NWU®

NORTH-WEST UNIVERSITY
NOORDWES-UNIVERSITEIT
YUNIBESITI YA BOKONE-BOPHIRIMA

VALUE CREATION WITH AN ETHIC OF CARE

CONSOLIDATED FINANCIAL STATEMENTS | 2019

NWU®

INSTITUTIONAL OFFICE

Postal address

Private Bag X1290

Potchefstroom

2520

South Africa

Street address

53 Borcherd Street

Potchefstroom

2531

South Africa

Web address:	http://www.nwu.ac.za
Telephone:	+27 (0) 18 299-4942
Fax:	+27 (0) 18 299-4910

CAMPUSES

Mafikeng

Potchefstroom

Vaal Triangle

Auditors

PricewaterhouseCoopers Inc.

Mafikeng

South Africa

NORTH-WEST UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

NORTH-WEST UNIVERSITY

COUNCIL'S STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is ultimately responsible for the preparation, integrity and objectivity of the consolidated financial statements and related financial information included in this report, which is a fair presentation of the activities of the University at the end of the financial year. In order to meet this responsibility, they are assisted by management, the Audit, Risk and Compliance Committee of the Council, the Finance Committee of the Council, and the internal auditors of the University. Both the internal and external auditors have unrestricted access to all documents, minutes, records and information and no limitations have been placed on the audits. The external auditors are responsible for reporting on the consolidated financial statements. Internal controls and administrative systems, which have been designed to provide reasonable assurance regarding the integrity of the financial statements and that assets have been protected and transactions carried out in terms of the University's policies and procedures, are in place and are properly maintained on a cost-effective basis.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS), including full and responsible disclosure in accordance with the University's accounting policies and in the manner required by the Minister of Higher Education and Training in terms of Section 41 of the Higher Education Act, 1997 (Act No. 101 of 1997 (as amended)). The consolidated financial statements are prepared on the going concern basis and all indications are that the University will continue in existence for the foreseeable future. The accounting policies have been applied consistently and are supported by reasonable and prudent judgements and estimates.

The consolidated financial statements for the year ended 31 December 2019 as set out on pages 11 to 72 have been approved by the Council on 28 July 2020 and are signed on behalf of the Council by:

____

CHAIRPERSON OF COUNCIL

____

VICE-CHANCELLOR

____

EXECUTIVE DIRECTOR: FINANCE AND FACILITIES

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING AND THE COUNCIL OF THE NORTH-WEST UNIVERSITY

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the North-West University set out on pages 11 to 72, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of comprehensive income (as required by Section 41 of the Higher Education Act (Act no. 101 of 1997, as amended)), the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the North-West University as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, 1997 (Act no. 101 of 1997) (HEA).

Basis for opinion

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

We are independent of the University in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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

PricewaterhouseCoopers Inc., 32 Jones Close, Leopard Park, Mahikeng, 2735, P O Box 4618, Mmabatho, 2735
T: +27 (0) 18 386 4700, F: +27 (0) 18 386 4800, www.pwc.co.za

Responsibilities of Council for the consolidated financial statements
The Council is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, and for such internal control as the Council determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Council is responsible for assessing the North-West University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope
In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected goals presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the University. We have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. Our procedures did not examine whether the actions taken by the University enabled and contributed to the achievement of service delivery outcomes as planned. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected goals presented in the annual performance report of the University for the year ended 31 December 2019:

Goals	Pages in the annual performance report
Goal 1: Promote excellent learning and teaching and reposition the NWU to attain the size and shape required by the market direction decisions	108-109
Goal 2: Intensify research and innovation	109

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings on the usefulness and reliability of the reported performance information for Goal 1 and Goal 2.

Achievement of planned targets

Refer to the annual performance report on pages 108 to 110 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the University with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

The Council is responsible for the other information. The other information comprises the information included in the document titled “NWU Integrated Report 2019”. The other information does not include the consolidated financial statements, the auditor’s report and those selected goals presented in the annual performance report that have been specifically reported in this auditor’s report.

Our opinion on the consolidated financial statements and findings on the reported performance information and compliance with legislation do 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected goals presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

Other reports

We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the University's consolidated financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the consolidated financial statements or our findings on the reported performance information or compliance with legislation.

Audit-related services and special audits (Agreed-upon procedures)

Agreed-upon procedures on certificates were performed for grants, other funding and similar items.

Agreed-upon procedures engagements that were performed or are in the process of being performed in relation to 2019 is listed below:

Engagement	Period end	Party performing the engagement	Report date
Student and staff statistics (HEMIS) – Procedures performed over HEMIS data submission	31/12/2019	PwC	In progress
NRF and THRIP projects – Procedures performed on various funding awards	31/12/2019	PwC	06/03/2020 – RTF 31/03/2020 - NRF

Engagement	Period end	Party performing the engagement	Report date
Clinical Training Grant – Procedures performed on grant income and expenditure	31/03/2020	PwC	25/05/2020
Clinical Health Enrolments – Procedures performed on the clinical enrolment submission	31/03/2020	PwC	11/06/2020
Water Research Hydrogen Project Grant (per project) – Procedures performed on expenditure for approved DST projects	31/03/2020	PwC	01/06/2020
NWU Publications and Submission of Articles – Performed procedures on journal research outputs claimed	31/12/2019	PwC	29/06/2020
Foundation Provision Grant – Procedures performed on grant income and expenditure	31/03/2020	PwC	27/05/2020
Veterinary Science project – Procedures performed on grant income and expenditure	31/03/2020	PwC	25/05/2020
DHET Excel – Procedures performed on the financial data submission	31/12/2019	PwC	30/07/2020
nGAP Grant – Procedures performed on grant income and expenditure	31/03/2020	PwC	27/05/2020
DAC Language Grant – Procedures performed on grant income and expenditure	29/02/2020	PwC	11/03/2020
UCDP Grant – Procedures performed on grant income and expenditure	31/12/2019	PwC	25/02/2020
BRICS Grant – Procedures performed on grant income and expenditure	31/12/2019	PwC	20/03/2020
Infrastructure Grant – Procedures performed on grant income and expenditure	31/03/2020	PwC	11/05/2020
SRC Election – Procedures performed on the SRC Election	N/A	PwC	23/08/2019

Engagement	Period end	Party performing the engagement	Report date
NSFAS – Procedures performed on grant income and expenditure	31/12/2019	PwC	In progress
Veterinary Enrolments – Procedures performed on the veterinary enrolment submission	31/03/2020	PwC	11/06/2020
Eskom Power Plant Engineering Institute Funding (EPPEI) - Procedures performed on the EPPEI Specialisation Centre	31/12/2019	PwC	14/04/2020
Early Childhood Care and Education Project - Procedures performed on expenditure for the 4 years ending March 2020	31/03/2020	PwC	Not started
Primary Teacher Education Project – Procedures performed on expenditure for the 4 years ending March 2020	31/03/2020	PwC	In progress

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the external auditor of the North-West University for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A.J.C. Dale
Registered Auditor
30 July 2020
Mafikeng

Annexure – Auditor's responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated financial statements, and the procedures performed on reported performance information for selected goals and on the University's compliance with respect to the selected subject matters.

Consolidated financial statements

2. In addition to our responsibility for the audit of the consolidated financial statements as described in this auditor's report, we also:

    - identify and assess the risks of material misstatement of the consolidated 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 University's internal control
    - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council
    - conclude on the appropriateness of the Council's use of the going concern basis of accounting in the preparation of the consolidated financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University'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 consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a University to cease continuing as a going concern
    - evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
    - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

Communication with those charged with governance

3. We communicate with Council 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.

4. We also confirm to Council that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	NOTE	2019 R'000	2018 R'000
ASSETS		6 370 547	5 225 443
NON-CURRENT ASSETS		4 974 958	2 694 231
PROPERTY, PLANT AND EQUIPMENT (PPE)	6a, 6b	1 628 491	1 409 422
INVESTMENT PROPERTIES	7	18 002	18 831
INTANGIBLE ASSETS	8	950	950
INVESTMENTS	9	2 974 008	858 580
EQUITY-ACCOUNTED INVESTEES	10	1 367	1 098
DEFERRED TAX ASSET	33	149	130
EMPLOYEE BENEFITS	18	351 991	405 220
CURRENT ASSETS		1 395 589	2 531 212
INVENTORIES	13	30 238	52 084
TRADE AND OTHER RECEIVABLES	14	227 631	299 514
INCOME TAX RECEIVABLE	33	26	37
STRAIGHT LINE LEASE ACCRUAL		3 049	0
CURRENT PORTION OF INVESTMENTS	9	710 119	1 954 079
CASH AND CASH EQUIVALENTS	15	424 526	215 269
		1 392 539	2 520 984
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	32	0	10 229
EQUITY AND LIABILITIES		6 370 547	5 225 443
EQUITY	16	4 678 796	3 779 482
NON-DISTRIBUTABLE RESERVES		1 552 753	1 516 082
FIXED ASSET RESERVE FUND (PPE)		1 553 133	1 391 224
UNREALISED FAIR VALUE ADJUSTMENT RESERVE		(380)	124 858
RESERVE FUNDS		3 125 207	2 260 053
RESTRICTED USE FUNDS		363 840	339 026
STUDENT LOAN FUNDS		563	563
STUDENT AND STAFF ACCOMMODATION FUNDS		158 736	129 172
DONATIONS AND SIMILAR FUNDS		59 657	49 010
RESEARCH AND OTHER (CONTRACTS) FUNDS		144 884	160 281
NWU PENSION FUND AND DISABILITY FUND		351 991	405 220
HELD FOR INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT		8 421	18 514
UNRESTRICTED RESERVE FUNDS - EDUCATION AND GENERAL		14 012	15 094
DESIGNATED RESERVE FUNDS - EDUCATION AND GENERAL		2 386 944	1 482 199
EQUITY RELATING TO NON-CURRENT ASSETS HELD FOR SALE		0	2 535
NON-CONTROLLING INTERESTS		836	812
NON-CURRENT LIABILITIES		775 163	859 599
BORROWINGS - INTEREST-BEARING	17	5 760	11 033
EMPLOYEE BENEFITS	18	527 031	618 365
DEFERRED GRANT INCOME	19	219 814	230 201
LEASE LIABILITIES	6b, 34	22 558	0
CURRENT LIABILITIES		916 588	586 362
CURRENT PORTION OF BORROWINGS - INTEREST-BEARING	17	5 682	12 227
CURRENT PORTION OF EMPLOYEE BENEFITS	18	162 158	36 601
CURRENT PORTION OF DEFERRED GRANT INCOME	19	126 759	87 036
CURRENT PORTION OF LEASE LIABILITIES	6b, 34	43 964	0
TRADE AND OTHER PAYABLES	20	445 454	359 232
INCOME RECEIVED IN ADVANCE	21	91 607	56 610
NET CONTRACT LIABILITIES	22	40 903	34 314
INCOME TAX PAYABLE	33	61	342

The notes on pages 17 to 72 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 R'000	2018 R'000
INCOME		5 410 882	4 901 483
REVENUE		4 935 929	4 676 442
OTHER INCOME (investment income and non-recurrent income)		474 953	225 041
EXPENDITURE		4 442 291	4 069 743
PERSONNEL REMUNERATION	25	2 406 089	2 245 178
OPERATING EXPENSES	26, 6a, 6b, 7	1 889 547	1 783 034
OTHER EXPENSES (capital expenditure expensed and non-recurrent expenditure)		136 352	34 459
FINANCE CHARGES	28	10 303	7 072
NET SURPLUS BEFORE INCOME TAX		968 591	831 740
INCOME TAX EXPENSE	33	187	592
SURPLUS FOR THE YEAR		968 404	831 148
OTHER COMPREHENSIVE INCOME (OCI)		(69 091)	18 430
Items that will not be reclassified to surplus or deficit		(69 091)	18 430
Remeasurements of employee benefit obligations			
PENSION FUND - (DEFICIT)/SURPLUS	18.1	(82 579)	(869)
DISABILITY RESERVE FUND - SURPLUS	18.2	7 486	5 404
HEALTH CARE (MEDICAL) - SURPLUS	18.3	6 002	13 895
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		899 313	849 578
Surplus for the year attributable to:			
- North-West University		968 380	831 072
- Non-controlling interests		24	76
		968 404	831 148
Total comprehensive income for the year attributable to:			
- North-West University		899 289	849 502
- Non-controlling shareholders		24	76
		899 313	849 578

The notes on pages 17 to 72 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(as required by Section 41 of the Higher Education Act (Act No. 101 of 1997, as amended))

	NOTE	EDUCATIONAL & GENERAL: COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	EDUCATIONAL & GENERAL: SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	EDUCATIONAL & GENERAL: SUB-TOTAL R'000	STUDENT AND STAFF ACCOMMO-DATION: RESTRICTED R'000	2019 TOTAL R'000	2018 TOTAL R'000
RECURRING ITEMS		848 829	9 636	858 465	47 451	905 916	860 409
INCOME		4 599 536	253 004	4 852 540	365 441	5 217 981	4 900 330
STATE APPROPRIATIONS - SUBSIDIES AND GRANTS	23	2 149 836	0	2 149 836	0	2 149 836	2 009 698
TUITION AND OTHER FEES	24	1 877 797	0	1 877 797	0	1 877 797	1 724 152
INCOME FROM CONTRACTS	24	2 743	193 303	196 046	0	196 046	233 209
FOR RESEARCH		1 060	191 033	192 093	0	192 093	232 151
FOR OTHER ACTIVITIES		1 683	2 270	3 953	0	3 953	1 058
SALES OF GOODS & SERVICES AND OTHER INCOME	24	272 585	25 771	298 356	365 441	663 797	661 892
PRIVATE GIFTS AND GRANTS		27 761	20 692	48 453	0	48 453	47 491
SUB-TOTAL		4 330 722	239 766	4 570 488	365 441	4 935 929	4 676 442
INVESTMENT INCOME	27.1	268 814	13 238	282 052	0	282 052	223 888
EXPENDITURE		3 750 707	243 368	3 994 075	317 990	4 312 065	4 039 921
PERSONNEL REMUNERATION	25	2 296 543	61 321	2 357 864	48 225	2 406 089	2 245 178
ACADEMIC PROFESSIONAL		1 220 310	30 254	1 250 564	0	1 250 564	1 112 442
OTHER PERSONNEL		1 091 221	31 067	1 122 288	48 225	1 170 513	1 153 063
IAS19 - ADJUSTMENTS (EMPLOYEE BENEFITS)		(14 988)	0	(14 988)	0	(14 988)	(20 327)
OTHER CURRENT OPERATING EXPENSES	26	1 308 054	182 165	1 490 219	222 320	1 712 539	1 653 126
CAPITAL EXPENDITURE EXPENSED	31	6 126	0	6 126	0	6 126	4 637
DEPRECIATION	6a, 6b, 7	139 229	0	139 229	37 779	177 008	129 908
SUB-TOTAL		3 749 952	243 486	3 993 438	308 324	4 301 762	4 032 849
FINANCE CHARGES	28	755	(118)	637	9 666	10 303	7 072
NON-RECURRING ITEMS		62 656	1	62 657	18	62 675	(28 669)
INCOME		192 882	1	192 883	18	192 901	1 153
PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		28 276	1	28 277	18	28 295	51
PROFIT ON INVESTMENTS	27.2	164 606	0	164 606	0	164 606	697
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES	10	0	0	0	0	0	0
OTHER NON-RECURRENT INCOME		0	0	0	0	0	405
EXPENDITURE		130 226	0	130 226	0	130 226	29 822
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		0	0	0	0	0	154
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEES	10	0	0	0	0	0	106
NET FAIR VALUE LOSS ON FINANCIAL ASSETS THROUGH PROFIT OR LOSS	9.1	130 226	0	130 226	0	130 226	29 562
NET SURPLUS BEFORE INCOME TAX		911 485	9 637	921 122	47 469	968 591	831 740
INCOME TAX EXPENSE	33	187	0	187	0	187	592
SURPLUS FOR THE YEAR		911 298	9 637	920 935	47 469	968 404	831 148

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019 **(continued)**

(as required by Section 41 of the Higher Education Act (Act No. 101 of 1997, as amended))

		EDUCATIONAL & GENERAL					
	NOTE	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	SUB-TOTAL R'000	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R'000	2019 TOTAL R'000	2018 TOTAL R'000
SURPLUS FOR THE YEAR		911 298	9 637	920 935	47 469	968 404	831 148
OTHER COMPREHENSIVE INCOME (OCI)		(69 091)	0	(69 091)	0	(69 091)	18 430
Items that will not be reclassified to surplus or deficit		(69 091)	0	(69 091)	0	(69 091)	18 430
Remeasurements of employee benefit obligations							
PENSION FUND - DEFICIT	18.1	(82 579)	0	(82 579)	0	(82 579)	(869)
DISABILITY RESERVE FUND - SURPLUS	18.2	7 486	0	7 486	0	7 486	5 404
HEALTH CARE (MEDICAL) - SURPLUS	18.3	6 002	0	6 002	0	6 002	13 895
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		842 207	9 637	851 844	47 469	899 313	849 578
Surplus for the year attributable to:							
- North-West University		911 274	9 637	920 911	47 469	968 380	831 072
- Non-controlling interests		24	0	24	0	24	76
		911 298	9 637	920 935	47 469	968 404	831 148
Total comprehensive income for the year attributable to:							
- North-West University		842 183	9 637	851 820	47 469	899 289	849 502
- Non-controlling shareholders		24	0	24	0	24	76
		842 207	9 637	851 844	47 469	899 313	849 578

The notes on pages 17 to 72 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

DESCRIPTION	UNRESTRICTED RESERVE FUNDS: EDUCATIONAL AND GENERAL R'000	DESIGNATED RESERVE FUNDS: EDUCATIONAL AND GENERAL R'000	SUB-TOTAL A R'000	RESTRICTED RESERVE FUNDS: DONATIONS AND SIMILAR FUNDS R'000	RESTRICTED RESERVE FUNDS: RESEARCH AND OTHER (CONTRACTS) R'000	SUB-TOTAL B R'000	RESTRICTED RESERVE FUNDS: STUDENT LOANS R'000	RESTRICTED RESERVE FUNDS: STUDENT AND STAFF ACCOM-MODATION R'000	FIXED ASSET RESERVE FUND (PPE) R'000	HELD FOR INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT R'000	UNREALISED FAIR VALUE ADJUSTMENT RESERVE R'000	NWU PENSION FUND AND DISABILITY FUND R'000	SUB-TOTAL C R'000	TOTAL R'000	NON-CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
BALANCE AT 31 DECEMBER 2016 (note16)	40 803	327 005	367 808	42 611	99 069	141 680	563	97 241	1 144 305	69 059	112 564	232 198	1 655 930	2 165 418	632	2 166 050
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	472 837	472 837	(200)	30 211	30 011	0	2 818	0	0	41 856	140 785	185 459	688 307	104	688 411
SURPLUS/(DEFICIT) FOR THE YEAR	0	461 972	461 972	(200)	30 211	30 011	0	2 818	0	0	0	6 351	9 169	501 152	104	501 256
OTHER COMPREHENSIVE INCOME	0	10 865	10 865	0	0	0	0	0	0	0	41 856	134 434	176 290	187 155	0	187 155
TRANSFERS	(28 873)	(62 390)	(91 263)	(1 016)	(40 684)	(41 700)	0	(987)	188 842	(54 892)	0	0	132 963	0	0	0
BALANCE AT 31 DECEMBER 2017 (note16)	11 930	737 452	749 382	41 395	88 596	129 991	563	99 072	1 333 147	14 167	154 420	372 983	1 974 352	2 853 725	736	2 854 461
CHANGE IN ACCOUNTING POLICY (IFRS 9 AND IFRS 15)	0	48 985	48 985	0	26 458	26 458	0	0	0	0	0	0	0	75 443	0	75 443
RESTATED BALANCE AT 1 JANUARY 2018	11 930	786 438	798 368	41 395	115 054	156 449	563	99 072	1 333 147	14 167	154 420	372 983	1 974 352	2 929 169	736	2 929 904
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	739 849	739 849	8 002	59 007	67 009	0	39 969	0	0	(29 562)	32 237	42 644	849 502	76	849 578
SURPLUS/(DEFICIT) FOR THE YEAR	0	725 954	725 954	8 002	59 007	67 009	0	39 969	0	0	(29 562)	27 702	38 109	831 072	76	831 148
OTHER COMPREHENSIVE INCOME	0	13 895	13 895	0	0	0	0	0	0	0	0	4 535	4 535	18 430	0	18 430
TRANSFERS	3 164	(41 551)	(38 387)	(387)	(13 780)	(14 167)	0	(9 869)	58 077	4 347	0	0	52 555	0	0	0
BALANCE AT 31 DECEMBER 2018 (note 16)	15 094	1 484 736	1 499 830	49 010	160 281	209 291	563	129 172	1 391 224	18 514	124 858	405 220	2 069 551	3 778 671	812	3 779 483
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	1 020 651	1 020 651	7 956	1 681	9 637	0	47 469	0	0	(125 238)	(53 229)	(130 998)	899 289	24	899 313
SURPLUS/(DEFICIT) FOR THE YEAR	0	1 014 649	1 014 649	7 956	1 681	9 637	0	47 469	0	0	(125 238)	21 864	(55 905)	968 380	24	968 404
OTHER COMPREHENSIVE INCOME	0	6 002	6 002	0	0	0	0	0	0	0		(75 093)	(75 093)	(69 091)	0	(69 091)
TRANSFERS	(1 082)	(118 443)	(119 525)	2 691	(17 078)	(14 387)	0	(17 905)	161 909	(10 093)	0	0	133 911	0	0	0
BALANCE AT 31 DECEMBER 2019 (note 16)	14 012	2 386 944	2 400 956	59 657	144 884	204 541	563	158 736	1 553 133	8 421	(380)	351 991	2 072 464	4 677 960	836	4 678 796

The notes on pages 17 to 72 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	29	1 045 649	782 240
INVESTMENT INCOME LESS COST OF FINANCE		436 355	217 513
INTEREST RECEIVED	27.3	437 015	214 975
DIVIDENDS RECEIVED	27.3	9 643	9 610
INTEREST PAID	28	(10 303)	(7 072)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1 482 004	999 753
CASH FLOWS UTILISED BY INVESTING ACTIVITIES		(1 327 452)	(1 137 130)
DISPOSAL OF OTHER INVESTMENTS		0 *	0
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT	6a, 6b	(398 532)	(179 519)
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		31 235	1 336
INCREASE IN DEFERRED GRANT INCOME	19	29 336	52 602
TRANSFER OF INVESTMENT PROPERTY TO PROPERTY, PLANT AND EQUIPMENT	7	342	0
DISPOSAL OF ASSETS HELD FOR SALE		10 229	0
PURCHASES OF INVESTMENTS		(1 000 062)	(1 011 549)
CASH OUTFLOWS FROM FINANCING ACTIVITIES		54 705	(10 781)
REPAYMENTS OF INTEREST-BEARING BORROWINGS	17	(11 818)	(10 781)
INCREASE IN LEASE LIABILITIES		66 523	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		209 257	(148 158)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		215 269	363 427
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	424 526	215 269

***** amounts less than R1 000 are disclosed as Rnil due to rounding off to the nearest thousand.

The notes on pages 17 to 72 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

STRUCTURE OF THE UNIVERSITY

1.1 **Legal persona and country of registration**

The University is a legal person in the Republic of South Africa and is regulated by the Higher Education Act 101 of 1997, as amended by Act 54 of 2000.

1.2 **Nature of business, operations and main activities**

The operations and main activities of the University are education, research and community service, based on its vision and mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements are presented in rand (R) (rounded off to the nearest thousand, unless otherwise indicated), which is the University's functional currency, and are prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are also prepared in accordance with the requirements set by the Minister of Higher Education and Training in terms of Section 41 of the Higher Education Act, 1997 (Act No. 101 of 1997 (as amended)). Council approved the consolidated financial statements on 28 July 2020.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention, except for:

- electing to carry financial assets at fair value through other comprehensive income and profit or loss; and
- valuing post-employment and disability benefit obligations by using the projected unit credit method.

Management is of the opinion that the University has adequate resources to continue with operational activities for the foreseeable future and therefore will continue to adopt the going concern basis in preparing its consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Since the financial numbers relating to subsidiaries are insignificant in relation to the consolidated financial accounts, only the consolidated financial statements are presented in the annual report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards, amendments and interpretations effective in 2019 and adopted by the University

- **IFRS 16, 'Leases',** primarily affects the accounting by lessees and results in almost all leases of lessees being recognised in the statement of financial position, as the distinction between finance and operating leases has been removed. Under the new standard, a lessee recognises an asset representing the right to use the leased item, and a financial liability to pay rentals. The only exceptions are for short-term (less than 12 months) leases. The accounting for lessors does not change significantly.

  The statement of comprehensive income is affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation.

  Operating cash flows are higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

  As IFRS 16 is mandatory for financial years commencing on or after 1 January 2019, the University applied this standard for the first time. The University elected to apply the simplified transition approach and did not restate comparative amounts for the year prior to first adoption.

(b) Standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted early by the University

- The IASB has made amendments **to IAS 1, 'Presentation of Financial Statements'** and **IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'** which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

  In particular, the amendments clarify:

  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
  - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted early by the University (continued)

- The IASB has issued a revised **Conceptual Framework** which will be used in standard-setting decisions with immediate effect. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on de-recognition
  - adding guidance on different measurement bases, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

All the different components, including the institutes, bureaux, companies and educational units of the University, as well as the results, assets and liabilities of the Institutional Office and of the Mafikeng, Potchefstroom and Vaal Triangle Campuses, are included in the consolidated financial statements.

Subsidiaries are entities controlled by the University. The University controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

The consolidated financial statements have been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries

When the University loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in the statement of comprehensive income.

The University applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed towards the former owners of the acquiree and the equity interests issued. The consideration does not include amounts related to the settlement of pre-existing relationships. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Subsequent changes in the fair value of the contingent consideration are recognised in surplus or deficit. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The University recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain on a purchase is recognised immediately as a surplus.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the University.

(b) Associates (equity-accounted investees)

Associates are all entities over which the University has significant influence but does not have control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost (which includes transaction costs), and the carrying amount is increased or decreased to recognise the University's share of the profit or loss and OCI of the equity-accounted investee after the date of acquisition. The University's share of post-acquisition profit or loss is recognised in surplus or deficit.

(c) *Transactions eliminated on consolidation*

Inter-company transactions, balances, income and expenses on transactions are eliminated. Surpluses and deficits resulting from inter-company transactions that are recognised in assets are also eliminated.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment (PPE)

2.3.1 Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, except for donations of assets that are initially recorded at fair value less depreciation and impairment. Fair value is considered as deemed cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably (macro maintenance). The carrying amount of the replaced part is derecognised. All other repairs and maintenance not recognised as macro maintenance are charged to surplus or deficit during the financial period in which they are incurred.

2.3.2 Land and buildings comprise mainly lecture halls, laboratories, hostels and administrative buildings. Land and buildings are not depreciated. The useful life of buildings is considered to be indefinite due to building maintenance done according to the ten-year macro maintenance rolling plan. The macro maintenance included in the carrying amount of land and buildings are depreciated on the straight line method though. Depreciation on other assets is calculated using the straight-line method to depreciate the depreciable amount, which is the difference between their cost and their residual values, over their estimated useful lives, as referred to below.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit.

CATEGORY	PERCENTAGE PER ANNUM		USEFUL LIFE
Buildings and other improvements	Indefinite	:	The useful life is estimated as indefinite
(macro maintenance)	10,00%	:	The useful life is estimated at 10 years.
Computer equipment	20,0% - 33,3%	:	The useful life is estimated at 3 to 5 years.
Computer equipment less than R5 000	33,3%	:	The useful life is estimated at 3 years.
Servers and printers	20,0%	:	The useful life is estimated at 5 years.
Laboratory equipment	15,0%	:	The useful life is estimated at 6,67 years.
Specialised equipment	4,0% - 20,0%	:	The useful life is estimated at a range between 5 and 25 years.
Furniture	10,0%	:	The useful life is estimated at 10 years.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment (PPE) (continued)

CATEGORY	PERCENTAGE PER ANNUM		USEFUL LIFE
Vehicles	33,3%	:	The residual value of the vehicle pool is estimated at 65% after three years, which is the average replacement term of vehicles.
Synthetic hockey field (carpet)	12,5%	:	The useful life is estimated at 8 years.
Synthetic hockey field (base)	2,0%	:	The useful life is estimated at 50 years.
Low value assets	33,3%	:	The useful life is estimated at 3 years.
Right-of-use leased assets	50,0% - 33,3%	:	Depreciated over the lease term

2.3.3 Actual improvements to buildings are capitalised (macro maintenance) when it is probable that future economic benefits exceeding the originally estimated performance standard of the existing asset will flow to the business. Routine maintenance with regard to buildings and equipment is charged to surplus or deficit as incurred.

2.3.4 Costs relating to library books are written off in the year acquired. See note 31.

2.4 Investment properties

Investment properties, principally comprising land and buildings, are held for long-term capital appreciation and rental yields and are not occupied by the University. Investment properties are carried at cost less accumulated impairment losses and accumulated depreciation.

Depreciation on investment properties is calculated using the straight-line method to allocate their cost less their residual value over the estimated useful life of 50 years.

2.5 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the University's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired is allocated to each of the cash-generating units that is expected to benefit from the acquisition or business combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Separately recognised goodwill is carried at cost less impairment losses and goodwill impairment reviews are undertaken annually. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the cash generating unit's (CGU's) value in use and its fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units).

Impairment losses are recognised in surplus or deficit in the period in which the impairment loss occurs. Prior periods' impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the University's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African rand (R) (rounded to the nearest thousand, unless otherwise indicated), which is the University's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in surplus or deficit.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences relating to changes in amortised cost are recognised in surplus or deficit, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in surplus or deficit as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and other financial assets

(i) Classification

From 1 January 2018, the University has been classifying its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be subsequently measured at amortised cost.

The classification depends on the University's business model for managing its financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in surplus or deficit.

The University reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the University commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the University measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in surplus or deficit.

Financial assets with embedded derivatives (when applicable) are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the University's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the University classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in surplus or deficit and presented in other gains/(losses) together with foreign exchange gains and losses.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in surplus or deficit and presented net within other gains/(losses) in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and other financial assets (continued)

Equity instruments

The University subsequently measures all equity investments at fair value. Where the University's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to surplus or deficit following the derecognition of the investment. Dividends from such investments continue to be recognised in surplus or deficit as other income when the University's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the University assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the University applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see note 2.11 for further details).

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in surplus or deficit and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount

2.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and applicable variable selling expenses.

Cost of inventory is determined by the following methods:

2.9.1 Central warehouse, trade, cafeteria and residence inventories are stated at the weighted average cost.

2.9.2 Printed publications are stated at the weighted average purchase price.

2.9.3 Veterinary health inventory is stated at the weighted average purchase price.

Provision for obsolete and slow-moving inventory is made where applicable and recognised in surplus or deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and investments in money-market instruments with an initial maturity of less than three months.

Cash and cash equivalents are short-term highly liquid instruments that are readily convertible to known amounts of cash which are subject to insignificant changes in value.

2.11 Trade and other receivables

The University holds trade receivables with the objective of collecting the contractual cash flows and therefore trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowances.

The University applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Receivables held by the University do not have a significant financing component. The contract assets (which arise from research contracts) relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The University has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates for student debtors are based on the three payment collection profiles and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the cash-paying students to settle their accounts. The University uses a global rating as the probability of default (PD) to calculate the ECL for government funded student debt.

Sundry trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the University, and a failure to make contractual payments for a period of more than 90 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the income from sale of goods and services and other income as bad debt recovered.

For other sundry receivables the University uses a global corporate average rating table to indicate the probability of default (PD) for government and similar-to-government debt. Interest rates applicable to unsecured loans are used for credit ratings regarding corporate customers. Outstanding debt of 90 days and older owed by individuals are expected to be impaired in full.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Equity – reserve funds

The accumulated funds are subdivided on the basis of its employability between restricted and unrestricted funds and comprise mainly the following:

Educational and General – Council-controlled – Unrestricted or designated

Unrestricted and designated funds relate to funds over which the Council of the University has absolute legal control and discretion. Designated funds are unrestricted income which the Council has designated for purposes that it deems fit. Decisions in this regard can always be changed at the discretion of Council. The Council-controlled segment predominantly represents the teaching component of the University. It reflects the University's subsidised activities and comprises mainly formula subsidy, tuition fees, sales of goods and services and investment income. (Refer to sub-total A in the statement of changes in equity.)

Educational and General – Specifically funded activities – Restricted

Specifically purposed income (restricted) relates to funds that have been provided in terms of legally enforceable requirements of the purpose for which they may be expended. This may result from a contract, a condition of a grant, a bequest or a condition stipulated in a notarial deed of donation. Council has no discretion or control in this regard, but retains an oversight role in regard to ensuring that expenditure is in accordance with the mandate received from funders. (Refer to sub-total B in the statement of changes in equity.)

Included in sub-total C of the statement of changes in equity are the following funds:

Student and staff accommodation – Restricted

The student housing segment relates to the provision of accommodation and accommodation-related services to students (residences). Income from this source (income stream 3) is shown separately in the statement of comprehensive income as per requirements from the DHET.

Fixed asset reserve fund (PPE)

These are funds utilised and invested in property, plant and equipment (PPE).

Held for investment in property, plant and equipment

These funds are reserved for approved and already committed future investment in, or acquisition of, property, plant and equipment (PPE) (refer to note 29).

Unrealised fair value adjustment reserve fund

The University has elected to recognise unrealised changes in the fair value of investments at FVPL in a separate fund as these funds are not readily available for use.

Available-for-sale revaluation reserves – until 31 December 2017

Changes in the fair value of investments that were classified as available-for-sale financial assets (e.g. equities) were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to surplus or deficit when the associated assets were sold or impaired (see accounting policy note 2.8 for details).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Equity – reserve funds (continued)

NWU Pension fund and Disability fund

These funds equal the amount invested in employee benefits as reflected in non-current assets.

Other

Funds representing non-controlling interests, as a result of the consolidation of other entities, are shown separately in the last column of the statement of changes in equity.

2.13 Employee benefits

2.13.1 Pension

The University has both defined-benefit and defined-contribution plans. A defined-contribution plan is a pension plan under which the University pays fixed contributions into a separate entity. The University has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined-benefit plan is a pension plan that is not a defined-contribution plan. Typically defined-benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

Defined-benefit plans

Retirement-benefit costs are provided in accordance with defined-benefit plans, which include the North-West University Pension Fund and the Associated Institutions Pension Fund. The North-West University Pension Fund has two fixed-benefit options, only available to members who changed from the Associated Institutions Pension Fund to the North-West University Pension Fund on 1 January 1995 – closed options.

The University's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined-benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the University, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined-benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI.

The University determines the net interest expense (income) on the net defined-benefit liability (asset) for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the then net defined-benefit liability (asset), taking into account any changes in the net defined-benefit liability (asset) during the period as a result of contributions and benefit payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

Defined-benefit plans (continued)

Net interest expense and other expenses relating to defined-benefit plans are recognised in profit or loss in personnel remuneration costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The University recognises gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

Defined-contribution plan

Retirement-benefit costs are provided in terms of a defined-contribution plan (North-West University Pension Fund). The North-West University Pension Fund has a fixed-contribution plan with a defined-benefit guarantee for all new enrolments since 1 January 1995 and was ring-fenced on 31 December 2003. A fourth option was introduced on 1 January 2004 for all new members of the fund and is a pure defined-contribution plan. The contributions to the defined-contribution plan are recognised as expenditure in the relevant period in which the liability arises, and the liability is thus matched with the benefit received by the employee during his/her working life.

2.13.2 Disability Reserve Fund

The disability benefits are provided in accordance with the rules of the North-West University Disability Reserve Fund, which was established on 1 January 1995.

The objective of the fund is to provide disability benefits to the members of the North-West University Pension Fund. After a waiting period of six months, a member who is disabled receives a disability income equal to 82,5% of the member's monthly salary, subject to a maximum disability income benefit as determined by the Trustees. The income is reduced by the member's contributions towards the North-West University Pension Fund. The disability income will continue to the earlier of recovery or 65.

The asset recognised in the statement of financial position is the fair value of plan assets less the present value of the liabilities at the end of the reporting date. This is calculated annually by qualified independent actuaries using the projected unit credit method and discounting the estimated future cash outflows using interest rates of government corporate bonds that are denominated in rand (R).

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, the effects of asset ceilings (if any, excluding interest) and amendments are charged or credited to OCI (other comprehensive income) in the period in which they occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

2.13.3 Post-employment medical benefits

The University's net obligation in respect of post-employment medical benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of post-employment medical benefits is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the University, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net post-employment medical benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The University determines the net interest expense (income) on the net post-employment medical benefit liability (asset) for the period by applying the discount rate used to measure the post-employment medical benefit obligation at the beginning of the annual period to the then net post-employment medical benefit liability (asset), taking into account any changes in the net post-employment medical benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to post-employment medical benefit plans are recognised in profit or loss in personnel remuneration costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The University recognises gains and losses on the settlement of a post-employment medical benefit plan when the settlement occurs.

2.13.4 Termination benefits

Termination benefits are payable when employment is terminated by the University before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The University recognises termination benefits when it is demonstrably committed to a termination when the University has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value and are treated as other long-term employee benefits. Termination benefits settled within 12 months are treated as short-term employee benefits. Refer to note 25.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

2.13.5 Bonus plans

The University recognises a liability and an expense for bonuses. The University recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

2.13.6 Accumulated annual leave

Employee entitlements to annual leave are recognised at an undiscounted amount in accordance with the conditions of service of the employees, with leave accruing to them as a result of services rendered. These include annual leave and accumulated leave. Leave payments that become payable within 12 months after the reporting date is disclosed as the current portion of employee benefit obligations.

2.14 Income

Income is measured at the fair value of the consideration received or receivable, and represents amounts receivable from the sale of goods and delivery of services in the ordinary course of the University's activities. Revenue is shown net of value-added tax (as applicable), rebates and discounts and after eliminating sales within the group.

Income is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity have been resolved. The University bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The accounting policy regarding the elements of gross income includes the following:

2.14.1 State apportionment – subsidies and grants are recognised as income over the periods that are required to systematically match the income with the related expenditure for which it is intended. Subsidies for specific purposes, e.g. capital expenditure, are brought into the appropriate fund at the time they are available for expenditure for the purpose provided. However, if the funding is provided in advance of the specified requirement (i.e. the University does not have immediate entitlement to it), the relevant amount is retained as a liability until the University has complied with all the conditions attached to the construction of the asset, after which the grant is deducted from the carrying amount of the asset.

2.14.2 Grants from the government are recognised at their value where there is a reasonable assurance that the grant will be received and the University will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are deducted in calculating the cost of the asset. The grant is carried as a liability in the statement of financial position until the University has complied with all the conditions attached to the construction of the asset, after which the grant is deducted from the carrying amount of the asset.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Income (continued)

2.14.3 Tuition fees and residence fees are recognised as the service and products are rendered over a period of time. It is based on the services rendered to date as a percentage of the total services to be performed by the University. Income is considered to be received for the performance of a single obligation based on a fixed transaction price and it is highly probable that there will not be a significant revenue reversal. Delivering these services falls within the financial period of the University.

2.14.4 Research income mainly arises from contracts with customers. Contracts may differ regarding time frames and performance obligations but revenue is recognised based on a fixed transaction price. Payments from customers are received according to contract terms and revenue is recognised when the University satisfies a performance obligation in terms of a research contract. Research contracts do not contain a significant finance component. The University assesses the progress made and confirms the stage of completion on the reporting date based on the percentage of completion method. For contracts with completion dates after year end, assessments may give rise to a contract asset or a contract liability. Contract assets relate to the University's right to consideration for work completed but not billed at reporting date. Contract liabilities relate to the advance consideration received from the customer for which the University is to still satisfy an obligation.

2.14.5 Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as investment income in surplus or deficit when the right to receive payment is established. Where the dividend clearly represents a recovery of part of the cost of an investment, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

2.14.6 Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI, calculated using the effective interest method is recognised in the statement of comprehensive income as part of investment income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

2.14.7 Donations received are recognised at the fair value on the date of the donation.

2.14.8 Rental received is recognised over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases

As explained in note 2.1(a) above, the University has changed its accounting policy for leases where the University is the lessee. The new policy is described in note 6b and the impact of the change in note 34.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to surplus or deficit on a straight-line basis over the period of the lease.

2.16 Provisions

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

Provisions for legal claims are recognised when the University has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.17 Tax

The University is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act. Subsidiary entities are not exempt from tax and are liable for normal South African Income Tax. On consolidation, this may give rise to current income tax and deferred tax.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are measured initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The University's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University's financial performance.

Council delegated the responsibility of the process of risk management to the Audit, Risk and Compliance Committee. This Committee reports key risks to Council twice a year, or more often if the need arises.

The risk approach of the University is based on the following definition of risk: "Risk can be defined as a potential threat or possibility that an action or event will adversely affect an organisation's ability to achieve its objectives". The University's approach is to balance opportunities and risks based on the supposition that the University sustains itself as a going concern. As there are risks that will have direct financial implications and others that will not have (immediate) direct financial implications, risk profiles are differentiated as "financial risks" and "non-financial risks".

Risk abatement strategies are identified based on the strategic objectives of the University according to the Institutional Plan. The University Management (through defined responsibility and accountability of executive management) identifies the most significant risk events, conditions or areas. There is an established line function with the remit of determining the identification, assessment, intervention measures and all aspects of the management of risk affecting the University.

Previously identified and newly identified as well as new events and actions that are potential risks are included in the risk register of the University. The list is maintained, reviewed and updated at least bi-annually and is managed accordingly.

Despite these structures and procedures, the potential exists that adverse events may occur that may affect the results of normal operations throughout the University at all levels of activity.

Only in limited instances are financial instruments used to cover risks linked to the University's activities. Where instruments are used to cover risks linked to the University's activities, each instrument is linked to an asset or liability, or an operational or financing transaction. Management of these instruments, which are mostly traded on organised or related markets, is centralised. Financial institutions are selected on their national grading to limit risks and to provide diversification.

The University's investment policy is designed to limit exposure to financial risks and no portfolio that has speculative characteristics is utilised. A money-market division and four independent investment management companies are responsible for managing these related risks.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS

Market risk

(i) Price risk

The University's exposure to equity securities price risk arises from investments held by the University and classified in the statement of financial position either as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

To manage its price risk arising from investments in equity securities, the University diversifies its portfolio. Diversification of the portfolio is done in accordance with the prescripts set by the Committee for Investments. The majority of the University's equity investments are publicly traded and are included in listed shares that are traded on the Johannesburg Securities Exchange. The risk exists that the value of these financial instruments may fluctuate as a result of changes in the market price.

A 1% movement of the ALSI of the JSE, while all other variables held constant and all the University's equity instruments moved accordingly, would affect the value of the investments to be R4 568 000 higher/lower as at 31 December 2019 (2018: R3 443 000) (refer to note 9.1). Owing to the unpredictability of equity market returns, a general indicative percentage of 1% is used to highlight the changes in market value of equity investments.

(ii) Cash flow and fair value interest rate risk

In the case of long-term borrowings, the University's interest rate risk is limited because loans are only entered into at a fixed interest rate and in South African currency. Borrowings issued at fixed rates expose the University to fair value interest risk. Interest rates on overdraft facilities are linked to the prime rate and are floating. Income and operating cash flows are substantially independent of changes in the market interest rates and therefore no formal interest rate risk management policy exists.

Interest rate risk and therefore cash flow risk arises mainly from cash and cash equivalents.

At 31 December 2019 an investment performance measurement was done by the University which indicated an actual yield on the University's cash and cash equivalent portfolio of 8,01% (2018: 7,93%). Had the interest rate been 0,5% higher/lower (50 basis points), the surplus would have been R15 626 000 higher/ lower (2018: R11 984 000).

(iii) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures regarding outstanding receivables.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Market risk (continued)

(iii) Credit risk (continued)

The University's policy is designed to limit exposure to any single financial institution. Council evaluates the financial institutions annually and sets a credit limit for each institution. The University's investments in debt instruments are considered to be low-risk investments. Cash and cash equivalents as well as investments are only placed with reputable financial institutions with high credit ratings.

No credit evaluations are done for trade receivables – other debtors, nor for student debtors.

The University also does not require any collateral as security.

This credit risk exposure is mitigated by requiring students to pay an initial instalment in respect of tuition and accommodation fees at registration. Students with an outstanding balance from the previous year are only permitted to renew their registration after settling the outstanding amount as well as paying the current year's initial requirements. (Refer to note 14 for detailed disclosure.)

Credit risks are limited by the large number of clients, the diversity of the University's activities and a strict recovery policy. The University is of the opinion that no significant concentration of risk that has not been insured or adequately provided for existed at year end.

Trade receivables, contract assets, debt investments carried at amortised cost and debt instruments carried at FVOCI are subject to the expected credit loss model. (Refer to note 11b.)

The maximum credit exposure in relation to debt investments that are measured at fair value through profit or loss at the end of the reporting period is the carrying amount of these investments.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash levels and ensuring availability thereof to meet obligations when due. Constant monitoring, cash management and thorough cash planning ensure that the University is able to meet its commitments at all times, under both normal and stressed conditions. The University has minimised the risk of liquidity, as is reflected in its substantial cash and cash equivalents.

	2019	**2018**
Listed investments – shares and bonds	56%	62%
Cash and cash equivalents	44%	38%
Total	100%	100%

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Liquidity risk (continued)

The table below analyses the University's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed are the undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	R'000	R'000	R'000
Liabilities at amortised cost	**Less than 1 year**	**Between 1 and 2 years**	**Between 3 and 5 years**
2019			
Borrowings	6 290	6 290	0
Trade and other payables	445 454	0	0
2018			
Borrowings	13 679	12 581	0
Trade and other payables	359 232	0	0

Liquidity ratio	**2019 R'000**	**2018 R'000**
Current assets *		
Inventories	30 238	52 084
Trade and other receivables	227 631	299 514
Income tax receivable	26	37
Straight line lease accrual	3 049	0
Non-current assets classified as held for sale	0	10 229
Cash and cash equivalents	424 526	215 269
	685 470	577 133
Current liabilities		
Trade and other payables	445 454	359 232
Contract liabilities	40 903	34 314
Income tax payable	61	342
Current portion of interest-bearing borrowings	5 682	12 227
Current portion of post-employment benefits	162 158	36 601
Current portion of deferred grant income	126 759	87 036
Current portion of lease liabilities	43 964	0
Income received in advance	91 607	56 610
	916 588	586 362
Net liquidity of operations	(231 118)	(9 229)
Ratio	0.75	0.98

***** Current portion of investments is not included in the calculation of the liquidity ratio as it is the intention of the University to reinvest these investments when they mature in investments of the same nature as our non-current investments portfolio.

3.2 CAPITAL MANAGEMENT

The University's objectives when managing capital are to safeguard the University's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. A well-planned budgeting process is followed each year to meet these objectives. A sound financial position has been established by limiting exposure to debt and increasing investments and cash balances.

Assets		
Investments (current and non-current)	3 684 127	2 812 659
Cash and cash equivalents	424 526	215 269
Total	4 108 653	3 027 928

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 CAPITAL MANAGEMENT (continued)

Liabilities	**2019 R'000**	**2018 R'000**
Non-current liabilities (excluding deferred income)	555 349	629 398
Current liabilities (excluding deferred income)	789 829	499 325
Capital commitments (infrastructure) (note 30)	95 845	128 221
Contractual obligations - operating leases (note 30)	0	119 604
Total	1 441 023	1 376 548
Net position	2 667 630	1 651 380

The greater part of capital commitments is being financed through a subsidy from the Department of Higher Education and Training.

3.3 FAIR VALUE ESTIMATION

The fair value of financial and non-financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the University is the current bid price. These instruments are included in Level 1 of the table below. Instruments comprise primarily JSE equity investments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The University uses a variety of methods and applies assumptions based on market conditions existing at each reporting date. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

The carrying values of the following financial assets and liabilities are deemed to approximate their fair value: cash and cash equivalents, trade and other receivables and trade and other payables. An explanation of these is given by means of notes with regard to each item.

Note 9 contains further information with regard to investments and note 17 with regard to borrowings.

The following table presents the University's assets and liabilities that are measured at fair value at 31 December 2019.

Assets	**Level 1 R'000**	**Level 2 R'000**	**Total R'000**
Debt investments at fair value through profit and loss (FVPL)			
Equity securities - Listed shares in public companies	456 806		456 806
Bonds	86 387		86 387
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		1 543	1 543
Total assets	543 193	1 543	544 736

The following table presents the University's assets and liabilities that are measured at fair value at 31 December 2018.

Assets	**Level 1 R'000**	**Level 2 R'000**	**Total R'000**
Debt investments at fair value through profit and loss (FVPL)			
Equity securities - Listed shares in public companies	344 316		344 316
Bonds (previously classified as held-to-maturity)	39 185		39 185
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		1 327	1 327
Total assets	383 501	1 327	384 828

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the University's accounting policies.
Estimates, assumptions and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the University and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

Estimates and assumptions having a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

(i) Property, plant and equipment
The University annually estimates the useful life and the expected residual value of items of property, plant and equipment for measurement and ensures that changing circumstances are taken into account.

(ii) Employee benefits
The present value of the employee-benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for benefits include the discount rate, the expected salary and pension increase rates, mortality rates, contribution rates and number of dependents. Any changes in these assumptions will have an impact on the charge to surplus or deficit and other comprehensive income and may affect planned funding of the employee benefits.

The appropriate discount rate is determined at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the pension, disability and post-retirement medical obligations. The expected increases in salaries and pensions are based on inflation rates, adjusted for salary scales.

Other key assumptions for pension, disability and medical obligations are based in part on current market conditions. Additional information is disclosed in note 18.

(iii) Loss allowance for impairment of trade receivables and contract assets
Measurement of expected credit loss allowance for trade receivables and contract assets. Management need to classify and group receivables according to characteristics and identify key assumptions in determining the loss rate.

(iv) Impairment of goodwill
Goodwill is allocated to the University's cash-generating units (CGUs). The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates (refer to note 8).

4.2 Significant judgements

(i) Impairment of financial instruments
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates.
The University uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the University's past history, existing market conditions and forward-looking estimates at the end of each reporting period.

5. NUMBER OF EMPLOYEES

The number of permanent employees and fixed term employees with benefits on 31 December 2019 totalled 3 918 (2018: 3 804).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6a. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements (R'000)	Land	Buildings and other improvements *	Vehicles	Furniture	Laboratory equipment	Specialised equipment	Computer equipment	Servers and Printers	Synthetic hockey field	Low value assets	Computer equipment less than R5 000	Right-of-use assets **	Total
Carrying amount at 31/12/17	30 388	913 363	33 938	53 677	43 552	157 624	65 703	28 346	822	30 846	2 493	0	1 360 752
Cost	30 388	1 098 094	49 053	145 583	125 157	393 883	240 273	98 163	2 666	52 242	4 216	0	2 239 718
Accumulated depreciation	0	(184 731)	(15 115)	(91 906)	(81 605)	(236 259)	(174 570)	(69 817)	(1 844)	(21 396)	(1 723)	0	(878 966)
Additions during the year	0	65 931	8 524	6 393	9 665	25 632	35 839	8 355	1 726	15 241	2 213	0	179 519
Depreciation for the year	0	(1 108)	(2 107)	(12 658)	(12 281)	(28 778)	(38 907)	(11 865)	(27)	(20 018)	(1 663)	0	(129 411)
Cost of disposals/scrapings during the year	(17)	0	(2 147)	(6 029)	(28 193)	(9 724)	(59 877)	(24 079)	(1 333)	(14 719)	(1 003)	0	(147 120)
Accumulated depreciation of disposals	0	0	772	5 952	28 178	9 724	59 728	24 072	1 333	14 870	1 053	0	145 681
Carrying amount at 31/12/18	30 371	978 186	38 980	47 335	40 921	154 478	62 486	24 829	2 521	26 220	3 093	0	1 409 422
Cost	30 371	1 164 025	55 430	145 947	106 629	409 791	216 235	82 439	3 059	52 764	5 426	0	2 272 117
Accumulated depreciation	0	(185 839)	(16 450)	(98 612)	(65 708)	(255 313)	(153 749)	(57 610)	(538)	(26 544)	(2 333)	0	(862 695)
Additions during the year	342	92 186	5 517	21 375	11 889	34 710	75 747	33 033	8 642	13 464	2 382	99 244	398 532
Depreciation for the year	0	(7 140)	(2 404)	(11 041)	(11 761)	(27 763)	(42 936)	(15 352)	(1 156)	(17 149)	(2 041)	(37 779)	(176 522)
Cost of disposals/scrapings during the year	0	0	(3 064)	(3 141)	(3 353)	(6 405)	(47 700)	(26 959)	0	(19 425)	(1 172)	0	(111 219)
Accumulated depreciation of disposals	0	0	1 075	2 940	3 259	6 212	47 262	26 935	0	19 423	1 172	0	108 279
Carrying amount at 31/12/19	30 713	1 063 233	40 105	57 468	40 955	161 233	94 859	42 485	10 006	22 534	3 434	61 465	1 628 491
Cost	30 713	1 256 211	57 883	164 181	115 166	438 097	244 281	88 513	11 701	46 803	6 636	99 244	2 559 430
Accumulated depreciation	0	(192 979)	(17 778)	(106 713)	(74 210)	(276 864)	(149 423)	(46 027)	(1 695)	(24 270)	(3 202)	(37 779)	(930 938)

Buildings and equipment with a cost price of R33 875 000 (2018: R26 712 000), funded with Government grants, were not included above (note 2.14.2).

Government grants are recognised as deferred income (current liability) and then applied against the cost of the relevant asset as the asset is obtained/developed, in accordance with IAS 20.

All assets are unencumbered. All disposals of land and buildings acquired with the financial support of the government require approval from the Minister of Higher Education in terms of the Higher Education Act.

The University has a ten-year rolling plan in accordance with which large-scale building maintenance takes place and which is evaluated annually in order to properly maintain the buildings.

The assets register with full particulars of land and buildings is available for inspection at the registered address of the University.

Refer to note 30 regarding capital commitments.

***** Included are buildings still under construction at year end to an amount of R31,6 million for 2019 (2018: R3,0 million).

****** Refer to notes 6b and 34 regarding right-of-use assets.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6b. LEASES

This note provides information for leases where the University is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 R'000	2018 R'000
Right-of-use assets		
Buildings	61 465	0
Lease liabilities		
Non-current (discounted amount)	22 558	0
Current	43 964	0
	66 522	0

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2019	2018
Depreciation charge of right-of-use assets (included in depreciation)	37 779	0
Interest expense (included in finance cost)	7 171	0
Expense relating to short-term leases (included in operating cost)	1 791	0

The total cash outflow for leases in 2019 was R46 741 000.

(iii) The University's leasing activities and how they are accounted for

The University leases various buildings, mainly to accommodate students as well as offices where needed. Rental contracts are typically made for fixed periods of 12 months to 3 years, but may have extension options.

Contracts may contain both lease and non-lease components. For leases of real estate for which the University is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis although terms and conditions are of a similar nature. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the University.

Assets and liabilities arising from a lease are initially measured on a present value basis.
Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), but not lease payments to be made under extension options.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6(b). LEASES (continued)

(iii) The University's leasing activities and how they are accounted for (continued)

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for the University, the University's incremental borrowing rate is used, being the rate that the University would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-in-use asset in a similar economic environment with similar terms, security and conditions.

The University as at date of applying IFRS 16 Leases, did not have finance lease liabilities and had minimal external borrowings. The 3 month Jibar rate of 7,15% as on 1 January 2019 was used as an indication of the weighted average incremental borrowing rate for the University.

Lease payments are allocated between principal and finance cost. The finance cost is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

* the amount of the initial measurement of lease liability
* any lease payments made at or before the commencement date.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in surplus or deficit. Short-term leases are leases with a lease term of 12 months of less.

(iv) Contractual maturities of lease liabilities

The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2019	**R'000**
Between 1 and 2 years	43 964
Between 2 and 5 years (discounted amount R22 558 000)	29 268
Total contractual cash flows	73 232

7. INVESTMENT PROPERTIES

	2019 R'000	**2018 R'000**
Carrying amount at beginning of year	18 831	19 328
Cost	24 862	24 862
Accumulated depreciation	(6 031)	(5 534)
Transfers to property, plant and equipment / disposals	(535)	0
Accumulated depreciation with transfers / disposals	193	0
Depreciation	(487)	(497)
Carrying amount at end of year	18 002	18 831
Cost	24 326	24 862
Accumulated depreciation	(6 325)	(6 031)

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT PROPERTIES (continued)	2019 R'000	2018 R'000
Income	10 867	11 557
Rental income (short-term investment income - note 27)	10 867	11 125
Interest received	0	116
Other	0	316
Less: Expenditure (direct operating expenses arising from investment properties that generate rental income)	9 011	2 544
Personnel remuneration	683	490
Maintenance - buildings	5 111	189
Municipal fees and property tax	1 020	0
Operating costs	67	128
Services outsourced	1 643	1 240
Depreciation	487	497
Net surplus from investment properties	1 856	9 013

The fair value measurement for investment properties has been categorised as a Level 3 under IFRS 13.
Investment properties consist of various business buildings that are leased.

Valuations of investment property are done every 5 years.
Valuations were done in 2017 by Acom Valuers, who have appropriate qualifications and experience in the valuation of the investment property being valued.
Assumptions used for the valuation of Cachet Park include an occupancy rate of 95% and a rental margin of 67,9%.
No tax implications were applicable.
Present value of future cash flow projections, based on lease agreements, were used in the calculation of the fair value to the amount of R82 000 000, using a discount rate per annum of 9,50%.
Investment properties - Other: The fair value amounts to R3 650 000. Valuation was done in 2016 by Danie Rothman Accountants. This firm has the appropriate qualifications and experience to perform valuations.
The Nest Complex is now owner-occupied and was transferred to property, plant and equipment during 2019.

The sensitivity analysis below shows the impact on the fair value of the investment property to changes in key valuation assumptions.

	Discount rate		
R'000	**8,50%**	**9,50%**	**10,50%**
Rental (5% decrease)	87 065	77 900	70 481
Rental (per valuators' report)	91 647	82 000	74 190
Rental (5% increase)	96 229	86 100	77 900

All assets are unencumbered. All disposals of land and buildings acquired with the financial support of the government require approval from the Minister of Higher Education in terms of the Higher Education Act, 1997 (Act No. 101 of 1997).

Leasing arrangements
The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts may include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Minimum lease payments receivable on leases of investment properties are as follows:	2019 R'000	2018 R'000
Within 1 year	9 220	9 536
Between 1 and 2 years	8 597	9 220
Between 2 and 3 years	8 323	8 597
Between 3 and 4 years	7 749	8 323
Between 4 and 5 years	7 248	7 749
Later than 5 years	7 987	15 234
	49 123	58 659

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

	2019 R'000	2018 R'000
Goodwill (with acquisition of OpenCollab Proprietary Limited)	950	950

Impairment tests for goodwill

The recoverable amount is determined annually, based on value-in-use calculations for the past five years. These calculations use pre-tax cash flow projections.

9. INVESTMENTS

9.1 Total investments

Financial assets at fair value through profit or loss (FVPL) as elected at initial recognition.

Comprise:

* Debt investments that do not qualify for measurement at either amortised cost or FVOCI;
* Equity investments that are held for trading, and
* Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Refer to note 2.8 and note 12.

	2019 R'000	2018 R'000
Investments at FVPL		
Unlisted investments		
Unlisted shares that do not qualify as an investment in equity-accounted investees	1 543	1 327
Listed investments		
Shares in public companies	456 806	344 316
Bonds	86 387	39 185
	544 736	384 828

Financial assets at amortised cost

Comprised of assets that meet both of the following criteria:

* asset is held within a business model whose objective is to collect the contractual cash flows, and
* the contractual terms give rise to cash flows that are solely payments of principal and interest.

Refer to note 2.8.

	2019 R'000	2018 R'000
Committee for investments (cash portfolio)	(1 435)	107 287
Other (money market portfolio)	3 140 826	2 320 544
	3 139 391	2 427 831

Financial assets at FVPL and at amortised cost

	2019 R'000	2018 R'000
Presented as follows:		
Non-current assets	2 974 008	858 580
Current assets	710 119	1 954 079
Total investments	3 684 127	2 812 659

The University reinvests all investments which mature in investments of similar long-term nature.

The carrying values (cost) of investments held at fair value are as follows:
The market value of listed investments represents the closing prices at year-end as fixed on the Johannesburg Securities Exchange. The valuation of unlisted investments which takes place on the reporting date in accordance with relevant valuation bases (note 2.8) is regarded to be the same value as reflected above.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

9.1 Total investments (continued)

Other information

Realised profits or losses on the disposal of investments are included in investment income (note 27).

The register with full particulars of the above-mentioned investments is available for inspection at the registered address of the University.

Refer to notes 3 and 11 for additional disclosure on financial instruments.

	2019 R'000	2018 R'000
Amounts recognised in the statement of comprehensive income		
The following amounts were recognised in surplus or deficit:		
Fair value gains/(losses) on debt instruments at FVPL		
Shares in public companies	(130 442)	(29 836)
Unlisted shares - not investments in equity-accounted investees	216	274
	(130 226)	(29 562)

9.2 Investment in subsidiaries

The University is the ultimate holding entity of the group.

All the subsidiary entities are incorporated in South Africa and their principal place of business is situated in South Africa.

Details as reflected in the respective entities' annual financial statements

	2019 R'000	2018 R'000
Molopo Sun Proprietary Limited (100% interest)		
The principal business of the company is the rental of equipment to the University.		
Carrying amount of shares	0	3
Attributable (loss)/profit after tax	0	(6)

Molopo Sun Proprietary Limited was deregistered during 2019.

	2019 R'000	2018 R'000
PUK Kanselierstrust (100% interest)		
The principal business of the trust is to promote higher education at the University.		
Carrying amount of trust funds	1 452	1 422
Attributable profit	29	29
PUK Ontwikkelingstrust (Incorporated association not for gain) (100% interest)		
The principal business of the company is to generate funds in order to realise the vision and mission of the University.		
Carrying amount: Reserves	13 922	13 922
Attributable loss: Non-distributable	0	(17)
OpenCollab Proprietary Limited (94,90% interest)		
The principal business of the company is to provide software development, maintenance, support and consulting services.		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	480	1 483
Intsyst Labs Proprietary Limited (100% interest)		
The principal business of the company is research into and development of intelligent systems.		
Carrying amount of shares	0	0 *
Attributable loss after tax	(4)	(28)

Intsyst Labs Proprietary Limited was deregistered during 2019.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

9.2 Investment in subsidiaries (continued)

Details as reflected in the annual financial statements (continued)

	2019 R'000	2018 R'000
Innovation Highway Proprietary Limited (100% interest)		
The principal business is acting as holding company as well as an incubator for early venturing in a commercial environment, from which fully-fledged spin-out companies will be formed.		
Carrying amount of shares	0 *	0 *
Attributable (loss)/profit after tax	(839)	(24)
Innovation Highway Enterprises Proprietary Limited (100% interest)		
The principal business of the company is technology transfer, innovation and business commercialisation and any other related activities.		
Carrying amount of shares	0 *	0 *
Attributable (loss)/profit after tax	(17)	(17)
Hydrogen Core Technologies Proprietary Limited (100% interest)		
The principal business of the company is the commercialisation of HySA technologies (under DST funding)		
Carrying amount of shares	0 *	0 *
Attributable loss after tax	(14)	(5)
Hyfra Proprietary Limited (100% interest)		
The principal business of the company is the commercialisation of HySA technologies (outside DST funding)		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	0	0
Platforum Proprietary Limited (19% (2018: 100% interest))		
The principal business of the company is the development of additive manufacturing technology.		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	0	0
North West Fibre Proprietary Limited (100% interest) (2016: 50% interest)		
The principal business of the company is the development of fibre technology.		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	0	0
Total assets and liabilities of consolidated subsidiaries		
Assets	33 403	30 277
Liabilities	(1 070)	(48)

***** Amounts less than R1 000 are disclosed as Rnil due to rounding off to the nearest thousand.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

9.2 Investment in subsidiaries (continued)

Mortgages

Loan account to Molopo Sun Proprietary Limited: The University previously subordinated its claim with respect to this loan to claims of other creditors. Molopo Sun Proprietary Limited was deregistered during 2019.

The University has no other interest or investments in unconsolidated or structured entities.

Other

PURCO SA is the purchasing consortium of the Higher Educational sector in South Africa. North-West University is a member of the consortium. NWU is entitled to utilise PURCO SA on specific tenders to obtain the best prices. PURCO SA is not a subsidiary, associate, joint venture or unconsolidated special purpose entity.

10. EQUITY-ACCOUNTED INVESTEES

	2019 R'000	2018 R'000
Balance at beginning of year	1 098	107
(Disposal)/acquisition of holding in investees *	(0) *	0
Movement for the year	269	991
Share of (loss)/profit	0	(106)
Loan to Finclude Technologies Proprietary Limited	269	1 097
Balance at end of year	1 367	1 098

* Amounts less than R1 000 are disclosed as Rnil due to rounding off to the nearest thousand.

The University's share of the results of its principal equity-accounted investees, and its aggregated assets (including goodwill) and liabilities, are as follows:

Name	Assets R'000	Liabilities R'000	Revenue R'000	Profit/(loss) R'000	Interest held
2019					
- Ambixtra Proprietary Limited #	36 629	59 492	0	(2 513)	24%
- Finclude Technologies Proprietary Limited	4 483	5 864	4 517	(1 068)	35%
	41 112	65 355	4 517	(3 581)	
2018					
- Ambixtra Proprietary Limited	34 611	52 675	18	(2 992)	22%
- Finclude Technologies Proprietary Limited	3 476	3 993	6 473	(581)	35%
	38 087	56 668	6 491	(3 573)	

All the equity-accounted entities are incorporated in South Africa.
The University's interests in associate entities are considered to be non-material and their activities are not strategic to those of the University. The associated risk is therefore minimal. No dividends were received.

Shareholders agreements with both Ferticide Proprietary Limited and Kemajo Innovations Proprietary Limited were cancelled during 2019 as both projects were terminated.

\# Ambixtra Proprietary Limited is a start-up operation funded jointly by the Independent Development Corporation (IDC) and founders. As the company was expected to only start generating profit in 2019, the loan was impaired in full. Ambixtra Proprietary Limited has been struggeling to stay afloat and the NWU has declared a dispute in February 2020. The NWU has also given contractual notice. It is expected than the entity will go into liqudation.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS

Financial instruments carried in the statement of financial position include investments, trade and other receivables, cash and cash equivalents, borrowings, derivatives, trade and other payables.

The fair values of these financial assets are deemed to approximate their carrying amounts.

11a. FINANCIAL INSTRUMENTS BY CATEGORY

2019	Amortised cost R'000	Fair value through profit or loss R'000	Total R'000
Assets			
Investments and derivatives (note 9)	3 139 391	544 736	3 684 127
Trade and other receivables (note 14)			
(excluding prepayments and VAT)	216 987	0	216 987
Cash and cash equivalents (note 15)	424 526	0	424 526
Total	3 780 904	544 736	4 325 640

Liabilities	Amortised cost R'000	Total R'000
Borrowings (note 17)	11 442	11 442
Trade and other payables (note 20)	445 454	445 454
Total	456 896	456 896

2018	Amortised cost R'000	Fair value through profit or loss R'000	Total R'000
Assets			
Investments and derivatives (note 9)	2 427 831	384 828	2 812 659
Trade and other receivables (note 14)			
(excluding prepayments and VAT)	284 695	0	284 695
Cash and cash equivalents (note 15)	215 269	0	215 269
Total	2 927 795	384 828	3 312 623

Liabilities	Amortised cost R'000	Total R'000
Borrowings (note 17)	23 260	23 260
Trade and other payables (note 20)	359 232	359 232
Total	382 492	382 492

11b. CREDIT QUALITY OF FINANCIAL ASSETS

The University has the following types of financial assets that are subject to the expected credit loss model:

* Debt investments carried at amortised cost
* Trade and other receivables
* Contract assets relating to research contracts

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial assets at amortised cost

Financial assets at amortised cost include NCDs, treasury bills and listed corporate bonds, loans to related parties and other receivables.

Instruments are considered to be of low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS (continued)

11b. CREDIT QUALITY OF FINANCIAL ASSETS (continued)

Trade receivables and contract assets

The University applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets

Refer to note 2.11 for accounting policy and method of grouping of assets.

The following information was used to dertermine the expected loss allowance for both trade receivables and contract assets. Trade receivables were divided between student debtors and other debtors.

STUDENT DEBTORS	**Potch campus**	**Vaal campus**	**Mafikeng campus**
31 December 2019			
Groups as classified for payment collection purposes:			
NSFAS funded students	22 137	30 229	33 179
PD based on a BB+ government rating	0.36%	0.36%	0.36%
Other government funded students	2 187	1 296	747
PD based on a BB+ government rating	0.36%	0.36%	0.36%
Cash paying students	55 054	24 721	70 425
Historical 3 year average	27.28%	27.36%	21.66%
Open distance learning students	36 393	2 957	0
Management decision - students responsible for own funding	50.00%	50.00%	50.00%
	55 054	24 721	70 425
* Calculated percentage added for provision (refer to note below)	4.00%	3.00%	2.00%
Loss allowance per campus	35 502	9 097	16 786
TOTAL LOSS ALLOWANCE			61 385
31 December 2018			
Groups as classified for payment collection purposes:			
NSFAS funded students	28 154	31 820	45 409
PD based on a BB+ government rating	0.36%	0.36%	0.36%
Other government funded students	2 881	473	1 417
PD based on a BB+ government rating	0.36%	0.36%	0.36%
Cash paying students	55 312	26 618	73 638
Historical 3 year average	28.59%	26.13%	20.95%
Open distance learning students	26 492	0	0
Management decision - students responsible for own funding	50.00%	50.00%	50.00%
	55 312	26 618	73 638
* Calculated percentage added for provision (refer to note below)	4.00%	3.00%	2.00%
Loss allowance (R'000) per campus	31 381	7 869	17 071
TOTAL LOSS ALLOWANCE (R'000)			56 321

Note : Calculated % added for provision

* Taken into account the possible impact that fees must fall movement may have on the University and the recoverability of the student debt, this percentage is added and relates to forward looking information.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS (continued)

11b. CREDIT QUALITY OF FINANCIAL ASSETS (continued)

SUNDRY DEBTORS

31 December 2019	**Rating**	**PD (90+ days)**	**Total R**
Classified groups:			
Government	BB+	0.0036	25
Similar to government and universities	BB	0.0058	186
Municipalities	BB-	0.0105	5
Corporates with balances above R1 million (5 customers)	individually calculated PD		109
Corporates with balances under R1 million		0.2774	27
Individuals and other	Full amount 90 days and longer outstanding		7 513
Loss allowance			7 865

31 December 2018			
Classified groups:			
Government	BB+	0.0036	27
Similar to government and universities	BB	0.0058	149
Municipalities	BB-	0.0105	3
Corporates with balances above R1 million (6 customers)	individually calculated PD		82
Corporates with balances under R1 million		0.3082	21
Individuals and other	Full amount 90 days and longer outstanding		4 702
Loss allowance			4 984

The expected credit loss on contract assets at year end amounts to R17 400 (2018: R32 800) and is considered non-material.

Exposure per category:	**2019**	**2018**
Investments (note 9)	**R'000**	**R'000**
FVPL - listed shares	456 806	344 316
FVPL - unlisted shares	1 543	1 327
FVPL - bonds	86 387	39 185
Amortised cost - money market instruments *	3 139 391	2 427 831
Trade and other receivables (note 14)	227 631	299 514
Cash and cash equivalents	424 526	215 269
Total	4 336 284	3 327 442

***** An amount of R3 125 256 000 (2018: R2 154 679 000) is invested in "AA" Bank NCDs with guaranteed buy back. Same day settlement.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Balance at beginning of year	384 828	377 182
Additions/(disposals) - shares in public entities	242 932	(1 977)
Additions - bonds	47 202	39 185
Net loss transferred to surplus or deficit	(130 226)	(29 562)
Balance at end of year	544 736	384 828

There were no impairment provisions made on financial assets at fair value through profit or loss (FVPL) in 2019 and 2018.

FVPL financial assets include the following:		
Listed securities:		
Shares in public entities	456 806	344 316
Bonds	86 387	39 185
Unlisted securities:		
Investments that do not qualify as an investment in equity-accounted investees	1 543	1 327
	544 736	384 828

FVPL financial assets are denominated in rand and none of the assets are impaired.

The fair value of unlisted securities is based on cash flows and other valuation techniques (note 2.9).

The maximum exposure to credit risk at the reporting date is the carrying value of the securities.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. INVENTORIES	2019 R'000	2018 R'000
Net realisable value (see note 26)		
Foodstuffs (Residence and Catering Services)	4 663	2 418
Publications and study materials	716	30 354
Other consumables	21 895	17 947
Veterinary health	2 964	1 365
	30 238	52 084
At cost		
Foodstuffs (Residence and Catering Services)	4 925	2 650
Publications and study materials	2 993	31 312
Other consumables	23 051	17 950
Veterinary health	2 964	1 365
	33 933	53 277

Obsolete inventory in the amount of R3 695 000 (2018: R1 193 000) was written off (see note 26).

14. TRADE AND OTHER RECEIVABLES	2019 R'000	2018 R'000
Balance at beginning of year	237 425	335 388
Plus: Net movement	0	(48 879)
	237 425	286 509
Less: Bad debts written off	(50 224)	(49 084)
Balance at end of year	187 202	237 425
Less: Loss allowance	(69 250)	(61 306)
Balance at beginning of year - calculated under IAS 39	(61 306)	(99 111)
Amounts restated through opening retained earnings	0	48 878
Debtors written off during current year	50 224	49 084
Allowance for credit losses created in current year	(58 168)	(60 157)
Balance at end of year	117 952	176 120
Details of trade and other receivables		
Students		
Tuition and residence fees	207 222	271 656
Less: Loss allowance	(61 385)	(56 321)
Sub-total: Students	145 837	215 335
Sub-total: Advances and prepayments	8 337	12 967
Other debtors	81 322	76 196
Projects: Services rendered	59 317	58 478
VAT	2 308	1 851
Other	19 697	15 867
Less: Loss allowance	(7 865)	(4 984)
Sub-total: Other debtors	73 457	71 212
Total trade and other receivables	227 631	299 514

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER RECEIVABLES (continued)

Student receivables

Student debtors who have not paid their accounts by the autumn graduation ceremony of the following year are considered non-recoverable or doubtful and handed over to attorneys for collection. Current student debtors are also not allowed to register for studies unless outstanding balances are settled or repayment contracts have been negotiated. The increase or decrease in the loss allowance, debts written off, as well as amounts previously written off and recovered during the year, are included in current operating expenditure. Refer to note 2.11 for accounting policy and calculation of expected credit loss (ECL).

	2019 R'000	2018 R'000
Movement in the loss allowance for student debtors:		
Balance at beginning of year - calculated under IAS 39	56 321	70 842
Amounts restated through opening retained earnings	0	(23 099)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	56 321	47 743
Student debtors written off during current year as uncollectable	(47 141)	(47 573)
Increase in expected loss allowance during the year	52 205	56 151
Balance at end of year	61 385	56 321
The ageing of student debtors that are past due is as follows:		
Student debtors past due and impaired (enrolled up to 2019)	61 385	56 321
Student debtors past due but not impaired (enrolled again in 2020)	145 837	215 335
Total balance at end of year	207 222	271 656

Other debtors

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the University, and a failure to make contractual payments for a period of 90 days or more.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Refer to note 2.11 for accounting policy and calculation of expected credit loss (ECL).

	2019 R'000	2018 R'000
Movement in the loss allowance for sundry debtors:		
Balance at beginning of year - calculated under IAS 39	4 984	28 268
Amounts restated through opening retained earnings	0	(25 778)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	4 984	2 490
Other debtors written off during current year as uncollectable	(3 082)	(1 511)
Increase in expected loss allowance during the year	5 963	4 006
Balance at end of year	7 865	4 984

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER RECEIVABLES (continued)	**2019 R'000**	**2018 R'000**
The fair values of trade and other receivables are as follows:		
Student debtors	145 837	215 335
Other debtors	71 150	69 361
Financial assets	216 987	284 696
Advances and prepayments	8 337	12 967
VAT	2 308	1 851
Total	227 631	299 514

The fair value is deemed to approximate the carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The University does not hold any collateral as security.

15. CASH AND CASH EQUIVALENTS

Short-term bank deposits	210 039	147 146
Bank balances	213 507	67 221
Petty cash advances	980	902
	424 526	215 269

The weighted average effective interest rate on short-term bank deposits was 8,01% (2018: 7,93%).
The fair value is deemed to approximate the carrying amounts.

The cash and cash equivalents are managed together with investments according to the financial needs of the University. Funds are totalled and restricted funds are not managed separately.
Unspent earmarked grant funds of R433 279 000 (2018: R367 290 000) are included in the total funds of the University consisting of cash and cash equivalents and investments. These funds are restricted it may only be used for specific grant requirements.
The reserves have been split between restricted funding and non-restricted funding.
Guarantees of R1 324 000 are currently held by ABSA Bank (2018: R1 324 000).

16. EQUITY

The movement in equity is the result of the normal financial cycle after fair value adjustments had been made. Refer to note 9 for detail.

Transfers between funds include the following:

- If the utilisation of funds results in the creation of an asset, the amount so utilised is transferred from its relevant fund to property, plant and equipment funds. It also includes depreciation;
- Where Council has designated funds for specific purposes, e.g. bursaries;
- Funds allocated for financing of major capital expenditure projects (funds held for investment in property, plant and equipment); and
- on completion of certain projects/defined activities, the surplus is transferred to designated funds.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. BORROWINGS - INTEREST-BEARING	**2019 R'000**	**2018 R'000**
Carrying amounts		
First National Bank - PUK Sport Village and extension of Excelsior Hostel	0	6 802
First National Bank - New residence	11 442	16 458
Total borrowings	11 442	23 260
Less: Current portion	5 682	12 227
Non-current liabilities	5 760	11 033

Represented as follows:

First National Bank - PUK Sport Village and extension of Excelsior Hostel

Total - First National Bank loan	0	6 802
Less: Current portion	0	6 802
Non-current liabilities	0	0

A FirstRand Bank Negotiable Certificate of Deposit served as security for the loan. This loan beared interest at a fixed rate of 10,20% per annum. Repayments took place in equal annual instalments in the amount of R7 389 000 (including interest and capital), with a final instalment paid on 21 October 2019.

First National Bank - New residence

Total - First National Bank loan	11 442	16 458
Less: Current portion	5 682	5 425
Non-current liabilities	5 760	11 033

A FirstRand Bank Negotiable Certificate of Deposit serves as security for the loan. This loan bears interest at a fixed rate of 9,20% per annum. Repayments take place in equal annual instalments in the amount of R6 290 000 (including interest and capital), with a final instalment due on 28 July 2021.

Borrowings are carried at amortised cost using the effective rate method.
The fair value approximates the carrying amount.

Maturity of borrowings (capital and interest):

Less than 1 year	6 290	13 679
Between 1 and 2 years	6 290	12 581
Between 3 and 5 years	0	0
	12 579	26 260

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS	2019 R'000	2018 R'000
ASSETS		
Net assets recognised in the statement of financial position		
North-West University Pension Fund (note 18.1)	351 991	405 220
Total employee benefit assets	351 991	405 220
LIABILITIES		
Accrued leave	529 255	495 906
Post-employment medical benefits (note 18.3)	159 934	159 060
Total employee benefit liabilities	689 189	654 966
Less: Current liability - accrued leave	(162 158)	(36 601)
Total non-current liability	527 031	618 365

18.1 North-West University Pension Fund

The North-West University Pension Fund, which is registered in terms of and governed by the Pension Funds Act (Act 24 of 1956 (as amended)), was implemented on 1 January 1995. The North-West University Pension Fund has two fixed-benefit options, which were only available to members who changed from the Associated Institutions Pension Fund to the North-West University Pension Fund on 1 January 1995 – closed options (2019: 0,39% or 14 members and 2018: 0,47% or 17 members). A fixed-contribution option with a defined-benefit guarantee applied to all new members joining from 1 January 1995 (2019: 6,62% or 238 members and 2018: 7,30% or 265 members). This option closed in December 2003. A fourth option was introduced on 1 January 2004 for all new members of the Fund, namely a fixed-contribution option (2019: 92,80% or 3 336 members and 2018: 91,98% or 3 341 members). A statutory actuarial valuation of the North-West University Pension Fund is undertaken every three years. At 1 January 2020, the effective date of the most recent statutory actuarial valuation, the retirement benefit fund was found to have a surplus of R349 037 000.

Valuation calculations were done in terms of IAS19 (revised) in reporting on the defined benefit pension fund, with the following results:

Current estimated employee benefit obligation:	2019 R'000	2018 R'000
Present value of obligation	0	1 103 360
Fair value of plan assets	(351 991)	(1 537 319)
Impact of asset ceiling limitation (note 1)	0	28 739
Asset at year-end	(351 991)	(405 220)
Recognised in profit or loss:		
Current service costs (personnel remuneration)	0	29 424
Net interest (personnel remuneration)	(29 350)	(41 387)
	(29 350)	(11 963)
Recognised in other comprehensive income:		
Actuarial gain due to experience	(1 262)	(80 598)
Actuarial gain due to financial assumption changes	(4 966)	(86 876)
Actuarial loss due to the conversion (note 2)	65 560	0
Actuarial loss due to outsource of pensioners (note 3)	43 723	0
Actual return on assets	(42 107)	40 888
Expected return	50 370	156 530
Change in asset ceiling limitation	0	28 739
Total actuarial loss	111 318	58 683
Total actuarial loss	111 318	58 683
Irrecoverable surplus (effect on asset ceiling)	(28 739)	(57 814)
	82 579	869

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.1 North-West University Pension Fund (continued)	2019	2018
Recognised in the statement of financial position:	**R'000**	**R'000**
Opening net asset	(405 220)	(372 983)
Expense	(29 350)	(11 963)
Contribution	0	(21 143)
Remeasurements recognised in other comprehensive income	111 318	58 683
Irrecoverable surplus (effect on asset ceiling)	(28 739)	(57 814)
Asset at year-end	(351 991)	(405 220)
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	1 103 360	1 217 424
Interest cost	21 020	115 143
Service cost	0	29 424
Contribution	0	10 503
Benefits paid	(15 709)	(101 660)
Actuarial gain	(6 228)	(167 474)
Settlement 1 (note 2)	(674 025)	0
Settlement 2 (note 3)	(428 418)	0
Liability for defined-benefit obligations at 31 December	0	1 103 360
Movement in the plan assets:		
Fair value of plan assets at 1 January	1 537 319	1 648 221
Expected return on plan assets	50 370	156 530
Contribution	0	31 646
Benefits paid	(15 709)	(101 660)
Actuarial (loss)/gain	(8 263)	(197 418)
Assets in respect of active members converted to defined contribution (note 4)	(739 585)	0
Cost of insurance annuities brought for pensioners	(472 141)	0
Fair value of plan assets at 31 December	351 991	1 537 319

Note:

1. The trustees have not allocated the surplus in terms of Practice Notice 2 of 2016, thus the surplus is limited until approved by the trustees.

2. The Fund converted the defined benefit members to defined contribution with effetive date 1 November 2018. As the Financial Sector Conduct Authority (FSCA) only approved the conversion on 12 June 2019, after the finalisation of the previous valuation, the defined benefit obligation was shown for these members in the previous valuation. To allow for the conversion, the obligation in respect of the defined benefit members are deducted from the opening obligation as at 31 December 2018.

3. Insured annuities were purchased from Momentum for all pensioners, in the Fund's name, with effective dates of 1 June 2019 and 1 July 2019. The liability for the pensioners have therefore been calculated as at 31 December 2019 and the asset has been set equal to the value of the liabilities.

4. The Fund converted the defined benefit members to defined contribution with effetive date 1 November 2018. As the Financial Sector Conduct Authority (FSCA) only approved the conversion on 12 June 2019, after the finalisation of the previous valuation, the assets in respect of the defined benefit was included in the fair value of assets as at 31 December 2018. To allow for the conversion, the value of the defined contribution value of the converted members are deducted from the opening fair asset value as at 31 December 2018.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.1 North-West University Pension Fund (continued)

Plan assets comprise:	2019 %	2018 %
Local equity securities	48,8	49,6
International equity securities	22,5	25,1
Local fixed interest	9,7	12,3
International fixed interest	2,1	1,7
Local cash	5,1	2,7
Local commodities	1,4	2,0
Local property	10,4	6,6
	100,0	100,0
Principal actuarial assumptions at 31 May 2019:		
Inflation rate	5,70	6,40
Discount rate	9,03	9,89
Expected return on plan assets**	9,70	10,40
Expected future salary increases	6,70	7,40
	+ merit increases	+ merit increases
Expected pension increases	5,20	5,90

Principal actuarial assumptions at the reporting date (continued):	2019 %	2018 %
Mortality rates pre-retirement #	Not applicable	SA (56 - 62), rated down 3 years for female members
Mortality rates post-retirement	PA (90), rated down 1 year, 1% future mortality improvement	PA (90), rated down 1 year, 1% future mortality improvement

** The expected investment return reflects the return anticipated and allowing for the asset mix and investment mandate. The return used in the valuation for the determination of the surplus or deficit charge in the year is the discount rate. The pension increases are determined by the extent to which the expected return on plan assets, including allowance for returns in excess of the discount rate above, exceeds the threshold rate of 4,5% per annum. The expected return used is based on the long term investment strategy of the Fund, which is to target CPI + 4% (i.e. 10,40%).

The Fund no longer has any defined benefit liabilities and no assumptions were required as at 31 December 2019.

18.2 North-West University Disability Reserve Fund

The disability benefit is 82,5% of the member's pensionable salary as at the date of disability. In addition the fund pays the the employer contributions to the North-West University Pension Fund. The employee contribution of 7,5% is included in the 82,5% of pensionable salary. A decision was taken for the purposes of this valuation to include the employer contributions in the benefits payable. This additional liability was taken into account. A statutory actuarial valuation of the North-West Disability Reserve Fund is undertaken every three years. At 1 January 2020, the effective date of the recent statutory actuarial valuation, the disability reserve fund was found to have a surplus of R15 897 000.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

Valuation calculations in terms of IAS19 (revised) on the disability reserve fund were performed, with the following results:

	2019	2018
Current estimated employee benefit obligation:	**R'000**	**R'000**
Present value of obligation	17 918	18 567
Fair value of plan assets	(42 173)	(48 939)
Impact of asset ceiling	24 255	30 372
Asset at year-end	0	0
Recognised in profit or loss:		
Current service costs	971	793
Net interest	(2 253)	(3 365)
Reinsurance premiums	8 768	7 976
Total included in personnel remuneration	7 486	5 404
Recognised in other comprehensive income:		
Actuarial loss due to experience	3 371	1 188
Actuarial gain due to financial assumption changes	(3 282)	(1 866)
Actuarial loss due to demographic assumption changes (mortality of 3 pensioners)	0	725
Actual return on assets	(5 246)	3 453
Expected return	3 788	4 896
Impact of asset ceiling limitation	(6 117)	(13 800)
	(7 486)	(5 404)
Recognised in the statement of financial position:		
Opening net asset	0	0
Expense	7 486	5 404
Remeasurement recognised in other comprehensive income	(7 486)	(5 404)
Asset at year-end	0	0
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	18 567	19 271
Interest cost	1 535	1 531
Service cost	971	793
Benefits paid (net of reinsurance recoveries)	(3 244)	(3 075)
Actuarial loss on obligation	89	47
Liability for defined-benefit obligations at 31 December	17 918	18 567
Movement in the plan assets:		
Fair value of plan assets at 1 January	48 939	63 443
Expected return on plan assets	3 788	4 896
Contribution (net of reinsurance premiums)	(8 768)	(7 976)
Benefits paid (net of reinsurance recoveries)	(3 244)	(3 075)
Actuarial gain/(loss) on assets	1 458	(8 349)
Fair value of plan assets at 31 December	42 173	48 939

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

Plan assets comprise:	2019 %	2018 %
Local equity securities	50,5	54,2
International equity securities	30,1	28,2
Property	13,6	10,3
Bonds	3,8	5,2
Local cash	2,0	2,1
	100,0	100,0

Principal actuarial assumptions at the reporting date:		
Inflation rate	4,41	5,47
Discount rate	8,20	8,80
Expected return on investment***	8,41	9,47
Benefit increases	4,41	5,47
Increases in payments from reinsurers	5,00	5,00

	2019	2018
Mortality rates	PA (90) tables for males and females, rated up by 4 year, 3% additional loading on mortality at each age	

******* The expected investment return reflects the return anticipated and allows for the asset mix and investment mandate. The return used in the valuation for the determination of the surplus or deficit charge in the year, is the discount rate.

Included below is a sensitivity analysis in respect of the obligation showing the effects of changes in the different key assumptions:

	2019 Increase R'000	2019 Decrease R'000
Discount rate - change by 0,25%	(223)	228
Inflation rate - change by 0,10%	414	(411)
Mortality rate - change by 1 year	(233)	228

18.3 Post-employment medical benefits

In accordance with current staff practice, contributions to the medical aid fund are also made on behalf of retired employees (Potchefstroom and Vaal Triangle Campuses) who had been employed before 1 January 1999.

Valuation calculations in terms of IAS19 (revised) are done annually and the results of the valuation are as follows:

	2019 R'000	2018 R'000
Current estimated employee benefit obligation:		
Present value of obligation	159 934	159 060
Recognised in profit or loss:		
Current service costs	2 079	2 169
Net interest	14 746	14 839
Total included in personnel remuneration	16 825	17 008

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.3 Post-employment medical benefits (continued)

	2019 R'000	2018 R'000
Recognised in the statement of comprehensive income:		
Actuarial gain recognised in other comprehensive income (OCI)	(6 002)	(13 895)
Recognised in the statement of financial position:		
Pensioners	128 093	103 517
Active employees	31 841	55 543
Present value of unfunded liability	159 934	159 060
Movement in the liabilities:		
Liability at 1 January	159 060	165 580
Interest cost	14 746	14 839
Service cost	2 079	2 169
Contribution	(9 949)	(9 633)
Actuarial gain	(6 002)	(13 895)
Liability at 31 December	159 934	159 060

Principal actuarial assumptions at the reporting date:	2019 %	2018 %
Inflation rate	5,32	6,11
Discount rate	9,22	9,57
Expected future salary increases	6,00	6,61
Expected future medical cost increases	6,82	7,61

Mortality rates — Pre-expected retirement age: SA1985-90 light
Post-expected retirement age: PA(90)-2

The sensitivity analysis below illustrates how results change under various alternative assumptions.

Assumption	Variation	% change in past-service contractual liability	% change in service cost plus interest (contractual liability)
2019			
Salary/Health-care cost inflation	+1%	+9,2%	+10,0%
	-1%	-8,0%	-8,7%
Mortality	+1%	-7,5%	- 8,0%
	-1%	+8,4%	+9,0%
Resignation rate	+1%	-0,9%	-1,2%
	-1%	+1,0%	+1,4%
2018			
Salary/Health-care cost inflation	+1%	+9,7%	+10,6%
	-1%	-8,4%	-9,1%
Mortality	+1%	-7,8%	- 8,3%
	-1%	+8,7%	+9,3%
Resignation rate	+1%	-1,3%	-1,7%
	-1%	+1,4%	+1,9%

Expected contributions to post-employment benefit plans for the year ending 31 December 2020 are R12 085 000.

There are currently no long-term assets set aside in respect of the NWU's post-employment health care liabilities. Therefore, no assumption specifically relating to assets has been made.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.4 Associated Institutions Pension Fund

Some of the permanent staff in the relevant staff categories (Potchefstroom and Vaal Triangle campuses), (2019: 0,19% or 7 staff members and 2018: 0,25% or 9 staff members) exercised the option of remaining members of the Associated Institutions Pension Fund (AIPF), which fund is registered in terms of and governed by the Pension Funds Act (Act No. 24 of 1956 (as amended)). Upon retirement these staff members receive retirement benefits in terms of a defined-benefit plan. The University has a liability to make an additional contribution to the pension fund if the cash flow of the AIPF is insufficient for the payment of the pensions of pensioners. The latest valuation was done on 31 March 2005 and the results show a funding level of 151,4% and a R3 631 000 surplus. The AIPF is administered by the State.

The amount as recognised in the statement of comprehensive income (note 25 – Personnel remuneration) for 2019 is R973 000 (2018: R1 165 000).

18.5 NWU Provident Funds

The NWU provident funds were established on 1 March 1993 and 1 March 1996 respectively. All permanent staff members in the relevant staff categories (Potchefstroom and Vaal Triangle Campuses 2019: 83 staff members and 2018: 93 staff members) contribute to the NWU provident funds. The Registrar of Pensions does not require that a fixed-contribution fund be valued actuarially. The fund is 100% funded because benefits are limited to fixed contributions plus growth.
The University has no further obligation towards the funds.

The amount as recognised in the statement of comprehensive income (note 25 – Personnel remuneration) for 2019 is R1 736 000 (2018: R1 688 000).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. DEFERRED GRANT INCOME

	2019 R'000	2018 R'000
Deferred income mainly comprises of state infrastructure grants.		
These grants are capital by nature.		
Capital projects	346 573	317 237
Balance at beginning of year	317 237	264 635
Subsidy received during the year	127 991	125 670
Interest capitalised during the year	19 756	17 612
	464 984	407 917
Recognised during the year	(118 411)	(90 680)
Balance at end of year	346 573	317 237
Presented as follows:		
Non-current liability: Long-term portion	219 814	230 201
Current liability: Short-term portion	126 759	87 036
	346 573	317 237

20. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Trade creditors	256 859	155 186
Student fees - credit accounts	188 595	204 046
	445 454	359 232

The fair value approximates the carrying amount.

21. INCOME RECEIVED IN ADVANCE

	2019 R'000	2018 R'000
Student-related fees and deposits	4 573	5 833
Deferred earmarked grants (operational by nature - granted annually)	86 706	50 053
Other (research and projects)	328	724
	91 607	56 610

The fair value approximates the carrying amount.

22. ASSETS AND LIABILITIES RELATING TO CONTRACTS WITH CUSTOMERS

All contract assets and contract liabilities relate to research contracts.

	2019 R'000	2018 R'000
Contract assets		
Opening balance	26 486	0
Consideration received during the period	12 427	0
Performance obligations completed	(24 880)	26 486
Total contract assets - Closing balance	14 033	26 486
Contract liabilities		
Opening balance	60 801	0
Performance obligations met during the period	(47 261)	0
Performance obligations not satisfied	41 396	60 801
Total contract liabilities - Closing balance	54 936	60 801
Net contract liabilities	40 903	34 314

Performance obligations not satisfied

Unsatisfied performance obligations amounting to R54 936 000 (2018: R60 801 000) relate to research contracts and revenue will be recognised as the performance obligations are met during future accounting periods. Management expects that 60% of the trasactions price allocated to unsatisfied performance obligations as on 31 December 2019 will be recognised as revenue during the next reporting period (R33 069 000). The remaining 40% (R21 867 000) will be recognised in the 2021 financial year.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. STATE APPROPRIATIONS - SUBSIDIES AND GRANTS

	2019 R'000	2018 R'000
Unrestricted or designated		
Operating purposes	1 988 756	1 869 442
Earmarked grants	161 080	112 371
No fee increase - tuition	0	7 566
	2 149 836	1 989 379
Deferred capital subsidy recognised	0	14 636
Total	2 149 836	2 004 015
Student and staff accommodation		
No fee increase - residences	0	5 684
Total: State appropriations - subsidies and grants	2 149 836	2 009 699

There are no unfulfilled conditions or other contingencies at year end.

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is derived from the transfer of goods and services over time and at a point in time in the following major categories.

Timing of revenue	2019 R'000 Tuition and other fees	2019 R'000 Income from contracts	2019 R'000 Sales of goods & services and other income *
Revenue recognised at a point in time	0	0	402 071
Revenue recognised over time	1 877 797	196 046	261 726
Total revenue from external customers	1 877 797	196 046	663 797

Timing of revenue	2018 R'000 Tuition and other fees	2018 R'000 Income from contracts	2018 R'000 Sales of goods & services and other income *
Revenue recognised at a point in time	0	0	426 294
Revenue recognised over time	1 724 152	233 209	235 568
Total revenue from external customers	1 724 152	233 209	661 862

* Included in this category is the following other income:	2019 R'000	2018 R'000
Bad debt recovered	18 346	16 924
Insurance claims	2 870	3 551
Miscellaneous income	14 114	17 377
Rental income - various sources (continuous)	4 018	5 592
Recovered costs, discounts and rebates received	3 840	2 996
Staff related income (housing, parking, development, etc.)	8 757	9 520

		COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMODATION: RESTRICTED R'000	2019 TOTAL R'000	2018 TOTAL R'000
25.	**PERSONNEL REMUNERATION**					
	Remuneration and fringe benefits	2 263 413	61 814	48 613	2 373 839	2 160 430
	Arbitration awards	1 231	0	0	1 231	4 153
	Accrued leave	33 349	0	0	33 349	67 293
	NWU Pension Fund	(28 001)	(755)	(594)	(29 350)	(11 963)
	NWU Disability Reserve Fund	7 142	193	151	7 486	5 404
	AI Pension Fund	928	25	20	973	1 165
	NWU Provident Fund	1 656	45	35	1 736	1 688
	Post-employment medical benefits	16 825	0	0	16 825	17 008
		2 296 543	61 321	48 225	2 406 089	2 245 178

Annualised Gross Remuneration to University Management (excludes exceptional payments - exceeding an annual aggregate of R249 999)

Name	Office held	Basic salary R'000	Employment benefits R'000	Other payments / allowances R'000	Total costs to NWU 2019 R'000	Total costs to NWU 2018 R'000
Prof ND Kgwadi	Vice-Chancellor	2 962	327	675	3 965	3 532
Prof LA du Plessis	Deputy Vice-Chancellor: Assigned Functions and Campus Operations (Vaal Triangle)	1 900	268	785	2 953	2 302
Prof MM Verhoef	Registrar	2 002	302	497	2 801	2 421
Ms E de Beer	Executive Director: Finances and Facilities	2 033	253	423	2 708	2 384
Prof RJ Balfour	Deputy Vice-Chancellor: Teaching and Learning	1 729	281	534	2 544	2 208
Prof ME Phaswana-Mafuya	Deputy Vice-Chancellor: Research and Innovation	2 026	211	205	2 442	2 113
Prof BMP Setlalentoa	Deputy Vice-Chancellor: Assigned Functions and Campus Operations (Mafikeng)	1 758	197	437	2 393	2 094
Prof DMD Balia	Deputy Vice-Chancellor: Assigned Functions and Campus Operations (Potchefstroom)	1 861	267	137	2 265	0
Mr NC Manoko	Executive Director: Corporate Relations and Marketing	1 567	185	436	2 188	1 935
Dr V Singh *****	Executive Director: People and Culture	1 716	246	151	2 113	1 893
Dr S Chalufu **#**	Executive Director: Student Life	1 510	160	106	1 777	0
Prof I Mwanawina **#**	Acting Executive Director: Student Life	635	69	342	1 046	0
Prof JJ Janse van Rensburg	Vice-Principal and Deputy Vice-Chancellor: Campus Operations (Potchefstroom)	0	0	0	0	2 463
Mr KJ Oagile *****	Executive Director: People and Culture	0	0	0	0	2 223
Prof LL Lalendle	Executive Director: Student Life	0	0	0	0	1 871
Total		21 699	2 767	4 730	29 195	27 439

Management member not in service for full year - 2019. Remuneration annualised.

***** Management member not in service for full year - 2018. Remuneration annualised.

These include annual remuneration, levies, bonuses and in the case of the Vice-Chancellor, housing benefits.

Refer to note 36 - Related-party transactions.

Number of senior staff members 2019: 11 (2018: 11).

Other information regarding personnel remuneration	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMODATION: RESTRICTED R'000	2019 TOTAL R'000	2018 TOTAL R'000
Accrued leave - increase (note 18)	33 349	0	0	33 349	67 293
Retirement benefit costs	241 816	6 519	5 127	253 462	229 926
Members' contributions	87 305	2 354	1 851	91 510	83 272
Council contributions	154 511	4 165	3 276	161 953	146 654
Senior management remuneration	27 723	0	0	27 723	26 130
For managerial services	27 723	0	0	27 723	26 130

Payments for attendance at meetings of the Council and its Committees

Name	Number of members	2019 R'000	2018 R'000
Chair of Council: Honorarium, travel and accommodation expenses	1	212	171
Chairs of committees: Honorarium, travel and accommodation expenses	10	596	775
Members of Council: Honorarium, travel and accommodation expenses	33	376	231
Total		1 183	1 177

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. PERSONNEL REMUNERATION (continued)

Exceptional payments - each exceeding an annual aggregate of R249 999 (excludes annualised gross remuneration to University Management where applicable)

Purpose/nature of payment	Name	Office held	2019 R'000	2018 R'000
Leave gratuity	Spamer, EJ	Chief Director: NW Unit for Open Distance Learning	1 296	0
Leave gratuity	Mbao, ML	Researcher: PC Law - Justice and Sustainability	934	0
Leave gratuity	Fick, PH	Director: PC Student Life	714	0
Leave gratuity	Winde, F	Professor: VC School of Geo-Spatial Sciences	686	0
Arbitration award	Khamfula, YA	Professor: MC Economics	674	0
Ad hoc - Advised	Saayman, A	Professor: PC School for Economic Sciences	639	0
Leave gratuity	Terblanche, JE	Professor: PC English	619	0
Leave gratuity	Oosthuizen, GJJ	Associate Professor: PC History and Ancient Culture	598	0
Leave gratuity	Nel, ME	Director: NW UCE Operations	593	0
Leave gratuity	Stander, AL	Professor: PC School of Law Undergraduate Studies	590	0
Leave gratuity	Garside, DJ	Senior Lecturer: MC Communication Studies	565	0
Leave gratuity	Selepe, TJ	Associate Professor: VC Sesotho	561	0
Leave gratuity	Mokgele, KRF	Senior Lecturer: MC School of Industrial Psychology and Human Resource	552	0
Leave gratuity	Morake, MN	Senior Lecturer: MC Curriculum Studies	506	0
Leave gratuity	Buscop, J	Associate Professor: MC School for Tourism	500	0
Ad hoc - Functional allowance	Kruger, P	Associate Professor: PC Institute of Psychology and Wellbeing	500	0
Leave gratuity	Weyers, ML	Lecturer: PC Social Work	491	0
Leave gratuity	Greeff, M	Professor: PC Health Sciences Ethics Office	475	0
Leave gratuity	Redelinghuys, J	Manager: NW Unit for Open Distance Learning	468	0
Leave gratuity	Cloete, TT	Director: Marketing and Student Recruitment	460	0
Leave gratuity	Hanna, JL	Senior Lecturer: MC School of Accounting Sciences	460	0
Leave gratuity	Petersen, AB	Senior Lecturer: PC School of Music	437	0
Leave gratuity	Sithebe, PN	Associate Professor: MC Microbiology	396	0
Arbitration award	Ngoma, L	Senior Lecturer: MC Center for Animal Health Studies	390	0
Leave gratuity	Ruhiiga, TM	Professor: MC Geography and Environmental Studies	380	0
Leave gratuity	Meihuizen, NCT	Professor: PC School of Languages	375	0
Leave gratuity	Barkhuizen, EN	Extraordinary Professor: MC Global Initiative Forefront Talent (GIFT)	374	0
Incentive bonus	Fouché, JP	Professor: PC School of Accouning Sciences	365	0
Ad hoc - Functional allowance	Van Dyk, TJ	Professor: PC Academic Literacy (AGLE)	360	360
Leave gratuity	Lembede, PF	Senior Lecturer: MC Economics	353	0
Leave gratuity	Ryke, PAJ	Section Head: PC Campus Arts	348	0
Severance Benefit	Naidoo, N	Carpenter: MC Maintenance and Facilities Services	348	0
Leave gratuity	Bantwini, BD	Professor: PC School of Natural Sciences in Education	348	0
Leave gratuity	Blaauw, JWH	Director: NW Language Directorate	342	0
Incentive bonus	Janse Van Vuuren, HH	Associate Professor: VC School of Accouning Sciences	340	320
Leave gratuity	Tsambo, TL	Lecturer: MC Communication Studies	338	0
Leave gratuity	Heyns, MF	Associate Professor: PC School of Philosophy	322	0
Leave gratuity	Monaheng, T	Associate Professor: MC Development Studies	321	0
Incentive bonus	Van Der Merwe, N	Associate Professor: PC School of Accouning Sciences	304	288
Incentive bonus	Nel, JG	Director: PC Centre for Environmental Management	303	284
Leave gratuity	Kabanda, TA	Associate Professor: MC Geography and Environmental Studies	297	0
Leave gratuity	Mienie, LJ	Associate Professor: PC Biochemistry	291	0
Leave gratuity	Schutte, NE	Extraordinary Professor: MC Global Initiative Forefront Talent (GIFT)	289	0
Leave gratuity	Muatjetjeja, B	Associate Professor: MC Mathematics and Applied Mathematics	286	0
Leave gratuity	Fourie, AA	Human Resources Practitioner : NW People and Culture Client Services	285	0
Leave gratuity	Mwanawina, I	Associate Professor: VC School of Law Undergraduate Studies	281	0
Leave gratuity	Riekert, M	Lecturer: PC Life Orientation	272	0
Incentive bonus	Mostert, A	Senior Lecturer: VC School of Accouning Sciences	262	0
Leave gratuity	Nel, I	Associate Professor: PC School of Business and Governance	261	0
Incentive bonus	Meyer, TC	Chief Subject Specialist: PC Centre for Environmental Management	260	0
Incentive bonus	Coetzee, K	Professor: PC School of Accouning Sciences	255	0
Incentive bonus	Viviers, HA	Associate Professor: PC School of Accouning Sciences	253	0
Incentive bonus	Mcintyre, J	Senior Lecturer: PC School of Accouning Sciences	251	0
Incentive bonus	Delport, M	Associate Professor: VC School of Accouning Sciences	250	0
Total			23 419	1 251

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. PERSONNEL REMUNERATION (continued)

Exceptional payments - each exceeding an annual aggregate of R249 999 (excludes annualised gross remuneration to University Management where applicable)

Purpose/nature of payment	Name	Office held	2019 R'000	2018 R'000
Leave gratuity	Setsetse, GD	Director: MC Graduate School Postgraduate Division	0	892
Leave gratuity	Malan, DDJ	Professor: PC Human Movement Science	0	798
Leave gratuity	Letsosa, RS	Professor: PC Practical Theology	0	769
Leave gratuity	Pienaar, JJ	Professor: PC Chemistry	0	698
Leave gratuity	Van Rooyen, JM	Professor: PC Physiology	0	679
Leave gratuity	Assan, TEB	Professor: MC Economic and Management Sciences of Education	0	653
Leave gratuity	Rossouw, JP	Professor: PC Education and Human Rights in Diversity	0	632
Leave gratuity	Gopane, RE	Senior Lecturer: MC Biological Sciences	0	599
Leave gratuity	Waanders, FB	Professor: PC School of Chemical and Mineral Engineering	0	583
Leave gratuity	Storm, CP	Professor: PC School of Mechanical and Nuclear Engineering	0	577
Leave gratuity	Potgieter, MS	Professor: PC Physics	0	577
Leave gratuity	Scheppel, A	Director: NW Employee Relations	0	575
Leave gratuity	Van Niekerk, RJ	Associate Professor: PC School of Accounting Sciences	0	552
Leave gratuity	Hlatshwayo, HA	Senior Lecturer: MC English	0	547
Leave gratuity	Robinson, JA	Professor: PC School of Law Undergraduate Studies	0	545
Leave gratuity	Khunou, SF	Associate Professor: MC Law School of Postgraduate Studies	0	512
Leave gratuity	Ledibane, MM	Lecturer: MC Academic Literacy (AGLE)	0	505
Leave gratuity	Rademeyer, A	Professor: PC School of Accounting Sciences	0	503
Leave gratuity	Van Der Walt, DJ	Professor: PC Physics	0	494
Leave gratuity	Kriel, J	Manager: NW IT Operations and Infrastructure	0	475
Leave gratuity	Swanepoel, MC	Associate Professor: PC Visual Narratives	0	471
Claim end of term	Van Vuuren, GW	Extraordinary Professor: PC	0	450
Leave gratuity	Lalendle, LL	Executive Director: Student Life	0	447
Leave gratuity	Wiggill, MN	Associate Professor: PC Communication Studies	0	433
Leave gratuity	Wolmarans, CT	Associate Professor: PC Zoology	0	429
Leave gratuity	Lotz, HM	Senior Lecturer: PC School of Business and Governance	0	387
Leave gratuity	Phirwa, SB	Lecturer: MC Chemistry	0	379
Leave gratuity	Mbenga, BK	Professor: MC Tourism, Politics and History	0	375
Leave gratuity	Viljoen, CT	Senior Lecturer: PC Learner Support	0	374
Leave gratuity	Oagile, KJ	Executive Director: People and Culture	0	361
Leave gratuity	Mong DB	Professor: PC Academic Literacy (AGLE)	0	349
Leave gratuity	De Beer, DJ	Chief Director: NW Technology Transfer and Innovation Support	0	344
Leave gratuity	Tshabalala MJ	Human Resources Practitioner: MC Human Resources	0	327
Arbitration award	Andrianatos, AA	Manager: Academic Programme: NW Unit for Open Distance Learning	0	318
Leave gratuity	Tow, AA	Personal Assistant: NW Law: Assigned Functions (MC)	0	314
Leave gratuity	Matthee, M	Professor: PC School of Economic Sciences	0	302
Leave gratuity	Du Toit, DH	Professor: VC School of Industrial Psychology and Human Resources	0	298
Ad hoc - Functional allowance	Jordaan, JA	Lecturer: PC School of Business and Governance	0	284
Leave gratuity	Jones, EY	Director: NW Human Resources Operations	0	284
Leave gratuity	Ngakantsi, MM	Senior Committee Co-ordinator: MC Committee Secretariat	0	283
Incentive bonus	Schutte, DP	Associate Professor: PC School of Accounting Sciences	0	278
Leave gratuity	Vosloo, HA	Lecturer: PC Physics	0	275
Leave gratuity	Nel, A	Professor: VC School of Languages	0	268
Ad hoc - Advised	Puttkammer, MJ	Senior Lecturer: PC Language Technology	0	264
Leave gratuity	Makhado, L	Associate Professor: MC Nursing Undergraduate	0	254
Leave gratuity	Vermeulen, CW	Director: NW SALA Operations: Vaal Triangle	0	250
Total			0	20 965

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

		COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R'000	2019 TOTAL R'000	2018 TOTAL R'000
26.	**OTHER CURRENT OPERATING EXPENSES BY NATURE**					
	Allowance for credit losses: Accounts receivable (note 14)	52 341	1 970	3 857	58 168	60 157
	Inventory written off (note 13)	3 433	0	262	3 695	1 193
	Foodstuffs (Residence and Catering Services)	0	0	262	262	232
	Publications and study materials	2 277	0	0	2 277	958
	Other consumables	1 156	0	0	1 156	3
	Auditor's remuneration	5 497	166	8	5 671	3 859
	Audit fees	4 271	166	8	4 445	3 129
	Other costs	1 226	0	0	1 226	730
	Services outsourced	73 108	280	29 677	103 065	88 735
	Rent: Buildings	13 658	462	(226)	13 895	49 511
	Rent: Equipment	17 960	228	724	18 912	16 972
	Maintenance	189 659	4 788	37 899	232 346	223 700
	Bursaries	187 978	36 714	0	224 692	231 950
	Goods and services - other	764 419	137 556	150 120	1 052 095	977 049
		1 308 054	182 165	222 320	1 712 539	1 653 126
27.	**INVESTMENT INCOME**					
27.1	Operating income (short-term investment income)	251 153	13 238	0	264 391	207 198
	Interest	240 287	13 238	0	253 524	196 073
	Rental received (investment properties - note 7)	10 867	0	0	10 867	11 125
	Long-term investment income	17 660	0	0	17 660	16 690
	Interest	8 017	0	0	8 017	7 080
	Dividends (listed investments)	9 643	0	0	9 643	9 610
		268 813	13 238	0	282 052	223 888
27.2	Realised profit on disposal of investments	164 606	0	0	164 606	697
	Available-for-sale investments	0	0	0	0	0
	Financial instruments at fair value through profit or loss	164 606	0	0	164 606	697
		164 606	0	0	164 606	697
27.3	Total per statement of cash flows					
	Total interest received	423 777	13 238	0	437 015	214 975
	Total dividends received	9 643	0	0	9 643	9 610
		433 420	13 238	0	446 658	224 585
28.	**FINANCE CHARGES**					
	Long-term loans (note 17)	1 848	0	0	1 848	2 898
	Bank account	2	0	0	2	1
	Exchange differences	8	0	0	8	16
	Other	(1 103)	(118)	2 495	1 273	4 157
	Interest paid for lease liabilities	0	0	7 171	7 171	0
		755	(118)	9 666	10 303	7 072

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. CASH FLOWS FROM OPERATING ACTIVITIES	**2019 R'000**	**2018 R'000**
Surplus for the year	968 404	831 148
Adjusted for:		
IFRS 15 - 1 January 2018 adjustment against accumulated reserves -		
Contracts with customers - net of contract assets and contract liabilities	0	26 565
IFRS 9 - 1 January 2018 adjustment against accumulated reserves -		
Expected credit loss (ECL)	0	48 878
Fair value loss on financial assets at fair value through profit or loss	130 226	29 562
Loss allowance: Trade and other receivables (note 14)	58 168	60 157
Depreciation (note 6a and 7)	177 008	129 908
Loss on disposal/write-off of assets - property, plant and equipment	(28 295)	103
Increase in retirement benefit obligations (note 18)	18 360	46 966
Increase in deferred income tax assets (note 33)	(19)	(11)
Investment income (note 27)	(446 658)	(224 585)
Finance charges (note 28)	10 303	7 072
(Profit)/loss from/write-off of equity-accounted investees (note 10)	(269)	(991)
Adjustments i.t.o. IAS 39 - Capital market	(1 631)	(173)
Operating surplus before changes in working capital	885 598	954 599
Changes in working capital	160 051	(172 359)
Decrease/(increase) in inventories	21 846	(27 177)
Decrease/(increase) in trade and other receivables, excluding allowance for		
credit losses	13 715	(123 394)
Increase in stright line lease accrual	(3 049)	0
(Increase)/decrease in income tax receivable	11	(37)
Increase in trade and other payables	86 222	63 636
Increase in contract liabilities	6 589	34 314
Decrease in income tax payable	(281)	(16)
Increase/(decrease) in income received in advance	34 997	(119 685)
Cash flows from operating activities	1 045 649	782 240

30. COMMITMENTS

CAPITAL COMMITMENTS

The following commitments not recognised in the statement of financial position existed at year-end with regard to capital expenditure approved but not yet incurred:

	2019	2018
Buildings	95 845	128 221

This expenditure will be financed with internal and external funds (note 6).

OPERATING LEASES

The future aggregate minimum lease payments under non-cancellable operating leases of buildings are as follows:

	2019	2018
Payable within 1 year	0	46 385
Payable within 2 to 5 years	0	73 219
Payable after 5 years	0	0
	0	119 604

Operating leases relate to the leasing of property and the premises for purposes of student housing.

Refer to notes 6b and 34 for change in accounting policy with effect 1 January 2019.

31. CAPITAL EXPENDITURE EXPENSED

	2019	2018
Capital expenditure expensed consists of library books	6 126	4 637

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

An "Offer to Purchase" was signed on 21 September 2017 between the University (NWU) and the Vaal University of Technology (VUT) to buy Quest Conference Centre in Vanderbijlpark. A purchase price in the amount of R45 million (including VAT) was agreed upon and included R1,8 million for movable assets.
The seller gave the purchaser occupation from 23 January 2018 until date of registration of transfer, subject to any pre-bookings until 31 March 2018 made by the seller (NWU). It was further agreed that all NWU Vaal Campus graduation ceremonies for 2018 would be accommodated by the purchaser (VUT) to take place at the Quest Conference Centre at no charge to NWU. VUT would occupy the premises as from 1 February 2018.

VUT deposited the purchase amount on 2 February 2018 into the NWU attorney's trust account, which earned interest to the benefit of the NWU. Ministerial approval for the transaction was obtained on 23 August 2018.

A letter dated 12 December 2018 from Prof Gordon Zide, Vice-Chancellor of VUT, addressed to NWU, indicated that due to undisclosed latent defects at Quest, VUT was withdrawing from the transaction. A meeting with members of the executive team of VUT took place on 21 January 2019, providing them with full detail of the due diligence undertaken by their own appointed firm, PWC. Following further engagements and an undertaking to do additional maintenance work in the spirit of neighbourliness, VUT's Vice-Chancellor signed the final transfering documents.

All criteria have been met to classify these non-current assets as assets held for sale and are measured and disclosed at their carrying amount of R10 229 000.
Registration was concluded during 2019 and the property was transferred.

33. INCOME TAX AND DEFERRED TAX ASSET

The University is exempt from Normal SA Income Tax in terms of Section 10(1)(cA) of the Income Tax Act, and consequently also from the provision for any deferred taxation.
Other comprehensive income (OCI) relating to the University is therefore also exempt from taxation.

As a result of the consolidation of Molopo Sun Proprietary Limited, OpenCollab Proprietary Limited, Intsyst Labs Proprietary Limited, Innovation Highway Proprietary Limited, Innovation Highway Enterprises Proprietary Limited and North West Fibre Proprietary Limited, which are not exempted from tax, a tax liability is shown with regard to tax currently payable, based on taxable profit for the year.

Tax is calculated at 28% (2018: 28%). Deferred tax is applicable to OpenCollab Proprietary Limited.

	2019	2018
Income tax expense	**R'000**	**R'000**
Current tax	207	588
Deferred tax	(20)	(10)
Prior year tax	0	14
Total income tax expense	187	592
Tax reconciliation		
Surplus before tax	968 591	831 740
Unrecognised losses	(1 026)	6
Exempt income	(966 926)	(829 686)
Non-deductible expenses	28	1
Prior year tax	0	52
Taxable income	667	2 113

Total unrecognised tax losses of R887 100 are carried forward for 2019 (2018: R22 279 000).
Molopo Sun Proprietary was deregisterd during 2019 and unrecognised tax losses to the amount of R20 407 810 is therefor no longer available for future use.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. INCOME TAX AND DEFERRED TAX ASSET (continued)

	2019 R'000	2018 R'000
Deferred tax asset (accrual for leave pay)		
Opening balance	130	119
Movement	19	10
Closing balance	149	130
Income tax payable		
Opening balance	342	358
Movement	(281)	(16)
Closing balance	61	342
Income tax receivable		
Opening balance	37	0
Movement	(11)	37
Closing balance	26	37

34. CHANGES IN ACCOUNTING POLICIES

IFRS 16 - Leases

This note explains the impact of the adoption of IFRS 16 *Leases* on the financial statements of the University.

The University adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provision in the standard - the simplified transition approach.

On adoption of IFRS 16, the University recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases* (as right-of-use assets). These liabilities were measured at the present value of the remaining lease payments, discounted using the 3 month Jibar rate as on 1 January 2019. As the University does not have finance lease liabilities and minimal external debt, the 3 month Jibar rate of 7,15% was used as an indication of the weighted average incremental borrowing rate for the University.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the University has used the following practical expedients permitted by the standard:

* applying a single discount rate to a portfolio of leases with reasonably similar characteristics
* accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
* excluding initial direct costs for the measurement of right-of-use asset at the date of initial application, and
* using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The University has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transaction date the University relied on its assessment made applying IAS 17.

34. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 - Leases (continued)

(ii) Measurement of lease liabilities

	2019 R'000
Operating lease commitments disclosed as at 31 December 2018 (note 30)	119 604
Discounted using the University's incremental borrowing rate of 7,15% at the date of initial application	(13 880)
Short-term leases not recognised as a lease liability	(2 507)
Revised contract information and changes in annual payments	(2 924)
Lease liability recognised as at 1 January 2019	**100 293**
Of which are:	
Non-current lease liabilities	33 770
Current lease liabilities	66 523
	100 293

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the statement of finacial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position:

* Right-of-use assets - increase by R99 244 000
* Straight line accrual - increase by R1 049 000
* Lease liabilities - increase by R100 293 000

35. CONTINGENT LIABILITIES

Management considered all pending legal matters and is of the opinion that the possibility of any significant outflow in settlement is remote. No further disclosure regarding the details of each case is considered necessary.

36. RELATED-PARTY TRANSACTIONS

Included in unlisted investments are entities that do not qualify as an investment in equity-accounted investees which are related parties (refer to note 9.1).

Refer to note 9.2 for disclosure of subsidiaries.

Refer to note 10 for disclosure of equity-accounted investees.

The national Department of Higher Education and Training has a significant influence on the University and is therefore also considered a related party (refer to note 23).

Compensation of the University Management is considered related-party transactions. Refer to note 25 for disclosure of remuneration.

All transactions with related parties are transactions at arm's length and all transactions with related parties, with the exception of compensation of the University Management, have been eliminated on consolidation.

37. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events that occur between the reporting date and the date on which the financial statements are authorised to be issued. Adjusting events are those events that provide evidence of conditions that existed at the end of the reporting period and non-adjusting events are those events that are indicative of conditions that arose after the reporting period.

The Covid-19 pandemic did not exist on reporting date of 31 December 2019 as the first reported infection in South Africa was recorded in March 2020. This is considered to be a non-adjusting event in terms of IAS 10.

The current Corona virus, with its rapidly changing impact on circumstances and the creation of uncertainties, is a definite challenge and will likely have a significant financial effect on the University in the foreseeable future. Most notably on tuition fees, recoverability of student debts, the sale of goods and services as well as contract revenue. The University expects government funding, in the form of block and earmarked grants, as well as funding of NSFAS students, to mainly remain unchanged.

The University has appointed a Covid-19 task team, and they are making use of a Financial Impact Model (FIM) to do financial planning and closely monitor the potential impact of Covid-19 going forward. This flexible model is based on different scenarios, assumptions and factors and these are constantly updated with new information and indicators as they become available. A Mitigation Plan was also implemented to address the medium term (2021 to 2024) financial needs of the NWU and to assist with cash flow.

Covid-19 level restrictions resulted in savings and/or expenditure to be postponed e.g. travel cost. Cost saving measures put in place include re-evaluating of planned projects (IT, strategic, maintenance and capital).

The University has however also incurred additional expenditure, inter alia the purchase and distribution of laptops and data to needy students in order to ensure access to online teaching and learning programmes, which will assist students in completing the academic year. Unforeseen health and safety expenditure to comply with compulsory Covid-19 protocol.

The University has an adequate available reserve funds at its disposal to help sustain the NWU in and through this critical time.

The University does not intend to liquidate or cease trading, nor does Management think the current events will influence or cast significant doubt upon the University's ability to continue as a going concern. The NWU Management is absolutely committed to complete the 2020 academic year successfully with the support of the DHET and the Minister of Higher Education, Science and Technology.

No adjustments affecting the financial position have been made between the reporting date and the date of approval of this report.