Leave pay provision		
Opening balance	1 135 051	1 011 794
Movement for the year (Increase in the leave provision)	(173 221)	123 258
Closing balance	**961 830**	**1 135 051**
Other provision	**246 976**	**-**
	1 208 805	**1 135 051**

Provision comprises of leave accrual and provision for Imbono settlement payment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. LEAVE PROVISIONS (CONTINUED)

Leave pay provision relates to the annual leave earned by the employee but not yet taken at the balance sheet date which is expected to be settled within 12 months. The leave provision is measured based on amount that the Trust expects to pay as a result of the unused entitlement that has accumulated at end of the financial year. The movement in the leave provision is recognised as employee costs expense in surplus and deficit.

Other provision relates settlement payment for the litigation brought by Imbono Architects. On 06 February 2023, the NECT received the summons from Imbono Architects for the breach of contract in failing to pay R609,925 invoice within 21 days. The NECT Quantity Surveyor estimated that work done by Imbono Architects is estimated at R246,976 not R609,925.

12. GOVERNMENTS GRANTS & SETAs

	2022	2021
	R	R
Department of Basic Education	365,064,737	310,828,076
Western Cape Department of Education	2,502,497	-
Gauteng Department of Education	391,688	-
Free State Department of Education	420,000	-
Mpumalanga Department of Education	2,328,000	-
North-West Department of Education	819,000	-
KwaZulu-Natal Department of Education	6,269,615	-
Chinese Embassy	200,000	-
South Korean Embassy	423,604	-
ETDP SETA	29,731,838	40,774,054
	408 150 978	**351 602 130**

13. PRIVATE SECTOR DONATIONS

	2022	2021
	R	R
Donations-Unicef	24,651,946	9,792,209
Donations-Assupol Life Limited	9,880,996	6,131,385
Donations-Standard Bank	5,400,000	5,400,000
Donations-Old Mutual	4,573,181	3,698,928
Donations-Woolworths	2,000,000	2,000,000
Donations-Momentum	2,145,782	2,113,444
Donations-JSE Limited	350,000	350,000
Donations-Industrial Development Corporation(IDC)	1,214,113	-
Donations-Mbekani Group (Donation-In-kind)	218,400	-
Donations-Eskom Development Corporation	349,389	-
Donations-Nedbank Private Wealth	-	552,566
Donations-Firstrand Empowerment Foundation	-	39,139,362
Donations-South Korea	-	2,170,476
Donations-Road Traffic Management Corporation (RTMC)	-	149,445
Donations-African Leadership academy	-	950,000
	50 783 806	**72 447 815**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. OTHER INCOME

	2022	2021
	R	R
Project Management fee	7,413,506	9,069,702
Board members donations (in lieu of pay)	263,061	279,431
Old Mutual Reimbursement	304,165	30,972
ETDP SETA Training reimbursement	55,729	128,821
Refund Deposit- Tanenzo Trading and Projects	-	1,536
Interest received from SARS	-	8,950
	8,036,462	**9,519,412**

15. EXPENDITURE

The Programme expenses, Special projects and Administration expenses include the following:

	2022	2021
	R	R
Construction costs	178,084,147	156,645,120
Personnel-Consultants*	83,624,704	59,419,977
Employee costs**	58,471,943	56,534,832
Materials-Production	32,746,355	13,741,054
Travel expenses	29,446,695	13,644,112
Picking, Packing & Distribution	23,516,496	9,678,013
Broadcasting costs	16,997,546	12,446,310
Materials-Development	15,355,871	8,000,456
Personnel- Full and Part Time	14,947,985	14,785,072
Accommodation	10,665,660	2,622,110
Other Expenses	10,081,063	14,318,088
Computer & IT Expenses***	9,997,629	1,492,837
Venue and catering	9,710,939	2,905,647
Training	4,744,837	6,232,465
Advertising, PR & Media	4,573,067	663,086
Depreciation & Amortisation****	2,294,705	2,420,953
Loss of disposal of assets	268,617	74,528
	505,528,260	**375,624,660**

***** The personnel consultants include the professional service providers for the SAFE project.
****** The Employee costs include the Provident fund expense of R822,094 (2021: R786 137).
***The Computer IT expenses include the purchase order computer equipment for the GRP4ECE project.
****The depreciation and Amortisation costs are included as part of the administration's costs in the statement of comprehensive income.
Note: This note disclosure has been included to provide additional information about the nature of expenditure incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. SPECIAL PROJECTS (EXPENSES)

	2022 R	2021
Government Grant-Department of Basic Education (SAFE-Phase 1)	27,626,303	51,642,825
Government Grant-Department of Basic Education (SAFE Phase 2)	32,916,834	56,313,557
Government Grant-Department of Basic Education (SAFE Phase 3)	76,057,274	75,185,118
Government Grant-Department of Basic Education (SAFE Phase 4)	33,066,454	623,467
Government Grant-Department of Basic Education (SAFE Phase 4a)	42,607,529	623,467
Government Grant-South Korea Embassy (SAFE)	1,031,423	2,170,476
Donations- Assupol Life Limited (SAFE Phase 1)	158,220	317,223
Donations - Assupol Life Limited (SAFE Phase 3)	162,535	971,332
Donations - Assupol Life Limited (SAFE Phase 4)	8,936,657	4,344,531
Donations - Assupol Life Limited (SAFE Phase V)	624,436	498,298
Donations - ETDPSETA (PSRIP Phase 3)	4,091,461	2,088,900
Donations - ETDPSETA (PSRIP Phase 4)	150,719	23,519,476
Donations - ETDPSETA (PSRIP Phase 5)	1,306,575	-
Government Grant - Department of Basic Education (LTSM)	4,075,493	3,349,990
Government Grant - Department of Basic Education (ECD)	1,340,199	1,053,390
Government Grant - Department of Basic Education (RDL)	5,618,830	71,111
Donations - ETDPSETA (RDL)	12,791,815	14,379,028
Donations- UNICEF (EU REALS)	13,920,680	773,805
Donations - ETDPSETA (CATC)	464,983	410,750
Donations - UNICEF (ECD & Infrastructure Support)	10,626,016	-
Donations - Industrial Development Corporation (KZN RIOTS)	1,212,369	-
Government Grant -Department of Basic Education (Flood Disaster)	19,354,735	2,866,645
Government Grant - Chinese Embassy (Flood Disaster)	150,429	-
Donation - Momentum (Flood Disaster)	500,009	-
Donation - ETDPSETA (Skills Dvelopment Project)	248,366	-
Donations - ETDPSETA (Gender Responsiveness Pedagogy for Early Childhood)	10,438,589	-
Donations-UNICEF-CSTL IP	226,637	-
Donations-UNICEF (COVID-19 response)	105,250	8,985,491
Donations- Eskom Development Corporation (LO)	349,389	-
Government Grants-Department of Basic Education (SA SAMS)	1,818,193	1,525,025
Government Grants- KwaZulu-Natal Department of Education (SA SAMS)	6,256,085	-
Government Grants-Western Cape Department of Education (SA SAMS)	2,502,497	-
Government Grants-Gauteng Department of Education (SA SAMS)	384,284	-
Government Grants-Free State Department of Educationt (SA SAMS)	420,640	-
Government Grants-Mpumalanga Department of Education (SA SAMS)	2,328,742	-
Government Grants-North West Department of Educationt (SA SAMS)	823,403	-
Donations-Old Mutual-Covid 19 Response	-	608,899
Donations-African Leadership academy	-	950,000
Donations-ETDPSETA-NGO Training	-	84,148
Donations-Road Traffic Management Corporation (LO)	-	149,445
Donations-FirstRand Empowerment Foundation (SA SAMS)	-	11,944,335
	324 694 056	**265 450 734**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCE INCOME

	2022	2021
	R	R
Current and call accounts	9,414,006	5,622,629
	9 414 006	**5 622 629**

18. FINANCE CHARGES

	2022	2021
	R	R
Finance charges on lease liability	259,143	153,707
	259 143	**153 707**

19. CASH RECIEPTS FROM FUNDERS

	2022	2021
	R	R
Trade and other receivables as at 1 January	49,807,661	24,259,679
Donations received	466,971,246	433,965,214
Trade and other receivables as at 31 December	(15,837,424)	(49,807,661)
	500,941,482	**408,417,232**
Deferred Income movement	(34,974,295)	(55,145,998)
	465,967,187	**353,271,235**

20. CASH PAID TO SUPPLIERS AND EMPLOYEES

	2022	2021
	R	R
Payables as at 1 January*	(40,375,680)	(17,761,680)
Expenditure for the year	(502,888,177)	(373,005,921)
Payables as at 31 December*	60,959,815	40,375,680
	(482,304,041)	**(350,391,922)**

* Payables include Trade payables and accruals and other payables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CASH GENERATED FROM/ (USED IN) OPERATIONS

	2022	2021
	R	R
Surplus/(deficit) for year	(29,402,152)	63,809,476
Adjustment for non cash items		
Depreciation and amortisation	2,297,713	2,420,953
Leave movement	73,754	123,258
Loss on scrapping of non financial asset	268,617	74,528
Finance income	(9,414,006)	(5,622,629)
Finance charges	259,143	153,707
Operating cash inflow before working capital changes	**(35,916,931)**	**60,959,293**
Cash generated on working capital	**19,580,077**	**(58,079,980)**
Decrease/(Increase) in trade and other receivables	33,970,237	(25,547,982)
Increase/(decrease) in payables*	(14,390,160)	(32,531,998)
Net cash from operating activities	**(16,336,854)**	**2,879,313**

* Payables include Trade payables and accruals, Deferred income and other payables.

22. CASH FLOWS FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities:	2022 R	2021 R
Opening balance	**4,005,287**	**2,133,784**
Additions	**154,310**	**3,689,529**
Net cash flows from/used in financing activities	**(1,442,887)**	**(1,818,026)**
Interest paid	259,143	153,707
Rental payments	(1,702,030)	(1,971,733)
Closing balance	**2,716,710**	**4,005,287**

23. TAXATION

The Trust has been approved as a public benefit organisation and the South African Revenue Services has granted the Trust exemption from Income Tax and duties in terms of Section 18A, Section 10(1)(cN) and Section 30 of the Income Tax Act and in respect of activities in the Ninth Schedule Part 1 and Part 2.

24. RELATED PARTY TRANSACTIONS

24.1 Executive remuneration

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2022	Designation	Remuneration	Allowances	Pension	Short-term incentive	Other payments (claims)	Total
Godwin Khosa	Chief Executive Officer	3,142,398	144,000	352,117	392,819	140,701	**4,172,036**
Sandile Mkhonto	Chief Financial Officer	1,109,101	-	157,367	141,902	39,235	**1,447,605**
Selaelo Lekoloane	Programme Director	1,452,497	-	193,665	-	64,865	**1,711,027**
Kanyisa Diamond	Senior Manager	106,061		15,177		2,348	**123,586**
TOTAL		**5,810,057**	**144,000**	**718,327**	**534,721**	**247,149**	**7,454,254**

*__Note__: Ms Kanyisa Diamond joined the NECT on 1 December 2022 as Senior Manager

The merit and other payments include payments made during the year for performance bonuses as well as expense reimbursement.

2021

2021	Designation	Remuneration	Allowances	Pension	Short-term incentive	Other payments (claims)	Total
Godwin Khosa	Chief Executive Officer	3,195,399	144,000	455,245	245,420	83,499	**4,123,563**
Sandile Mkhonto	Chief Financial Officer	931,452	-	161,585	78,713	17,775	**1,189,524**
Selaelo Lekoloane	Programme Director	1,342,181	12,729	234,928	103,349	14,582	**1,707,768**
TOTAL		**5,469,031**	**156,729**	**851,758**	**427,482**	**115,856**	**7,020,856**

The merit and other payments include payments made during the year for performance bonuses as well as expense reimbursement.

24.2 Board remuneration

Non-executive board members of the Trust do not earn directors' fees. The amount of time that they spent in 2022 attending to the Trust's matters has been quantified into monetary value and recognised as a donation-in-kind.

Remuneration to Non-executive board members recognised in the current year is R263,061 (2021: R279 431).

The following are the Non-Executive Board members:

- Sizwe Nxasana
- Minister Angie Motshekga
- Futhi Mtoba
- Nkosana Dolopi
- Brian Figaji
- Basil Manuel
- Tebele Makhetha
- DG Mathanzima Mweli

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Property, plant and equipment and Intangible Assets

Property, plant and equipment and intangible assets are depreciated or amortised over their useful life taking into account, where appropriate, residual values. The useful life of assets has been determined based on Market information, industry norms and management considerations. Assessment of useful lives and residual values are reviewed annually, and any changes could affect prospective depreciation rates and asset carrying values. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account.

(b) Leases

IFRS 16 requires entities to make certain judgements and estimations, and those that are significant have be disclosed here or within the asset and liability notes within the financial statements.

Key sources of estimation and uncertainty include:

- Discount rate: The lease agreement does not have the implicit interest rate that can be readily determined and as a result, the Trust estimated the incremental borrowing rate. The Trust has considered all relevant inputs to the determination of the incremental borrowing rate that are relevant to the underlying assets or similar group of underlying assets being leased.

26. FINANCIAL RISK MANAGEMENT

The Trust’s activities expose it to a variety of financial risks. These risks include credit risk, market risk and liquidity risk. The Trust’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust’s financial performance. Risk management is carried out by the Risk and Audit Committee as well as by the Management. The Board identifies, evaluates and hedges financial risks in close co-operation with the Trust’s operating units.

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

i) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Trust's exposure to interest rate risk is managed closely by the Risk and Audit Committee and Management. All investments are approved by this committee to minimise such risk. The Trust analyses its interest rate exposure on a dynamic basis.

Sensitivity analysis

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Trust's surplus and deficit. The sensitivity analysis of a 1% (100 basis points) increase or decrease in market interest rates has been prepared to illustrate the effect of the hypothetical variations in market rates on the fair value of the Trust's financial assets and liabilities:

	2022			2021		
	Balance R	Interest income R		Balance R	Interest income R	
Surplus /(deficit)	R238,515,254	2,385,153	(2,385,153)	247 479 523	2,474,877	(2,474,877)

The movements noted above are mainly attributable to the SA prime lending rate.

ii) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the Trust's liquidity reserve comprised of cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the Trust in accordance with practice set by the Board.

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

2022	Carrying Amount R	Contractual cash flows R	Less than 1 year R
Trade payables and accruals	51,376,486	51,376,486	51,376,486

2021	Carrying Amount R	Contractual cash flows R	Less than 1 year R
Trade payables and accruals	38,520,712	38,520,712	38,520,712

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risk from its operating activities (primarily funding receivable from donors) and its financing activities, including deposits with banks.

Other receivables

For receivables, management assesses the quality of the donors, taking into account their financial position, past experience and other factors beforehand. Outstanding Donor receivables are regularly monitored. The Trust does not hold collateral in respect of other receivables. Generally, these receivables are written-off if past due for more than one year and are not subject to enforcement activity. Accrued income relates to the current financial year grant/donation income receivable as at 31 December 2022. The Trust evaluates the credit risk with respect to Accrued Income as low, as it was received subsequently to year end. The ECLs relating to Accrued income of the Trust rounds to zero.

The carrying amount of trade and other receivables recognised in the financial statements, which is net of impairment losses, represents the Trust's maximum exposure to credit risk.

Set out below is information about the Trust's maximum exposure to credit risk:

Other receivables	2022 R	2021 R
Accrued Income (Note 5)	15,109,937	36,188,525

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Management in accordance with the Trust's policy.

The cash and cash equivalents are held with reputable banks within South Africa with high credit ratings of Ba1 (2021: AAA+) assigned by international credit-rating agencies.

The investment of surplus funds is monitored closely by the Risk and Audit Committee and the Board. The Trust invests only with reputable financial institution with very low credit risk. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Expected Credit Losses relating to cash and short-term deposits of the Trust rounds to zero.

The Trust's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2022 and 2021 is the carrying amounts as illustrated in Note 6.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled.

The maturity profile of the NECT assets and liabilities as at 31 December is as follows:

2022	Less than one year	More than one year	Total
	R	R	R
Liabilities			
Lease liability	1,313,248	1,403,462	2,716,710
Trade payables and accruals	51,376,486	-	51,376,486
Total liabilities	**52,689,734**	**1,403,462**	**54,093,196**

2021	Less than one year	More than one year	Total
	R	R	R
Lease liability	1,439,345	2,565,948	4,005,293
Trade payables and accruals	38,520,712	-	38,520,712
Total financial liabilities	**39,960,057**	**2,565,948**	**42,526,005**

26. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

26.1 Adoption of new and revised pronouncements

In the current year the Trust has considered all new and revised pronouncements effective for annual reporting periods beginning on or after 1 January 2022. The Trust has identified that the following standards and amendments may be applicable:

- **IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-Current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.
- **IAS 16 Property, Plant and Equipment:** Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **IAS 37 *Provisions, Contingent Liabilities and Contingent Assets:*** *Onerous Contracts—Cost of Fulfilling a Contract:* The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

No material impact on the annual financial statements was identified resulting from the adoption of these amendments made to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26.2 New accounting standards and interpretations issued not yet effective.

The Trust has chosen not to early adopt the following relevant standard and interpretation, which have been published and are mandatory for accounting periods beginning on or after 01 January 2022 or later periods:

Standard/Interpretation	Effective date on or after	Expected impact
IAS 1: PRESENTATION OF FINANCIAL STATEMENTS		
Classification of Liabilities as Current or Non-Current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	1 January 2024	The Trust will consider this amendment from the financial year ending 31 December 2024. No material impact expected to the Trust.
Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2023	The Trust will consider this amendment from the financial year ending 31 December 2023. No material impact expected to the Trust.
Non-current liabilities with Covenants: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	1 January 2024	The Trust will consider this amendment from the financial year ending 31 December 2023. No material impact expected to the Trust.
IAS 1: Disclosure of Accounting Policies The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an	1 January 2024	The Trust will consider this amendment from the financial year ending 31 December 2023. No material impact expected to the Trust.

Standard/Interpretation	Effective date on or after	Expected impact
accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.		
IAS 8: Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 January 2023	The Trust will consider this amendment from the financial year ending 31 December 2023. No material impact expected to the Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. GOING CONCERN

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

The NECT's income grew by 8% in 2022 from R433,9 million in 2021 to R466,9 million, which can largely be attributed to the increase in revenue for the SAFE project. The NECT expenditure increased by 35% compared to the expenditure in 2021 and, similarly, this increase can be attributed to a 13% increase in SAFE expenditure and 63% increase in Core expenditure. Core programme expenditure 63% increase in 2022 was due to Covid-19 Response related activities like the provision of curriculum recovery support resources, reading materials and school functionality surveys undertaken across the country. This expenditure increase has resulted in a deficit of R29,4 million, compared to the surplus of R63,8 million recorded in 2021. The current year deficit is within the 2022 budgeted deficit of R38 million which is funded from the accumulated surplus of R141.3 million brought forward from previous years.

The NECT management is working on the new funding strategy in order to improve the private sector funding. The new proposed divisional funding aim to decentralised fundraising to the divisions to allow for targeted, and localised/provincial fundraising and partnerships. Management plan to increase self-generated revenue and reduce reliance on donor funding (into Core funding) over time by inter alia:

- Maximising surpluses on special projects by ensuring the that the contractual deliverables are met at less cost.
- Increasing internally earned income through maximisation of the investment income and retained margin project management fees.
- Using the NECT's strategic position as a preferred partner for projects that require rapid implementation from both the Private sector and Government (using the NECT as platform for the education development initiatives – NECT proposed re-organisation strategy).
- Using current NECT accumulated surplus to leverage additional funding through partnerships (leverage model).
- Funder mapping and targeting linked to the divisions, accompanied by the increase in accountability and more effective communication between programmes and funders.

The Trust accumulated reserves of R111,9 million and confirmed Core funding of R129,9 million to date will be adequate to cover the current year approved Core expenditure budget of R170,7 million. The Trust also have sufficient cash reserves amounting to R238,6 million to meet the short-term commitment and day to day activities in 2023.

In light of the above, Management has monitored and reviewed the funding confirmations, cash flow forecasts, available cash balance, reserves and is satisfied that going concern is appropriate at this stage.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. EVENTS SUBSEQUENT TO THE PERIOD END

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