NORTH-WEST UNIVERSITY
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INTEGRATED REPORT

CONSOLIDATED FINANCIAL STATEMENTS

2016

NORTH-WEST UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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NORTH-WEST UNIVERSITY

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

The Council is 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 (Act 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 2016 as set out on pages 9 to 64 have been approved by the Council on 22 June 2017 and are signed on behalf of the Council by:

CHAIRPERSON OF COUNCIL

VICE-CHANCELLOR

EXECUTIVE DIRECTOR: FINANCE AND FACILITIES

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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 ("the group") set out on pages 9 to 64, which comprise the consolidated statement of financial position at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and 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 at 31 December 2016, and its consolidated financial performance and consolidated 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.

Basis for opinion

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

We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

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

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Other Information

The Council is responsible for the other information. The other information comprises all the information contained in the Integrated Report. The other information does not include the consolidated financial statements and our auditor's report thereon, the selected objectives included in our report on the audit of the performance assessment report and our report on audit of compliance with legislation.

Our opinion on the consolidated financial statements and the selected objectives included in our report on the audit of the performance assessment report and our report on audit of 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 objectives presented in the performance assessment report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. No material inconsistencies were identified.

Responsibilities of the Council

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 group'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 Council either intends to liquidate the group 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit of the consolidated financial statements, and the procedures performed on reported performance information for selected objectives and on the group's compliance with respect to the selected subject matters. 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 group'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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group'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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue 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.

We communicate with the 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.

We also provide the Council with a statement 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 here applicable, related safeguards.

KPMG

Report on the audit of the performance assessment report

Introduction and scope

In accordance with the Public Audit Act of South Africa 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 programmes presented in the performance assessment 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 included in the planning documents. 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 reliability of the reported performance information for the following selected objectives presented in the performance assessment report of the University for the year ended 31 December 2016:

Objectives	**Pages in the performance assessment report**
G1: Promote excellent learning and teaching and reposition the North-West University to attain the size and shape required by the market direction decisions.	3 – 4 13 - 15
G2: Intensify research and innovation.	4 – 6 15
G5: Develop and retain excellent staff and create an equitable staff and student profile.	8 – 9
G9: Ensure the financial sustainability of the North-West University.	11 – 12

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the reliability of the reported performance information for the above objectives.

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Report on audit of compliance with legislation

Introduction and scope

In accordance with the Public Audit Act of South Africa 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 identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act of South Africa.

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 thereon. 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 financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

We were engaged by the Council of the University to perform the following audit-related services:

- Agreed-upon procedures engagements in connection with the expenditure claimed against Department of Higher Education and Training (DHET) grants awarded to the North-West University as listed below:
  - Clinical Training grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;
  - Veterinary Sciences grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;
  - Ministerial Foundation Funding grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;
  - Research Development grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;
  - Teaching Development grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;

- New Generation of Academics Programme grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017;
    - Infrastructure and Efficiency grant for the period 1 April 2016 to 31 March 2017, and was issued on 31 May 2017; and
    - Journal Research Output subsidy claim for the period 1 January 2016 to 31 December 2016, and was issued on 12 May 2017.
- Agreed-upon procedures engagement in connection with the Higher Education Management Information Systems (HEMIS) Report of the North-West University which is still in progress and will be issued by 31 July 2017;
- Agreed-upon procedures engagement in connection with the Electronic Supplementary Data of the North-West University submitted to the DHET for the period 1 January 2016 to 31 December 2016 which is still in progress and will be issued by 30 June 2017;
- Agreed-upon procedures engagement in relation with the allocation of the Language Studies Bursary Scheme bursaries awarded by the Department of Arts and Culture to the North-West University grant for the period 1 April 2016 to 31 March 2017, and was issued on 22 March 2017;
- Agreed-upon procedures engagement in connection with the expenditure claimed against the National Research Foundation (NRF) grants, Scholarships and Grant Deposits awarded to the North-West University for the year ended 31 December 2016, and was issued on 10 March 2017;
- Agreed-upon procedures engagement in respect of the Financial Income and Expenditure Statement prepared for the Department of Science and Technology ("DST") relating to the Hydrogen Projects DST/CON 0183/2010, DST/CON 0165/2012, DST/CON 0325/2014 and DST/CON 0053/2016 for the period 1 April 2016 to 31 March 2017, and was issued on 25 April 2017;
- Agreed-upon procedures engagement in connection with the expenditure verification in relation to the European Union financed grant (EuropeAid 134258/M/ACT/ZA/CfP2/2014/15/91: Exploring the potential of local food systems for sustainable rural development – A case study of the Vaalharts area) for the period 23 May 2015 to 23 November 2016; and was issued on 31 March 2017;
- Agreed-upon procedures engagement in connection with the Higher Education and Training HIV/AIDS Programme (HEAIDS) Report of the North-West University which is still in progress and will be issued by 31 July 2017.

KPMG Inc.

MSenekal

Per Maureen Senekal
Chartered Accountant (SA)
Registered Auditor
Director
22 June 2017

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	NOTE	2016 R	2015 R
ASSETS		3 278 443 864	3 003 507 508
NON-CURRENT ASSETS		2 238 324 873	2 295 814 013
PROPERTY, PLANT AND EQUIPMENT (PPE)	6	1 180 478 335	1 121 871 611
INVESTMENT PROPERTIES	7	19 825 616	20 322 861
INTANGIBLE ASSETS	8	950 000	950 000
INVESTMENTS	9	804 753 723	810 061 684
EQUITY-ACCOUNTED INVESTEES	10	19 633	3 528 141
DEFERRED INCOME TAX ASSETS	33	99 566	72 716
EMPLOYEE BENEFITS	18	232 198 000	339 007 000
CURRENT ASSETS		1 040 118 991	707 693 495
INVENTORIES	13	25 397 205	20 503 014
TRADE AND OTHER RECEIVABLES	14	216 613 550	143 216 245
INCOME TAX RECEIVABLE		0	406 330
CURRENT PORTION OF INVESTMENTS	9	540 319 572	360 827 917
CASH AND CASH EQUIVALENTS	15	257 788 664	182 739 989
EQUITY AND LIABILITIES		3 278 443 864	3 003 507 508
EQUITY	16	2 166 049 963	1 977 130 546
NON-DISTRIBUTABLE RESERVES		1 256 869 010	1 183 846 039
FIXED ASSET RESERVE FUND (PPE)		1 144 304 540	1 077 891 273
AVAILABLE FOR SALE REVALUATION RESERVES		112 564 470	105 954 766
RESERVE FUNDS		908 549 015	792 770 638
RESTRICTED USE FUNDS		239 484 357	295 228 019
STUDENT LOAN FUNDS		562 968	562 968
STUDENT RESIDENCES FUNDS		97 240 904	134 429 285
OTHER - DONATIONS AND SIMILAR FUNDS		42 610 990	41 279 674
OTHER - RESEARCH AND OTHER (CONTRACTS)		99 069 495	118 956 092
NWU PENSION FUND AND DISABILITY FUND - EMPLOYEE BENEFITS		232 198 000	339 007 000
HELD FOR INVESTMENT IN PPE		69 059 508	24 935 261
UNRESTRICTED-USE RESERVE FUNDS - EDUCATION AND GENERAL		40 802 611	41 457 103
DESIGNATED-USE RESERVE FUNDS - EDUCATION AND GENERAL		327 004 539	92 143 255
NON-CONTROLLING INTERESTS		631 938	513 869
NON-CURRENT LIABILITIES		630 972 718	555 957 672
BORROWINGS - INTEREST-BEARING	17	33 081 550	42 644 237
EMPLOYEE BENEFITS	18	519 679 600	513 313 435
DEFERRED INCOME	19	78 211 568	0
CURRENT LIABILITIES		481 421 183	470 419 290
TRADE AND OTHER PAYABLES	20	301 134 234	297 278 266
INCOME TAX PAYABLE	33	1 009 867	0
CURRENT PORTION OF BORROWINGS - INTEREST-BEARING	17	10 776 835	31 180 756
CURRENT PORTION OF EMPLOYEE BENEFITS	18	29 416 623	20 421 835
CURRENT PORTION OF DEFERRED INCOME	19	46 422 185	47 881 080
STUDENT DEPOSITS AND PREPAID INCOME	21	92 661 439	73 657 353

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 R	2015 R
INCOME	22	3 837 958 747	3 526 951 438
REVENUE		3 623 038 409	3 364 469 493
OTHER INCOME		214 920 338	162 481 945
EXPENDITURE		3 555 196 889	3 444 885 114
PERSONNEL REMUNERATION ***	24	1 950 360 782	1 926 705 413
OPERATING EXPENSES	25, 6, 7, 8	1 484 079 320	1 440 631 192
OTHER EXPENSES		105 532 203	66 241 285
FINANCE CHARGES	27	15 224 584	11 307 224
NET SURPLUS BEFORE INCOME TAX		282 761 858	82 066 324
INCOME TAX EXPENSE	33	1 740 147	1 101 358
SURPLUS FOR THE YEAR		281 021 711	80 964 966
OTHER COMPREHENSIVE INCOME (OCI)		(92 102 296)	172 368 498
Items that will not be reclassified to surplus or deficit		(98 712 000)	200 426 000
Remeasurements of employee benefit obligations			
PENSION FUND - (DEFICIT)/SURPLUS	18	(73 167 000)	192 068 000
DISABILITY RESERVE FUND - (DEFICIT)/SURPLUS	18	(48 787 000)	11 693 000
HEALTH CARE (MEDICAL) - SURPLUS/(DEFICIT)	18	23 242 000	(3 335 000)
Items that may be subsequently reclassified to surplus or deficit		6 609 704	(28 057 502)
NET FAIR VALUE GAIN/(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	6 609 704	(28 057 502)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		188 919 415	253 333 464
Attributable to:			
- North-West University (Surplus)		280 903 642	80 797 531
- Non-controlling interests (Surplus)		118 069	167 435
- North-West University (OCI)		(92 102 296)	172 368 498
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		188 919 415	253 333 464

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

***** TOTAL INCLUDES NON-RECURRING EXPENSES REGARDING IAS19 - VALUATION OF EMPLOYEE BENFITS - CONSISTING OF BENEFIT ENHANCEMENT**		**0**	**89 901 000**

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(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	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R	SUB-TOTAL R	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R	2016 TOTAL R	2015 TOTAL R
RECURRENT ITEMS		196 501 956	17 337 149	213 839 105	14 707 526	228 546 631	135 556 178
INCOME	22	3 208 466 685	250 635 494	3 459 102 179	316 626 581	3 775 728 760	3 485 915 587
STATE APPROPRIATIONS - SUBSIDIES AND GRANTS	23	1 526 955 676	86 257	1 527 041 933	17 053 260	1 544 095 193	1 368 649 832
TUITION AND OTHER FEES		1 241 628 707	0	1 241 628 707	0	1 241 628 707	1 171 280 312
INCOME FROM CONTRACTS		1 625 006	197 107 375	198 732 381	0	198 732 381	227 587 145
FOR RESEARCH		1 357 983	196 956 455	198 314 438	0	198 314 438	224 546 054
FOR OTHER ACTIVITIES		267 023	150 920	417 943	0	417 943	3 041 091
SALES OF GOODS AND SERVICES		258 879 893	25 345 419	284 225 312	299 573 321	583 798 633	551 851 046
PRIVATE GIFTS AND GRANTS		35 023 999	19 759 496	54 783 495	0	54 783 495	45 101 158
SUB-TOTAL		3 064 113 281	242 298 547	3 306 411 828	316 626 581	3 623 038 409	3 364 469 493
INVESTMENT INCOME	26.1	144 353 404	8 336 947	152 690 351	0	152 690 351	121 446 094
EXPENDITURE		3 011 964 729	233 298 345	3 245 263 074	301 919 055	3 547 182 129	3 350 359 409
PERSONNEL REMUNERATION	24	1 857 591 030	54 578 628	1 912 169 658	38 191 124	1 950 360 782	1 836 804 413
ACADEMIC PROFESSIONAL		1 023 291 774	20 193 429	1 043 485 203	0	1 043 485 203	969 362 814
OTHER PERSONNEL		838 207 256	34 385 199	872 592 455	38 191 124	910 783 579	850 513 599
IAS19 - ADJUSTMENTS (EMPLOYEE BENEFITS)		(3 908 000)	0	(3 908 000)	0	(3 908 000)	16 928 000
OTHER CURRENT OPERATING EXPENSES	25	945 789 525	177 870 720	1 123 660 245	258 892 449	1 382 552 694	1 276 062 570
CAPITAL EXPENDITURE EXPENSED	31	96 541 222	964 979	97 506 201	11 242	97 517 443	61 616 580
DEPRECIATION	6 & 7	101 526 626	0	101 526 626	0	101 526 626	164 568 622
SUB-TOTAL		3 001 448 403	233 414 327	3 234 862 730	297 094 815	3 531 957 545	3 339 052 185
FINANCE CHARGES	27	10 516 326	(115 982)	10 400 344	4 824 240	15 224 584	11 307 224
NON-RECURRENT ITEMS		54 205 715	9 512	54 215 227	0	54 215 227	(53 489 854)
INCOME		62 220 475	9 512	62 229 987	0	62 229 987	41 035 851
PROFIT ON DISPOSAL OF PPE		30 073	9 512	39 585	0	39 585	439
PROFIT ON INVESTMENTS	26.2	3 331 648	0	3 331 648	0	3 331 648	39 540 347
OTHER NON-RECURRENT INCOME	28	58 858 754	0	58 858 754	0	58 858 754	1 495 065
EXPENDITURE		8 014 760	0	8 014 760	0	8 014 760	94 525 705
OPERATING EXPENSES		0	0	0	0	0	197 304
LOSS ON DISPOSAL OF PPE		4 506 022	0	4 506 022	0	4 506 022	192 385
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEES		3 508 738	0	3 508 738	0	3 508 738	4 235 016
IAS19 - BENEFIT ENHANCEMENT	6	0	0	0	0	0	89 901 000
NET SURPLUS BEFORE INCOME TAX		250 707 671	17 346 661	268 054 332	14 707 526	282 761 858	82 066 324
INCOME TAX EXPENSE	33	1 740 147	0	1 740 147	0	1 740 147	1 101 358
SURPLUS FOR THE YEAR		248 967 524	17 346 661	266 314 185	14 707 526	281 021 711	80 964 966

NORTH-WEST UNIVERSITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (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**	**SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R**	**SUB-TOTAL R**	**STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R**	**2016 TOTAL R**	**2015 TOTAL R**
SURPLUS FOR THE YEAR		248 967 524	17 346 661	266 314 185	14 707 526	281 021 711	80 964 966
OTHER COMPREHENSIVE INCOME (OCI)		(92 102 296)	0	(92 102 296)	0	(92 102 296)	172 368 498
Items that will not be reclassified to surplus or deficit		(98 712 000)	0	(98 712 000)	0	(98 712 000)	200 426 000
Remeasurements of employee benefit obligations							
PENSION FUND - (DEFICIT)/SURPLUS	18	(73 167 000)	0	(73 167 000)	0	(73 167 000)	192 068 000
DISABILITY RESERVE FUND - (DEFICIT)/SURPLUS	18	(48 787 000)	0	(48 787 000)	0	(48 787 000)	11 693 000
HEALTH CARE (MEDICAL) - SURPLUS/(DEFICIT)	18	23 242 000	0	23 242 000	0	23 242 000	(3 335 000)
Items that may be subsequently reclassified to surplus or deficit		6 609 704	0	6 609 704	0	6 609 704	(28 057 502)
NET FAIR VALUE GAIN/(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	6 609 704	0	6 609 704	0	6 609 704	(28 057 502)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		156 865 228	17 346 661	174 211 889	14 707 526	188 919 415	253 333 464
Attributable to:							
- North-West University (Surplus)		248 849 455	17 346 661	266 196 116	14 707 526	280 903 642	80 797 531
- Non-controlling interests (Surplus)		118 069	0	118 069	0	118 069	167 435
- North-West University (OCI)		(92 102 296)	0	(92 102 296)	0	(92 102 296)	172 368 498
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		156 865 228	17 346 661	174 211 889	14 707 526	188 919 415	253 333 464

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

DESCRIPTION	UNRESTRICTED RESERVE FUNDS	DESIGNATED RESERVE FUNDS	SUB-TOTAL A	RESTRICTED RESERVE FUNDS: DONATIONS & SIMILAR FUNDS	RESTRICTED RESERVE FUNDS: RESEARCH & OTHER (CONTRACTS)	SUB-TOTAL B	RESTRICTED RESERVE FUNDS: STUDENT LOANS	RESTRICTED RESERVE FUNDS: RESIDENCE	FIXED ASSET RESERVE FUND (PPE)	RESERVE FUNDS FOR FIXED ASSETS: ADDITIONS & RENEWALS	AVAILABLE-FOR-SALE REVALUATION RESERVE	NWU PENSION FUND AND DISABILITY FUND	SUB-TOTAL C	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
BALANCE AT 31 DECEMBER 2014 (note16)	37 218 706	(38 640 082)	(1 421 376)	34 274 287	78 921 350	113 195 637	573 544	113 895 592	1 090 739 298	37 493 686	134 012 268	234 962 000	1 611 676 393	1 723 450 649	709 334	1 724 159 983
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	90 385 469	90 385 469	6 717 281	51 168 381	57 885 662	(10 576)	28 917 977	0	0	(28 057 502)	104 045 000	104 894 898	253 166 029	167 435	253 333 464
SURPLUS/(DEFICIT) FOR THE YEAR	0	93 720 469	93 720 469	6 717 281	51 168 381	57 885 662	(10 576)	28 917 977	0	0	0	(99 716 000)	(70 808 599)	80 797 531	167 435	80 964 966
OTHER COMPREHENSIVE INCOME	0	(3 335 000)	(3 335 000)	0	0	0	0	0	0	0	(28 057 502)	203 761 000	175 703 498	172 368 498	0	172 368 498
DECREASE DUE TO BUY BACK OF SHARES IN OPENCOLLAB (PTY) LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(362 900)	(362 900)
TRANSFERS	4 238 398	40 397 869	44 636 267	288 106	(11 133 639)	(10 845 533)	0	(8 384 284)	(12 848 025)	(12 558 425)	0	0	(33 790 734)	0	0	0
BALANCE AT 31 DECEMBER 2015 (note16)	41 457 103	92 143 255	133 600 358	41 279 674	118 956 092	160 235 766	562 968	134 429 285	1 077 891 273	24 935 261	105 954 766	339 007 000	1 682 780 553	1 976 616 677	513 869	1 977 130 546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	256 946 455	256 946 455	778 573	16 568 088	17 346 661	0	14 707 526	0	0	6 609 704	(106 809 000)	(85 491 770)	188 801 346	118 069	188 919 415
SURPLUS/(DEFICIT) FOR THE YEAR	0	233 704 455	233 704 455	778 573	16 568 088	17 346 661	0	14 707 526	0	0	0	15 145 000	29 852 526	280 903 642	118 069	281 021 711
OTHER COMPREHENSIVE INCOME	0	23 242 000	23 242 000	0	0	0	0	0	0	0	6 609 704	(121 954 000)	(115 344 296)	(92 102 296)	0	(92 102 296)
TRANSFERS	(654 492)	(22 085 173)	(22 739 665)	552 743	(36 454 685)	(35 901 942)	0	(51 895 907)	66 413 267	44 124 247	0	0	58 641 607	0	0	0
BALANCE AT 31 DECEMBER 2016 (note16)	40 802 611	327 004 538	367 807 149	42 610 990	99 069 495	141 680 485	562 968	97 240 904	1 144 304 540	69 059 508	112 564 470	232 198 000	1 655 930 390	2 165 418 024	631 938	2 166 049 963

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES	29	271 229 386	180 550 230
INVESTMENT INCOME LESS COST OF FINANCE		140 797 415	149 679 217
INTEREST RECEIVED	26.3	150 153 769	154 107 211
DIVIDENDS RECEIVED	26.3	5 868 230	6 879 230
INTEREST PAID	27	(15 224 584)	(11 307 224)
NET CASH GENERATED FROM OPERATING ACTIVITIES		412 026 801	330 229 447
CASH FLOWS UTILISED BY INVESTING ACTIVITIES		(307 011 518)	(308 988 245)
ACQUISITION OF OTHER INVESTMENTS		(230)	(7 611 143)
PURCHASES OF PROPERTY, PLANT & EQUIPMENT	6	(164 924 308)	(145 710 675)
PROCEEDS FROM SALE OF PROPERTY, PLANT & EQUIPMENT	6	821 768	1 416 680
RECOUPMENT FROM INSURANCE CLAIM		26 000 000	0
PURCHASES OF INVESTMENTS		(168 908 748)	(157 083 107)
CASH OUTFLOWS FROM FINANCING ACTIVITIES		(29 966 608)	(9 895 107)
REPAYMENTS OF INTEREST-BEARING BORROWINGS	17	(29 966 608)	(9 895 107)
NET INCREASE IN CASH AND CASH EQUIVALENTS		75 048 675	11 346 095
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		182 739 989	171 393 894
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	257 788 664	182 739 989

The notes on pages 15 to 64 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) (to the nearest), which is the University's functional currency and are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. 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 (Act 101 of 1997 (as amended)). They were authorised for issue by Council on 22 June 2017.

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 profit or loss;
- measuring investments recognised as available for sale at fair value; 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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards, amendments and interpretations effective in 2016 and adopted by the University

- **IAS 1, 'Presentation of Financial Statements'**. The IASB has issued amendments as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are designed to further encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make it clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments to IAS 1 became mandatory for annual periods beginning on or after 1 January 2016.

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

- **IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The University is yet to assess IFRS 9's full impact.

- **IFRS 15, 'Revenue from contracts with customers',** replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)

- **IFRS 15, 'Revenue from contracts with customers' (continued)**
  IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the University's contracts with students and customers.
  The standard permits either a full retrospective or modified retrospective approach for adoption and the University is assessing the most appropriate approach to follow on transition.
  The impact on the financial statements has not yet been fully determined but it is expected to result in a change in the timing of the recognition of distance learners' tuition fees which will be recognised when the related performance obligations are satisfied. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

- **IFRS 16, 'Leases',** was published in January 2016 and will result 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 will recognise 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) and low-value leases.
  The accounting for lessors will not change significantly. The new standard contains enhanced disclosure requirements for both lessees and lessors.
  The University expects that the new standard will primarily affect its accounting for operating leases, in particular those relating to its property. As at reporting date, the University has non-cancellable operating lease commitments of R39 347 319 (refer to note 30). It is anticipated that these leases will result in the recognition of a lease liability and a corresponding right of use asset. It is anticipated that while the net surplus before depreciation, interest and income tax will improve, depreciation and finance charges will increase. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

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.

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 to 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 bargain purchase is recognised immediately as a surplus or deficit.

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

The following subsidiaries have been included in the consolidated financial statements:

- Molopo Sun Proprietary Limited
- OpenCollab Proprietary Limited
- PUK Kanselierstrust
- PUK Ontwikkelingstrust (incorporated association not for gain)
- Intsyst Labs Proprietary Limited
- Innovation Highway Proprietary Limited
- Innovation Highway Enterprises Proprietary Limited
- Hydrogen Core Technologies Proprietary Limited
- Hyfra Proprietary Limited
- Platforum Proprietary Limited

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(b) Associates (Equity-accounted investees)

Associates are all entities over which the University has significant influence but not 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.

2.3 Property, plant and equipment (PPE)

2.3.1 Property, plant and equipment is 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. The carrying amount of the replaced part is derecognised. All other repairs and 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. Depreciation on other assets is calculated using the straight-line method to depreciate the depreciable amount, which is the difference between its cost and its residual values, over its 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.

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
Buildings	Indefinite	:	The useful life is estimated as indefinite (2015: 50 years)
Computer equipment	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% - 33,3%	:	The useful life is estimated at a range between 3 and 25 years.
Furniture	10,0%	:	The useful life is estimated at 10 years.
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.
Assets less than R3 000	33,3%	:	The useful life is estimated at 3 years.

2.3.3 Actual improvements to buildings are capitalised 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 are charged to surplus or deficit as incurred.

2.3.4 Costs relating to library books are expensed. 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 impairment losses and depreciation.

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

2.5 Intangible assets

Computer software (Licences and other)

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over its estimated useful lives of three to five years.

Costs associated with maintaining computer software programs (including annual licence fees) are recognised as an expense as incurred. Development costs that can be measured reliably and are directly attributable to the design and testing of identifiable and unique software products controlled by the University, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

Computer software (Licences and other) (continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Research and other development expenditure that does not meet the criteria below is recognised as an expense in the year when incurred. This includes all expenditure directly related to research and development activities.

Development costs, which are inherent in the operating activities of the University, are capitalised when future economic benefits will flow to the University and when the cost can be measured reliably. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the asset is in the condition and location to be used as intended by management.

When capitalised, intangible assets are initially recognised at cost. These costs are amortised on a straight-line basis as follows:

- Computer software – Licences 20% : The useful life is estimated at 5 years.
- Computer software – Other 20% : The useful life is estimated at 5 years.

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.

2.6 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).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets (continued)

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), 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 re-measured. 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 related 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.

2.8 Financial instruments

Classification

The University classifies its non-derivative financial assets in the following categories: financial assets at fair value through profit or loss, receivables, held-to-maturity and available-for-sale.

The University classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial instruments are classified as current assets or liabilities if expected to be settled or redeemed within 12 months; otherwise, they are classified as non-current assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

2.8 Financial instruments (continued)

Non-derivative financial assets and financial liabilities – Recognition and derecognition

The University initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The University derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the University is recognised as a separate asset or liability.

The University derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the University currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement

(a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in surplus or deficit as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in surplus or deficit.

(b) Receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The University's receivables comprise the following in the statement of financial position:

- Money-market and other investments (refer to note 9);
- Trade and other receivables (refer to note 14); and
- Cash and cash equivalents (refer to note 15).

(c) Held-to-maturity

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The University's held-to-maturity investments include capital bonds (refer to note 9).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

2.8 Financial instruments (continued)

Non-derivative financial assets – Measurement (continued)

(d) Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in Other Comprehensive Income (OCI) and accumulated in the available-for-sale revaluation reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to surplus or deficit.

The University's financial assets classified in this category comprise unlisted shares that do not qualify as an investment in an associate, listed shares and foreign investments (refer to note 9).

Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in surplus or deficit as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in surplus or deficit.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The University's other non-derivative financial liabilities include interest-bearing borrowings, deferred income, trade and other payables as well as student deposits and prepaid income.

Derivative financial instruments

Derivatives are initially measured at fair value, and any directly attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in surplus or deficit.

The University's financial assets classified in this category are foreign exchange contracts and ALSI future contracts (refer to note 9).

Fair value measurement

The fair values of quoted investments (level 1) are based on current bid prices. If the market for a financial asset (and for unlisted securities) is not active (level 2), the University establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

2.8 Financial instruments (continued)

Impairment of non-derivative financial assets (continued)

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the University on terms that the University would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, classified as available-for-sale, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised costs

The University has two financial categories measured at amortised cost: Receivables and financial assets held-to-maturity.

Receivables

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit.

Impairment testing of trade receivables is described in note 2.11.

Financial assets held-to-maturity

As a practical expedient, the University measures impairment as the difference between an instrument's fair value using an observable market price and the asset's carrying amount. Losses are recognised in surplus or deficit.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the available-for-sale /revaluation reserve to surplus or deficit. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in surplus or deficit.

Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

2.8 Financial instruments (continued)

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 Fuel inventories are calculated according to the first-in, first-out (FIFO) method.

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

2.9.4 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.

2.10 Cash and cash equivalents

In the consolidated statement of cash flows, 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 3 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

Trade receivables are recognised initially at fair value plus transaction cost and subsequently measured at amortised cost using the effective interest method, less impairment allowances. An impairment allowance for trade receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (90 days and more overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

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.

Unrestricted funds – Council-controlled

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.

Restricted funds

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.

Student and staff accommodation

The student housing segment relates to the provision of accommodation to students (residences).

Fixed asset reserve

These are funds utilised for acquisition of property, plant and equipment (PPE) (refer to note 30).

Revaluation reserve

The revaluation reserve reflects the fair value changes in available-for-sale investments.

2.13 Employee benefits

2.13.1 Pension obligations

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 compensation.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

2.13.1 Pension obligations (continued)

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 comprise 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. Net interest expense and other expenses related 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. A fourth option was introduced on 1 January 2004 for all new members of the fund. 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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

2.13.2 Disability obligations

The disability benefits are provided in accordance with the rules of the North-West University Disability Reserve Fund that 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 6 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 the currency in which the benefits will be paid.

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.

2.13.3 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 comprise 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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

2.13.3 Post-employment medical benefits (continued)

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.

2.13.5 Bonus plans

The University recognises a liability and an expense for bonuses. The University recognises a provision 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 as well as accumulated leave.

2.14 Income recognition

Income is measured at the fair value of the consideration received or receivable, and represents amounts receivable from the sale of goods and provision 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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Income recognition (continued)

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.

2.14.3 Tuition fees, residence fees and other income are recognised as the service and products are rendered, in accordance with the percentage-of-completion method. It is based on the services performed to date as a percentage of the total services to be performed by the University.

2.14.4 Research income is dealt with as follows:

- Income is recognised when received. Funds not used until some specified future period or occurrence are deferred to deferred income and released as the criteria are met and the University becomes entitled to the funds; and
- the expenditure is accounted for when incurred and is not deferred over the term of the specific research.

2.14.5 Dividends are recognised as investment income on the last day of registration with regard to listed shares and when it is declared in the case of unlisted shares.

2.14.6 Interest is recognised as investment income on a time-proportion basis, which takes into account the effective return on the 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.

2.15 Leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Provisions

Provisions are measured at the present value of the expenditures 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.

2.18 Trade payables

Trade payable 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

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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

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. Institutional 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.

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 three independent investment management companies are responsible for managing these related risks.

3.1 FINANCIAL RISK FACTORS

Market risk

(i) Price risk

The University is exposed to equity securities price risk because of investments held by the University and classified either as available-for-sale or at fair value through profit or loss. Included in investments are listed shares that are traded on the Johannesburg Securities Exchange and classified as available-for-sale investments. The risk exists that the value of these financial instruments may fluctuate as a result of changes in the market price.

To manage its price risk arising from investments in equity securities, the University diversifies its portfolio. Diversification is done in accordance with the prescripts of the Committee for Investments.

At 31 December 2016, if the ALSI of the JSE increased/decreased by 1% while all other variables held constant and all the University’s equity instruments moved accordingly, the value of the investments would have been R3 193 528 higher/lower (2015: R3 009 893) (refer to note 9.1). Owing to the unpredictability of equity market returns, a general indicative percentage of 5% is used to highlight the changes in market value of equity investments.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Market risk (continued)

(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 rates 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 2016 an investment performance measurement was done by management which indicated an actual yield on the University's cash and cash equivalent portfolio of 8,32% (2015: 7,26%). Had the interest rate been 0,5% higher/lower (50 basis points), the surplus would have been R4 075 928 higher/lower (2015: R3 416 758).

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures regarding outstanding receivables comprising student debtors and trade and other debtors in normal operating circumstances.

The University's policy is designed to limit exposure to any single financial institution. Credit evaluation with regard to financial institutions is done annually by the Council and a credit limit is set for each institution. The University places cash and cash equivalents as well as investments only with reputable financial institutions with high credit ratings. No credit evaluations are done with regard to trade and other debtors (accounts receivable) nor for student debtors. The University also does not require any collateral. Receivables comprise outstanding student fees and a number of sundry customers. 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.

Liquidity risk

Thorough cash planning and management take place to ensure that the University is able to meet its commitments associated with financial instruments 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.

	2016	**2015**
Listed investments – shares	55%	62%
Cash and cash equivalents	45%	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 and net-settled 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.

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Borrowings	10 776 835	22 048 977	11 032 573	0
Trade and other payables	301 134 234	0	0	0

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	31 180 756	20 074 064	22 570 173	0
Trade and other payables	293 012 938	0	0	0

Liquidity ratio	2016 R	2015 R
Current assets *		
Inventories	25 397 205	20 503 014
Trade and other receivables	216 613 550	143 216 245
Income tax receivable	0	406 330
Cash and cash equivalents	257 788 664	182 739 989
	499 799 419	346 865 578
Current liabilities		
Trade and other payables	301 134 234	297 278 266
Income tax payable	1 009 867	0
Current portion of interest bearing borrowings	10 776 835	31 180 756
Current portion of post-employment benefits	29 416 623	20 421 835
Current portion of deferred income	46 422 185	47 881 080
Student deposits and prepaid income	92 661 439	73 657 353
	481 421 183	470 419 290
Net liquidity of continuing operations	18 378 236	(123 553 712)
Ratio	1.04	0.74

***** 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 this objective. A sound financial position has been established by limiting exposure to debt and increasing investments and cash balances.

Assets		
Investments (current and non-current)	1 345 073 295	1 170 889 601
Cash and cash equivalents	257 788 664	182 739 989
Total	1 602 861 959	1 353 629 590

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 CAPITAL MANAGEMENT (continued)

	2016	2015
	R	R
Liabilities		
Non-current liabilities (excluding deferred income)	552 761 150	555 957 672
Current liabilities (excluding deferred income)	434 998 998	422 538 210
Capital commitments (infrastructure) (note 30)	67 053 619	25 529 359
Contractual obligations - operating leases (note 30)	39 347 319	62 690 416
Total	1 094 161 086	1 066 715 657
Net position	508 700 873	286 913 933

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

Other information

The University has an overdraft facility of R12 million. The facility was not utilised at 31 December 2016.

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 at 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 classified as available-for-sale. 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 is 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 2016.

	Level 1	Level 2	Level 3	Total
Assets	R	R	R	R
Available-for-sale financial assets				
Equity securities - Listed shares in public companies	319 352 829			319 352 829
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		850 562		850 562
Total assets	319 352 829	850 562	0	320 203 391

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 FAIR VALUE ESTIMATION (continued)

The following table presents the University's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1	Level 2	Level 3	Total
Assets	**R**	**R**	**R**	**R**
Available-for-sale financial assets				
Equity securities - Listed shares in public companies	300 989 270			300 989 270
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		549 458		549 458
Total assets	300 989 270	549 458	0	301 538 728

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and assumptions as well as for management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Reported amounts of assets and liabilities at the reporting date as well as reported income and expenditure are affected by estimates, assumptions and judgements which are made and consist of the following:

4.1 Critical accounting estimates and assumptions

The University makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Property, plant and equipment

The University is required to annually estimate the useful life and the expected residual value of items of property, plant and equipment for measurement and ensure that changing circumstances are taken into account. In the current year, the useful life of buildings and specialised equipment was reassessed. See note 32.

(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 dependants.

Any changes in these assumptions will 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 salary and pension increase rates 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) Impairment of financial instruments

The measurement of loans, trade and other receivables requires an estimation of the collectability of these assets.

(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. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.2 Critical judgements

(i) Classification and valuation of investments

Management is required to exercise judgement in the classification of an investment in the equity instruments of another business. They must determine whether the University controls or jointly manages the business or only exercises a significant influence upon it. Management is also responsible to determine the fair value of unlisted investments.

(ii) Income recognition

The criteria to be met before income is recognised require that management assess the transfer of risks and benefits associated with ownership of goods or rendering services. Depending on the type of transaction concluded, the decision to recognise income ranges from very simple to highly complex.

Further information in this regard is disclosed in note 2.14.

5. NUMBER OF EMPLOYEES

The number of permanent employees and term employees with benefits on 31 December 2016, totalled 3 740 (2015: 3 700).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements	Land	Buildings and other improvements *	Vehicles	Furniture	Laboratory equipment	Specialised equipment	Computer equipment	Servers and Printers	Synthetic hockey field	Assets less than R3 000	Total
	R	R	R	R	R	R	R	R	R	R	R
Carrying amount at 31/12/14	31 287 820	727 803 694	30 194 872	89 530 073	46 510 898	133 850 730	45 060 065	21 043 766	902 003	15 657 018	1 141 840 939
Cost	31 287 820	897 353 960	42 090 185	167 068 760	106 629 744	267 582 252	151 471 435	59 196 327	2 665 731	48 039 591	1 773 385 805
Accumulated depreciation	0	(169 550 266)	(11 895 313)	(77 538 687)	(60 118 846)	(133 731 522)	(106 411 370)	(38 152 561)	(1 763 728)	(32 382 573)	(631 544 866)
Additions in the year	0	36 536 180	4 975 316	14 204 492	12 965 034	20 479 569	24 148 673	25 789 737	0	6 611 675	145 710 676
Depreciation for the year	0	(17 240 496)	(4 281 511)	(15 561 684)	(10 177 121)	(69 433 414)	(28 399 224)	(8 001 118)	(26 658)	(10 950 151)	(164 071 376)
Cost of disposals/scrapings in the year	0	0	(3 525 212)	(772 124)	(662 052)	(2 313 459)	(1 570 409)	(246 102)	0	0	(9 089 358)
Accumulated depreciation of disposals	0	0	2 283 245	647 455	598 758	2 315 049	1 312 654	230 659	0	92 912	7 480 732
Carrying amount at 31/12/15	31 287 820	747 099 378	29 646 709	88 048 212	49 235 517	84 898 475	40 551 759	38 816 942	875 345	11 411 454	1 121 871 611
Cost	31 287 820	933 890 140	43 540 288	180 501 128	118 932 725	285 748 362	174 049 699	84 739 962	2 665 731	54 651 266	1 910 007 121
Accumulated depreciation	0	(186 790 762)	(13 893 579)	(92 452 916)	(69 697 208)	(200 849 887)	(133 497 940)	(45 923 020)	(1 790 386)	(43 239 812)	(788 135 510)
Additions in the year	0	30 124 133	5 936 815	16 063 586	11 524 055	53 838 588	25 871 761	12 497 155	0	9 068 215	164 924 308
Depreciation for the year	0	0	(2 027 227)	(16 659 581)	(12 411 727)	(21 043 593)	(27 642 046)	(13 577 431)	(26 657)	(7 641 119)	(101 029 382)
Cost of disposals/scrapings in the year	0	0	(3 384 310)	(4 518 620)	(2 436 852)	(4 602 808)	(8 764 341)	(990 198)	0	(36 210 831)	(60 907 960)
Accumulated depreciation of disposals	0	0	1 226 705	3 211 444	2 014 065	3 838 362	8 166 276	952 072	0	36 210 831	55 619 755
Carrying amount at 31/12/16	31 287 820	777 223 510	31 398 692	86 145 041	47 925 059	116 929 024	38 183 409	37 698 539	848 688	12 838 551	1 180 478 335
Cost	31 287 820	964 014 273	46 092 793	192 046 095	128 019 929	334 984 142	191 157 119	96 246 918	2 665 731	27 508 651	2 014 023 472
Accumulated depreciation	0	(186 790 762)	(14 694 101)	(105 901 054)	(80 094 870)	(218 055 118)	(152 973 710)	(58 548 379)	(1 817 043)	(14 670 100)	(833 545 138)

Buildings and equipment with a cost price of R2 325 486 (2015: R51 516 866) 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.

Included in assets are fully depreciated property, plant and equipment with an original cost of R303 859 615 (2015: R297 283 096) that are still in use.

All assets are unencumbered. The sale and transfer of land and buildings, acquired with the financial support of the State, are subject to Ministerial approval.

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.

***** Buildings still under construction at year end amounts to R67,2 million for 2016 (2015: R53,6 million).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT PROPERTIES	2016 R	2015 R
Carrying amount at beginning of year	20 322 861	20 820 106
Cost	24 862 225	24 862 225
Accumulated depreciation	(4 539 364)	(4 042 119)
Depreciation	(497 245)	(497 245)
Carrying amount at end of year	19 825 616	20 322 861
Cost	24 862 225	24 862 225
Accumulated depreciation	(5 036 609)	(4 539 364)
Income	10 265 727	10 335 127
Rental income (short-term investment income - note 26)	10 191 718	9 451 985
Insurance claim	0	449 720
Interest received	74 009	31 883
Other	0	401 539
Less: Expenditure (direct operating expenses arising from investment properties that generate rental income)	6 620 357	3 070 961
Personnel remuneration	395 089	364 371
Maintenance - buildings	3 809 304	623 082
Municipal fees and property tax	586 273	380 245
Operating costs	468 551	395 152
Services outsourced	863 895	810 866
Depreciation	497 245	497 245
Net surplus from investment properties	3 645 370	7 264 166

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 were done by Danie Rothman Accountants which has appropriate qualifications and experience in the location of the investment property being valued.
Assumptions used for the valuation of Cachet Park include an occupancy rate of 100%, rental margin of 45,7%, and inflation rate of 6% for land. No tax implications applicable.
Present value of future cash flow projections, based on current lease agreements, were used in the calculation of the fair value to the amount of R79 140 000 (2015: R78 513 000), using an discount rate per annum of 8,75 % for 2016 (2015: 8,00%).
Investment properties - Other: The fair value amounts to R3 650 000 (2015: R3 500 000).
The total fair value of all investment properties amounts to R82 790 000 (2015: R82 013 000).

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

	Capitalisation rate		
	7,75%	**8,75%**	**9,75%**
Rental (5% decrease)	84 887 097	75 185 714	67 474 359
Rental (per valuators report)	89 354 839	79 142 857	71 025 641
Rental (5% increase)	93 822 581	83 100 000	74 576 923

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS	Goodwill	COMPUTER SOFTWARE Licenses	Other	TOTAL
Opening carrying value - 01/01/15	950 000	0	0	950 000
Cost	950 000	23 419 437	23 997 223	48 366 660
Accumulated amortisation	0	(23 419 437)	(23 997 223)	(47 416 660)
Amortisation charges	0	0	0	0
Net carrying value - 31/12/15	950 000	0	0	950 000
Cost	950 000	23 419 437	23 997 223	48 366 660
Accumulated amortisation	0	(23 419 437)	(23 997 223)	(47 416 660)
Amortisation charges	0	0	0	0
Closing carrying value - 31/12/16	950 000	0	0	950 000
Cost	950 000	23 419 437	23 997 223	48 366 660
Accumulated amortisation	0	(23 419 437)	(23 997 223)	(47 416 660)

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

The following investments are carried at fair value:	2016 R	2015 R
Unlisted investments		
Available-for-sale		
Unlisted shares that do not qualify as an investment in equity-accounted investees	850 562	549 458
Listed investments		
Available-for-sale		
Shares in public companies	319 352 829	300 989 270
Total investments at fair value (refer to note 12)	320 203 391	301 538 728
The following investments are carried at amortised cost:		
Unlisted investments		
Investments in money market instruments	991 774 334	842 902 146
Committee for investments	87 773 772	86 778 694
Other	904 000 562	756 123 452
Held-to-maturity	33 095 570	26 448 727
Bonds	33 095 570	26 448 727
Total investments at amortised cost	1 024 869 904	869 350 873
Presented as follows:		
Non-current asset	804 753 723	810 061 684
Current asset	540 319 572	360 827 917
Total investments	1 345 073 295	1 170 889 601

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

9.1 Total investments (continued)

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 management 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.

Available-for-sale investments

The fair value adjustment for the current year amounts to R6 609 704 (gain) (2015: R28 057 502 loss) and is shown in OCI (Other comprehensive income).

	2016 R	2015 R
Shares in public companies	6 309 135	(28 187 541)
Unlisted shares - not investments in equity-accounted investees	300 569	130 039
	6 609 704	(28 057 502)

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

Other information

Realised profits or losses on the disposal of investments are included in investment income (note 26). The register with full particulars of the above-mentioned investments is available for inspection at the registered address of the University.

9.2 Investment in subsidiaries

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

Detail as reflected in entities financials

Molopo Sun Proprietary Limited (100% interest)

The principal business of the company is the rental of equipment to the University.

	2016	2015
Carrying amount of shares	2 700	2 700
Attributable profit after tax	53 955	53 213

PUK Kanselierstrust (100% interest)

The principal business of the trust is to promote higher education at the University.

	2016	2015
Carrying amount of trust funds	1 364 712	1 335 842
Attributable profit	29 089	24 700

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.

	2016	2015
Carrying amount: Non-distributable reserves	8 240 537	8 240 537
Attributable profit: Non-distributable	0	0

OpenCollab Proprietary Limited (94,90% interest)

The principal business of the company is to provide software development, maintenance, support and consulting services.

	2016	2015
Carrying amount of shares	93	93
Attributable profit after tax	2 315 085	2 756 185

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2016	2015
9. INVESTMENTS (continued)		
9.3 Investment in subsidiaries (continued)	R	R
Intsyst Labs Proprietary Limited (100% interest)		
The principal business of the company is research into and development of intelligent systems.		
Carrying amount of shares	100	0
Attributable profit after tax	553 171	0
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	100	0
Attributable profit after tax	1 558 570	0
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	100	0
Attributable profit after tax	0	0
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	100	0
Attributable profit after tax	0	0
Hyfra Proprietary Limited (100% interest)		
The principal business of the company is the commercialisation of HySA technologies (outside DST funding)		
Carrying amount of shares	100	0
Attributable profit after tax	0	0
Platforum Proprietary Limited (100% interest)		
The principal business of the company is the development of additive manufacturing technology.		
Carrying amount of shares	100	0
Attributable profit after tax	0	0
Total assets and liabilities of consolidated subsidiaries		
Assets	27 026 650	22 592 672
Liabilities	512 792	621 893

Mortgages

Loan account to Molopo Sun Proprietary Limited: The University has subordinated its claim with respect to this loan to claims of other creditors.

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

10. EQUITY-ACCOUNTED INVESTEES

	2016	2015
Balance at beginning of year	3 528 141	152 014
Acquisition of holding in investees	230	7 611 143
Share of losses	(3 508 738)	(4 235 016)
Balance at end of year	19 633	3 528 141

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. EQUITY-ACCOUNTED INVESTEES (continued)

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	Liabilities	Revenue	Losses	Interest held
31 December 2016					
- Ambixtra Pty Ltd	27 405 893	39 854 776	106 009	(1 942 972)	40%
- Finclude Technologies Pty Ltd	390 977	1 308 102	5 773 814	(201 586)	50%
- Ferticide Pty Ltd	0	0	0	0	45%
- Kemajo Innovations Pty Ltd	0	0	0	0	50%
	27 796 870	41 162 878	5 879 823	(2 144 558)	
31 December 2015					
- Ambixtra Pty Ltd	27 687 087	38 192 997	44 069	(1 288 779)	40%
- Finclude Technologies Pty Ltd	713 399	461 659	2 358 584	(64 469)	50%
	28 400 486	38 654 656	2 402 653	(1 353 248)	

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 that of the University and the associated risk is therefore minimal. No dividends were received.
Ambixtra Proprietary Limited is a start up operation funded jointly by the Independent Development Corporation (IDC) and founders. The company will only start generating profit in 2019 and therefore the loan is impaired in full.

11. FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include investments, trade and other receivables, cash and cash equivalents, borrowings, derivatives, receivables, trade and other payables.
The fair values of these financial assets are deemed to approximate their carrying amounts.

11a. FINANCIAL INSTRUMENTS BY CATEGORY

31 DECEMBER 2016	Receivables R	Held to maturity R	Available-for-sale R	Fair value through profit or loss R	Total R
Assets as per statement of financial position					
Investments and derivatives (note 9)	991 774 334	33 095 570	320 203 391	0	1 345 073 295
Trade and other receivables (note 14) (excluding prepayments and VAT)	198 157 824	0	0	0	198 157 824
Cash and cash equivalents (note 15)	257 788 664	0	0	0	257 788 664
Total	1 447 720 822	33 095 570	320 203 391	0	1 801 019 783

Liabilities as per statement of financial position	At amortised cost R	Total R
Borrowings (note 17)	43 858 385	43 858 385
Trade and other payables (note 20)	301 134 234	301 134 234
Total	344 992 619	344 992 619

31 DECEMBER 2015	Receivables R	Held to maturity R	Available-for-sale R	Fair value through profit or loss R	Total R
Assets as per statement of financial position					
Investments and derivatives (note 9)	842 902 146	26 448 727	301 538 728	0	1 170 889 601
Trade and other receivables (note 14) (excluding prepayments and VAT)	130 060 254	0	0	0	130 060 254
Cash and cash equivalents (note 15)	182 739 989	0	0	0	182 739 989
Total	1 155 702 389	26 448 727	301 538 728	0	1 483 689 844

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS (continued)

11a. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 DECEMBER 2015 (continued)

Liabilities as per statement of financial position	At amortised cost R	Total R
Borrowings (note 17)	73 824 993	73 824 993
Trade and other payables (note 20)	293 012 938	293 012 938
Total	366 837 931	366 837 931

11b. CREDIT QUALITY OF FINANCIAL ASSETS

Exposure per category:	Credit rating:	2016 R	2015 R
Investments (note 9)			
Listed investments - shares	-	319 352 829	300 989 270
Unlisted investments - money market and bonds	BBB- (2014: AA)	1 025 720 466	869 900 331
Trade and other receivables	(Group 1,2,3)	216 613 550	143 216 245
Cash and cash equivalents	BBB- (2014: AA)	257 788 664	182 739 989
Total		1 819 475 509	1 496 845 836

BBB- rating: An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2016 R	2015 R
Counterparties without external credit rating		
Group 1	103 452 231	84 204 860
Group 2	24 727 532	26 679 692
Group 3	88 433 787	32 331 693
Trade and other receivables (note 14)	216 613 550	143 216 245

Group 1 - existing student accounts with some defaults in the past.
Group 2 - trade debtors outstanding less than 90 days with some defaults in the past.
Group 3 - other outstanding amounts with no defaults in the past.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 R	2015 R
Balance at beginning of year	301 538 728	284 104 629
Additions	12 054 959	45 491 601
Net gain/(loss) transferred to OCI (Other comprehensive income)	6 609 704	(28 057 502)
Balance at end of year	320 203 391	301 538 728

There were no impairment provisions made on available-for-sale financial assets in 2016 and 2015.

Available-for-sale financial assets include the following:		
Listed securities:		
Equity securities	319 352 829	300 989 270
Unlisted securities:		
Investments that do not qualify as an investment in equity-accounted investees	850 562	549 458
	320 203 391	301 538 728

Available-for-sale 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 equity securities classified as available-for-sale.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2016	2015
13. INVENTORIES	**R**	**R**
Net realisable value (see note 25)		
Foodstuffs (Residence and Catering Services)	3 219 456	1 811 399
Publications and study materials	10 003 285	8 230 522
Other consumables	10 575 002	9 440 611
Veterinary health	1 599 462	1 020 482
	25 397 205	20 503 014
At cost		
Foodstuffs (Residence and Catering Services)	3 418 369	2 002 026
Publications and study materials	10 242 865	9 408 154
Other consumables	10 593 136	9 440 611
Veterinary health	1 599 462	1 267 356
	25 853 832	22 118 147

Obsolete inventory to the amount of R456 627 (2015: R1 615 133) was written off (see note 25).

14. TRADE AND OTHER RECEIVABLES

	2016	2015
Balance at beginning of year	266 683 890	201 095 071
Plus: Net movement	100 251 208	106 535 171
	366 935 098	307 630 241
Less: Bad debts written off	(39 381 942)	(40 946 351)
Balance at end of year	327 553 156	266 683 890
Less: Allowance for credit losses	(141 939 606)	(123 467 645)
Balance at beginning of year	(123 467 645)	(76 456 576)
Debtors written off during current year	39 381 942	40 946 351
Allowance for credit losses created in current year	(57 853 903)	(87 957 420)
Balance at end of year	185 613 550	143 216 245

Details of trade and other receivables

	2016	2015
Students		
Tuition and residence fees	225 355 630	182 699 893
Less: Allowance for credit losses	(121 903 399)	(98 495 033)
Sub-total: Students	103 452 231	84 204 860
Sub-total: Advances and prepayments	7 586 928	13 155 992
Other debtors	125 610 598	70 828 005
Projects: Services rendered	44 763 739	51 652 304
VAT	10 868 798	0
Other	69 978 061	19 175 701
Less: Allowance for credit losses	(20 036 207)	(24 972 612)
Sub-total: Other debtors	105 574 391	45 855 393
Total trade and other receivables at 31 December	216 613 550	143 216 245

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 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 an allowance for credit losses, debts written off, as well as amounts previously written off and recovered during the year, are included in current operating expenditure. Amounts charged to surplus or deficit are generally written off when there is no expectation of recovering additional cash.

As at 31 December 2016, student debtors of R121 903 399 (2015: R98 495 033) were impaired and a bad debt allowance raised. Allowance of R23 408 366 was raised during 2016 (2015: R34 073 000).

	2016 R	2015 R
Movement in an allowance for credit losses of student debtors was as follows:		
Balance at beginning of year	98 495 033	64 422 033
Student debtors written off during current year	(37 798 092)	(35 436 808)
Allowance for credit losses created in current year	61 206 458	69 509 808
Balance at end of year	121 903 399	98 495 033
The ageing of student debtors that are past due is as follows:		
Student debtors past due and impaired (enrolled in 2016 & before)	121 903 399	98 495 033
Student debtors past due but not impaired (enrolled in 2017 again)	(121 903 399)	(98 495 033)
Total balance at end of year	0	0

Other debtors

Balances on other debtors of 90 days and older are considered to be an indicator of impairment and an impairment allowance is raised accordingly. The increase or decrease in the impairment allowance for credit losses, debts written off, as well as amounts previously written off and recovered during the year, are included in current operating expenditure. Amounts charged to the surplus or deficit are generally written off when there is no expectation or recovering any additional cash.

As at 31 December 2016, other debtors of R20 036 207 (2015: R24 972 612) were impaired and a bad debt allowance raised. Allowance in the amount of R4 936 405 was written back in 2016 (2015: R12 938 069 raised).

	2016 R	2015 R
Movement in an allowance for credit losses of other debtors was as follows:		
Balance at beginning of year	24 972 612	12 034 543
Other debtors written off during current year	(1 583 850)	(5 509 543)
Allowance for credit losses (reversed)/created in current year	(3 352 555)	18 447 612
Balance at end of year	20 036 207	24 972 612
The fair values of trade and other receivables are as follows:		
Student debtors	103 452 231	84 204 860
Other debtors	94 705 593	45 855 393
Financial assets	198 157 824	130 060 253
Advances and prepayments	7 586 928	13 155 992
VAT	10 868 798	0
Total	216 613 550	143 216 245

The fair value is deemed to approximate the carrying amounts.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2016	2015
14. TRADE AND OTHER RECEIVABLES (continued)	R	R
Other debtors (continued)		
The ageing analysis of other receivables is as follows:		
Current	68 853 264	46 916 922
30 days	24 517 446	6 828 802
60 days	19 790 609	5 265 661
90 days	20 036 207	24 972 612
Total balance before impairment allowance at end of year	133 197 526	83 983 997

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	144 555 970	50 057 760
Bank balances	112 534 662	132 112 505
Petty cash advances	698 032	569 724
	257 788 664	182 739 989

The weighted average effective interest rate on short-term bank deposits was 8,32% (2015: 7,26%).
The cash and cash equivalents and investments are managed on a total basis. The restricted funds are not managed separately. The reserves have been split between restricted funding and non-restricted funding.

16. EQUITY

The movement is the result of the normal financial cycle after a fair value adjustment (note 9) in the amount of R6 609 704 increase (2015: R28 057 502 decrease) was made on 31 December 2016.

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 appropriate fund to PPE 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 (to funds for PPE: additions & renewals); a
- 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	2016 R	2015 R
Carrying amounts		
Nedbank	0	21 037 753
First National Bank - PUK Sport Village and extension of Excelsior Hostel	18 605 580	23 692 180
First National Bank - New residence	25 252 805	29 095 060
Total borrowings	43 858 385	73 824 993
Less: Current portion	10 776 835	31 180 756
Non-current liabilities	33 081 550	42 644 237

Represented as follows:

Nedbank		
Total - Nedbank loan	0	21 037 753
Less: Current portion	0	21 037 753
Non-current liabilities	0	0

The full capital loan amount was repaid on 30 May 2016.

First National Bank - PUK Sport Village and extension of Excelsior Hostel		
Total - First National Bank loan	18 605 580	23 692 180
Less: Current portion	5 811 063	5 386 018
Non-current liabilities	12 794 517	18 306 162

A FirstRand Bank Negotiable Certificate of Deposit serves as security for the loan. This loan bears interest at a fixed rate of 10,20% per annum. Repayments take place in equal annual instalments in the amount of R7 389 105 (including interest and capital), with a final instalment due on 21 October 2019.

First National Bank - New residence		
Total - First National Bank loan	25 252 805	29 095 060
Less: Current portion	4 965 772	4 756 985
Non-current liabilities	20 287 033	24 338 075

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 290 145 (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 payments only):		
Less than 1 year	10 776 835	31 180 756
Between 1 and 2 years	22 048 977	20 074 064
Between 3 and 5 years	11 032 573	22 570 173
	43 858 384	73 824 993

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS	2016 R	2015 R
ASSETS		
Net assets recognised in the statement of financial position		
North-West University Pension Fund (note 18.1)	232 198 000	281 079 000
North-West University Disability Reserve Fund (note 18.2)	0	57 928 000
Total employee benefit assets	232 198 000	339 007 000
LIABILITIES		
Accrued leave	380 840 223	353 474 270
Post-employment medical benefits (note 18.3)	168 256 000	180 261 000
Total employee benefit liabilities	549 096 223	533 735 270
Less: Current liability - accrued leave	(29 416 623)	20 421 835
Total non-current liability	519 679 600	513 313 435

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 (2016: 0,74% or 27 members and 2015: 0,88% or 31 members). A fixed-contribution option with a defined-benefit guarantee applied to all new members joining from 1 January 1995 (2016: 8,63% or 313 members and 2015: 11,64% or 408 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 (2016: 90,337% or 3 277 members and 2015: 87,17% or 3056 members). A statutory actuarial valuation of the North-West University Pension Fund is undertaken every three years. At 1 January 2017, the effective date of the most recent statutory actuarial valuation, the retirement benefit fund was found to have a surplus of R431 539 000.

Valuation calculations in terms of IAS19 (revised) in reporting on the defined benefit pension fund were done as on 31 December 2016, with the following results:

Current estimated employee benefit obligation:	2016 R	2015 R
Present value of obligation	1 270 650 000	1 276 547 000
Fair value of plan assets	(1 502 848 000)	(1 566 641 000)
Impact of asset limitation	0	9 015 000
Asset at year-end	(232 198 000)	(281 079 000)
Recognised in profit or loss:		
Current service costs (personnel remuneration)	29 079 000	35 541 000
Net interest (personnel remuneration)	(30 821 000)	(12 938 000)
Benefits enhancements (non-recurrent expenditure)	0	89 901 000
	(1 742 000)	112 504 000
Recognised in other comprehensive income:		
Actuarial (gain)/loss due to experience	(49 272 000)	9 896 000
Actuarial gain due to financial assumption changes	(39 254 000)	(114 494 000)
Actual return on assets	5 466 000	(244 452 000)
Expected return	165 242 000	147 967 000
Change in asset limitation	(9 015 000)	9 015 000
	73 167 000	(192 068 000)

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.1 North-West University Pension Fund (continued)

	2016	2015
Recognised in the statement of financial position:	**R**	**R**
Opening net asset	(281 079 000)	(186 092 000)
Expense	(1 742 000)	112 504 000
Contribution	(22 544 000)	(15 423 000)
Remeasurements recognised in other comprehensive income	73 167 000	(192 068 000)
Asset at year-end	(232 198 000)	(281 079 000)
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	1 276 547 000	1 682 230 000
Interest cost	134 421 000	135 029 000
Service cost	29 079 000	35 541 000
Contribution	11 207 000	11 569 000
Benefits paid	(92 078 000)	(80 042 000)
Actuarial gain	(88 526 000)	(104 598 000)
Curtailment *	0	(403 182 000)
Liability for defined-benefit obligations at 31 December	1 270 650 000	1 276 547 000
Movement in the plan assets:		
Fair value of plan assets at 1 January	1 566 641 000	1 868 322 000
Expected return on plan assets	165 242 000	147 967 000
Contribution	33 751 000	26 992 000
Benefits paid	(92 078 000)	(80 042 000)
Actuarial (loss)/gain	(170 708 000)	96 485 000
Curtailment *	0	(493 083 000)
Fair value of plan assets at 31 December	1 502 848 000	1 566 641 000

* In May 2015, members entitled to benefits in accordance with Annexure D of the Rules were given the option to convert to members entitled to benefits as per the Main Rules of the Fund. Members who chose to convert were given a 15% enhancement on their Annexure D benefit entitlement which was funded from the Employer Surplus Account. In total 224 members converted.

Plan assets comprise:	**%**	**%**
Local equity securities	44,1	51,2
International equity securities	27,3	21,6
Local fixed interest	10,9	12,6
International fixed interest	6,2	2,6
Local cash	5,4	5,3
Local property	6,1	6,7
	100,0	100,0

Principal actuarial assumptions at the reporting date:		
Inflation rate	7,51	8,70
Discount rate	9,81	10,74
Expected return on plan assets**	11,51	12,70
Expected future salary increases	8,51 + merit scale	9,70 + merit scale
Expected pension increases	7,01	8,20

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.1 North-West University Pension Fund (continued)

Principal actuarial assumptions at the reporting date (continued):	**2016** **%**	**2015** **%**
Mortality rates pre-retirement	SA (56 - 62), rated down 3 years for female members	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, exceed 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. 11,51%).

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

	Increase **R'000**	**Decrease** **R'000**
Discount rate - change with 0,25%	39 407	(42 298)
Inflation rate - change with 0,10%	16 294	(15 891)
Mortality rate - change with 1 year	(31 445)	31 485

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 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 that 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 2017, the effective date of the most recent statutory actuarial valuation, the disability reserve fund was found to have a surplus of R37 622 000.

Valuation calculations in terms of IAS19 (revised) on the disability reserve fund was performed on 31 December 2016 with the following results:

Current estimated employee benefit obligation:	**2016** **R**	**2015** **R**
Present value of obligation	21 431 000	14 954 000
Fair value of plan assets	(64 868 000)	(72 882 000)
Impact of asset ceiling	43 437 000	0
Asset at year-end	0	(57 928 000)

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

	2016 R	2015 R
Recognised in profit or loss:		
Current service costs	706 000	642 000
Net interest	(4 825 000)	(3 637 000)
Reinsurance premiums	7 412 000	6 519 000
Disability claimants	5 878 000	0
Total included in personnel remuneration	9 171 000	3 524 000
Recognised in other comprehensive income:		
Actuarial loss/(gain) due to experience	4 791 000	(9 714 000)
Actuarial gain due to financial assumption changes	(4 128 000)	(2 898 000)
Actuarial loss due to demographic assumption changes	0	1 661 000
Actual return on assets	(2 127 000)	(6 367 000)
Expected return	6 814 000	5 625 000
Impact of asset ceiling limitation	43 437 000	0
	48 787 000	(11 693 000)
Recognised in the statement of financial position:		
Opening net asset	(57 928 000)	(48 870 000)
Expense	9 171 000	3 524 000
Contribution	(30 000)	(889 000)
Remeasurement recognised in other comprehensive income	48 787 000	(11 693 000)
Asset at year-end	0	(57 928 000)
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	14 954 000	26 104 000
Interest cost	1 989 000	1 988 000
Service cost	706 000	642 000
Contribution	0	0
Benefits paid (net of reinsurance recoveries)	(2 759 000)	(2 829 000)
Actuarial loss/(gain)	663 000	(10 951 000)
Disability claimants - employer contribution	5 878 000	0
Liability for defined-benefit obligations at 31 December	21 431 000	14 954 000
Movement in the plan assets:		
Fair value of plan assets at 1 January	72 882 000	74 974 000
Expected return on plan assets	6 814 000	5 625 000
Contribution (net of reinsurance premiums)	(7 382 000)	(5 630 000)
Benefits paid (net of reinsurance recoveries)	(2 759 000)	(2 829 000)
Actuarial (loss)/gain on assets	(4 687 000)	742 000
Fair value of plan assets at 31 December	64 868 000	72 882 000

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

	2016	2015
Plan assets comprise:	%	%
Local equity securities	60,3	56,5
International equity securities	20,9	24,6
Property	10,5	12,2
Bonds	3,8	3,6
Local cash	4,5	3,1
	100,0	100,0
Principal actuarial assumptions at the reporting date:		
Inflation rate	6,48	8,02
Discount rate	8,76	10,03
Expected return on investment***	10,48	12,02
Benefit increases	6,48	8,02
Increases in payments from reinsurers	5,00	5,00
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 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.

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

	Increase R'000	Decrease R'000
Discount rate - change with 0,25%	(371)	385
Inflation rate - change with 0,10%	422	(417)
Mortality rate - change with 1 year	(335)	326

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 done as on 31 December 2016 are as follows:

	2016 R	2015 R
Current estimated employee benefit obligation:		
Present value of obligation	168 256 000	180 261 000
Recognised in profit or loss:		
Current service costs	2 759 000	2 271 000
Net interest	17 706 000	13 599 000
Total included in personnel remuneration	20 465 000	15 870 000

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.3 Post-employment medical benefits (continued)

	2016 R	2015 R
Recognised in the statement of comprehensive income:		
Actuarial (gain)/loss recognised in other comprehensive income (OCI)	(23 242 000)	3 335 000
Recognised in the statement of financial position:		
Pensioners	111 820 000	122 811 000
Active employees	56 436 000	57 450 000
Present value of unfunded liability	168 256 000	180 261 000
Movement in the liabilities:		
Liability at 1 January	180 261 000	169 813 000
Interest cost	17 706 000	13 599 000
Service cost	2 759 000	2 271 000
Contribution	(9 228 000)	(8 757 000)
Actuarial (gain)/loss	(23 242 000)	3 335 000
Liability at 31 December	168 256 000	180 261 000
Principal actuarial assumptions at the reporting date:	%	%
Inflation rate	7,01	8,03
Discount rate	9,27	10,08
Expected future salary increases	7,51	9,03
Expected future medical cost increases	8,51	9,53

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)
2016			
Salary/Health-care cost inflation	+1%	+11,0%	+12,0%
	-1%	-9,3%	-10,2%
Mortality	+1%	-8,7%	- 9,3%
	-1%	+9,9%	+10,5%
Resignation rate	+1%	-1,5%	-2,1%
	-1%	+1,7%	+2,3%
2015			
Salary/Health-care cost inflation	+1%	+11,6%	+12,7%
	-1%	-9,9%	-10,7%
Mortality	+1%	-9,2%	-9,7%
	-1%	+10,4%	+11,0%
Resignation rate	+1%	-1,8%	-2,3%
	-1%	+2,0%	+2,5%

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.3 Post-employment medical benefits (continued)

Expected contributions to post-employment benefit plans for the year ending 31 December 2017 are R9 266 000.

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.

18.4 Associated Institutions Pension Fund

Of the permanent staff in the relevant staff categories (Potchefstroom and Vaal Triangle campuses), (2016: 0,30% or 11 staff members and 2015: 0,31% or 11 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 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 inadequate 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 million surplus. The AIPF is administered by the State.

The amount as recognised in the statement of comprehensive income (note 24 – Personnel remuneration) for 2016 is R1 295 470 (2015: R1 239 226).

18.5 NWU Provident Fund

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 2016: 106 staff members and 2015: 111 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 24 – Personnel remuneration) for 2016 is R1 721 474 (2015: R1 709 560).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2016 R	2015 R
19. DEFERRED INCOME		
Deferred income includes state grants.		
Capital projects	124 633 753	47 881 080
Balance at beginning of year	47 881 080	102 328 353
Subsidy received during the year	74 500 000	0
Interest capitalised during the year	5 332 647	2 557 587
	127 713 727	104 885 940
Recognised during the year	(3 079 974)	(57 004 860)
Balance at end of year	124 633 753	47 881 080
Presented as follows:		
Non-current liability: Long-term portion	78 211 568	0
Current liability: Short-term portion	46 422 185	47 881 080
	124 633 753	47 881 080
20. TRADE AND OTHER PAYABLES		
Trade creditors	192 692 882	203 963 407
Student fees - credit accounts	108 441 352	89 049 531
Financial liabilities	301 134 234	293 012 938
VAT	0	4 265 328
	301 134 234	297 278 266

The fair value approximate the carrying amount.

	2016 R	2015 R
21. STUDENT DEPOSITS AND PREPAID INCOME		
Includes student-related fees as well as various research and project income received in advance	92 661 439	73 657 353

The fair value approximate the carrying amount.

22. INCOME

Total income includes the total subsidy, tuition, residence, meal and other student fees, research contract income, interest (including long-term investment income), rental received and consultation income generated by faculties.

	2016 R	2015 R
23. STATE APPROPRIATIONS - SUBSIDIES AND GRANTS		
Unrestricted or designated		
Operating purposes	1 342 528 093	1 304 072 000
Earmarked grants	67 356 304	59 089 839
No fee increase - tuition	117 126 740	0
	1 527 011 137	1 363 161 839
Deferred capital subsidy recognised	30 796	5 487 993
Total	1 527 041 933	1 368 649 832
Student and staff accommodation		
No fee increase - residences	17 053 260	0
Total: State appropriations - subsidies and grants	1 544 095 193	1 368 649 832

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R	2016 TOTAL R	2015 TOTAL R
24. PERSONNEL REMUNERATION					
Remuneration and fringe benefits	1 799 815 919	54 283 416	37 984 550	1 892 083 885	1 747 836 676
Accrued leave	27 365 953	0	0	27 365 953	44 021 951
NWU Pension fund	(1 658 320)	(49 231)	(34 449)	(1 742 000)	22 603 000
NWU Disability fund	8 730 458	259 181	181 361	9 171 000	3 524 000
AI Pension fund	1 233 240	36 611	25 619	1 295 470	1 239 226
NWU Provident funds	1 638 780	48 651	34 043	1 721 474	1 709 560
Post-employment medical benefits	20 465 000	0	0	20 465 000	15 870 000
	1 857 591 030	54 578 628	38 191 124	1 950 360 782	1 836 804 413

Annualised Gross Remuneration to Institutional Management (excludes exceptional payments - exceeding in annual aggregate R249 999)

Name	Office held	Basic salary R	Employment benefits R	Other payments / allowances R	Total costs to NWU 2016 R	Total costs to NWU 2015 R
Prof ND Kgwadi	Vice-Chancellor	2 439 882	273 041	729 381	3 442 304	3 298 546
Prof F van Niekerk	Deputy Vice-Chancellor: Research, Innovation and Technology	1 993 507	24 649	620 248	2 638 404	2 414 630
Prof JJ Janse van Rensburg	Campus Rector: Potchefstroom	1 776 618	131 582	644 121	2 552 321	0
Prof MJ Oosthuizen	Deputy Vice-Chancellor: Teaching-Learning	1 740 752	278 238	505 623	2 524 613	2 359 472
Prof M Davhana-Maselesele	Campus Rector: Mafikeng	1 715 927	196 868	474 730	2 387 525	2 293 694
Prof MM Verhoef	Institutional Registrar	1 641 572	270 532	456 159	2 368 263	2 277 986
Me E de Beer	Executive Director: Finances and Facilities	1 686 905	210 794	428 293	2 325 992	1 995 667
Prof LA du Plessis ^	Campus Rector: Vaal Triangle	1 717 701	172 019	344 185	2 233 905	2 062 667
Mr KJ Oagile *	Executive Director: People and Culture	1 401 245	164 502	348 033	1 913 780	0
Mr Manoko *	Executive Director: Institutional Advancement	1 225 481	142 469	197 863	1 565 813	0
Prof HD van Schalkwyk	Campus Rector: Potchefstroom	0	0	0	0	2 238 514
Prof TJ Mariba ^	Campus Rector: Vaal Triangle	0	0	0	0	1 766 445
Mr VL Mothobi	Executive Director: Human Capital Development	0	0	0	0	1 602 573
Me PP Mmope	Executive Director: Institutional Advancement	0	0	0	0	1 403 240
Total		17 339 590	1 864 694	4 748 636	23 952 920	23 713 434

* Management member not in service for full year - 2016. Remuneration annualised.

^ Management member not in service for full year - 2015. Remuneration annualised.

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

There are no outstanding obligations with regard to management remuneration on year-end.

Refer to note 35 - Related party transactions.

Number of senior staff members 2016: 10 (2015: 10).

Other information regarding personnel remuneration	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R	2016 TOTAL R	2015 TOTAL R
Accrued leave - increase (note 18)	27 365 953	0	0	27 365 953	44 021 951
Retirement benefit costs	187 886 102	5 577 783	3 903 026	197 366 911	183 089 001
Members' contributions	69 523 532	2 063 948	1 444 238	73 031 718	68 398 316
Council contributions	118 362 570	3 513 835	2 458 788	124 335 193	114 690 685
Senior management remuneration	22 456 630	0	0	22 456 630	21 504 320
For managerial services	22 456 630	0	0	22 456 630	21 504 320

Payments for attendance at meetings of the Council and its Committees

Name	Number of members	2016 R	2015 R
Chair of Council: Honorarium, travel and accommodation expenses	1	202 580	178 024
Chairs of committees: Honorarium, travel and accommodation expenses	7	490 549	354 713
Members of Council: Honorarium, travel and accommodation expenses	33	321 630	292 039
Total		1 014 759	824 776

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. PERSONNEL REMUNERATION (continued)

Exceptional payments - each exceeding in annual aggregate R249 999 (excludes annualised gross remuneration to Institutional Management where applicable)

Purpose/nature of payment	Name	Office held	2016 R	2015 R
Leave gratuity	Swanepoel, J	Executive Dean: PC Faculty of Arts	761 722	0
Lumpsum arbitration award	Gericke, JS	Professor: PC School of Accounting Sciences	697 812	0
Severance	Swanepoel, J	Executive Dean: PC Faculty of Arts	675 706	0
Leave gratuity	Viljoen, HM	Executive Dean: VTC Faculty of Humanities	664 299	0
Leave gratuity	Steyn, T	Professor: PC Computer Sciences and Information Systems	661 378	0
Leave gratuity	Gericke, JS	Professor: PC School of Accounting Sciences	627 934	0
Leave gratuity	Du Plessis, TE	Associate Professor: PC Potchefstroom Business School	619 681	0
Lumpsum arbitration award	Mundalamo, MC	Director: IM Human Capital: Operations	614 463	0
Leave gratuity	Fourie, JH	Executive Dean: PC Faculty of Theology	547 635	0
Leave gratuity	Theron, AMC	Medical Pensioners Group 1: PC Pensioners and Overheads	525 790	0
Leave gratuity	Theron, LC	Extraordinary Professor: VTC Optentia	515 694	0
Leave gratuity	Du Toit, P	Associate Professor: MC School for Educational Leadership Development	503 838	0
Ad-hoc: Project allowance	Kruger, P	Associate Professor: PC Institute for Psychology and Wellbeing	472 118	0
Leave gratuity	Fick, JIJ	Professor: PC Centre for Research and Continuous English Development	464 178	0
Leave gratuity	Seretlo, TT	Associate Professor: MC Mathematical Sciences	457 105	0
Leave gratuity	Van Wyk, CDW	Associate Professor: VTC School of Behavioural Sciences	426 825	0
Leave gratuity	Kruger, MF	Chief Scientific Officer (SASLAB): PC Centre for Business Mathematics and Informatics	423 971	0
Leave gratuity	Botha, JR	Associate Professor: PC History of Arts	418 032	0
Leave gratuity	Tiedt, LR	Professor: PC School of Human Resources Sciences	413 082	0
Leave gratuity	De Klerk, W	Director: PC Residence and Catering Services	410 960	0
Leave gratuity	De Wet, FW	Professor: PC Unit for Reformed Theology and Development of the SA Society	387 377	0
Leave gratuity	Earle, ED	Director: IM Financial Administration	374 282	0
Ad-hoc: Project allowance	Steenekamp, JH	Associate Professor: PC Pharmaceutics	371 571	0
Leave gratuity	Janse Van Rensburg, JJ	Associate Professor: PC Potchefstroom Business School	365 797	0
Leave gratuity	Van Den Berg, M	Senior Lecturer: PC Afrikaans for Education	360 555	0
Leave gratuity	Van Der Walt, JL	Associate Professor: PC Marketing and Business Management	359 162	0
Lumpsum arbitration award	Matjila MA	Director: IM Legal Services	350 323	0
Leave gratuity	Mmope, PP	Executive Director: IM Institutional Advancement	344 678	0
Leave gratuity	Meko, MK	Senior Lecturer: MC School of Accounting Sciences	339 046	0
Leave gratuity	Van Rensburg, H	Senior Lecturer: PC School of Music	324 281	0
Leave gratuity	Gericke, DH	Executive Dean: MC Faculty of Education and Training	320 298	0
Leave gratuity	Katashaya, SR	Senior Lecturer: PC Microbiology	313 618	0
Leave gratuity	Van Der Merwe, CJH	Senior Lecturer: MC School of Accounting Sciences	312 784	0
Leave gratuity	Visagie, JC	Professor: VC School of Basic Sciences	309 282	0
Leave gratuity	Steyn, ME	Campus Registrar: VC Campus Registrar	306 941	0
Leave gratuity	Tempelhoff, JWN	Professor: VTC School of Basic Sciences	304 059	0
Leave gratuity	Jordaan, GJC	Professor: PC School of Minister`s Training	303 897	0
Leave gratuity	Fourie, MA	Lecturer: PC Pharmaceutics	297 392	0
Leave gratuity	Triegaardt, TE	Senior Lecturer: MC School of Accounting Sciences	296 986	0
Management bonus	Kgwadi, ND	Vice-Chancellor	290 664	0
Leave gratuity	Esterhuysen, HA	Professor: PC School of Minister`s Training	282 375	0
Leave gratuity	Schutte, JW	Lecturer: PC Afrikaans and Dutch	275 026	0
Leave gratuity	Jinnah, MA	Manager: PC Centre for Pharmaceutical and Bio	274 696	0
Leave gratuity	Kakula, N	Human Resources Practitioner: MC Human Resources	274 299	0
Leave gratuity	Broodryk, JH	Subject Specialist: PC Instrument-Making Department	264 215	0
Service bonus	Verhoef, MM	Institutional Registrar: IM Registrar	260 042	0
Leave gratuity	Maubane, TJ	Lecturer: MC Industrial Psychology	259 574	0
Leave gratuity	Wilders, CJ	Professor: PC Human Movement Science	258 903	0
Incentive bonus	Janse Van Vuuren, HH	Associate Professor: VC School of Accounting Sciences	257 083	0
Leave gratuity	Miruka, CO	Professor: MC Graduate School of Business and Government Leadership	252 311	0
Incentive bonus	Van Der Merwe, N	Associate Professor: PC School of Accounting Sciences	252 304	0
Leave gratuity	Kruger, MF	Chief Scientific Officer (SASLAB): PC Centre for Business Mathematics and Informatics	252 148	0
Total			20 698 191	0

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. PERSONNEL REMUNERATION (continued)

Exceptional payments - each exceeding in annual aggregate R249 999 (excludes annualised gross remuneration to Institutional Management where applicable)

Purpose/nature of payment	Name	Office held	2016 R	2015 R
Lumpsum arbitration award	Van Schalkwyk, HD	Rector: PC Campus Rector	0	4 296 981
Mutual separation agreement	Koen, MP	Temp Associate Professor: MC Nursing Sciences	0	1 103 802
Incentive/Turn over bonus	Jansen Van Rensburg, WJHJ	Money-Market Manager: IM Money Market	0	702 362
Leave gratuity	Van Der Merwe, SJ	Associate Professor: PC Faculty of Economic and		
		Management Sciences	0	605 788
Leave gratuity	Steyn, HJ	Professor: PC Comparative Education	0	594 265
Leave gratuity	Lowes, MMJ	Vice-Rector: PC Teaching-Learning	0	578 937
Leave gratuity	Schutte, PJ	Professor: PC School of Communication Studies	0	571 792
Leave gratuity	Lourens, A	Vice-Rector: PC Research and Planning	0	548 796
Leave gratuity	Stoffberg, JY	Director: PC Puksport	0	446 266
Leave gratuity	Lotter, GA	Professor: PC School of Biblical Counselling and		
Leave gratuity		Church Ministry	0	435 213
Leave gratuity	Mariba, TJ	Rector: VTC Campus Rector	0	416 949
Leave gratuity	Potgieter, HM	Associate Professor: PC Musical Arts in South Africa:		
Leave gratuity		Resources and Applications	0	395 529
Leave gratuity	Janse Van Rensburg, JM	Senior Lecturer: PC Early Childhood Development	0	365 096
Leave gratuity	Roux, CD	Professor: PC School of Education Studies	0	362 936
Leave gratuity	Rousseau, PG	Professor: PC School of Mechanical and Nuclear Engineering	0	346 577
Management bonus	Kgwadi, ND	Vice-Chancellor: IM Vice-Chancellor	0	322 537
Leave gratuity	Mothobi, VL	Executive Director: IM Executive Director: Human Capital	0	320 100
Leave gratuity	Marley, IR	Senior Lecturer: PC Graphic Design	0	311 585
Leave gratuity	Monyatsi, GA	Lecturer: MC Sociology and Indigenous Knowledge Studies	0	309 039
Leave gratuity	Schutte, R	Professor: PC Hypertension in Africa Research Team	0	300 776
Leave gratuity	Erasmus, HP	Senior Lecturer: PC School of Accounting Sciences	0	281 582
Leave gratuity	Strydom, R	Senior Lecturer: PC Graphic Design	0	271 271
Settlement agreement	Klink, SL	Manager: MC Residences	0	257 480
Management bonus	Oosthuizen, MJ	Deputy Vice-Chancellor: IM Teaching-Learning	0	255 169
Management bonus	Van Niekerk, F	Deputy Vice-Chancellor: IM Research; Innovation; Technology	0	255 169
Leave gratuity	Mvana, PF	Examinations Officer: MC Examinations	0	251 070
Total			0	14 907 069

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

		COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R	2016 TOTAL R	2015 TOTAL R
25.	**OTHER CURRENT OPERATING EXPENSES BY NATURE**					
	Allowance for credit losses: Accounts receivable (note 14)	54 065 494	99 604	3 688 805	57 853 903	87 957 420
	Bad debts recovered	(10 047 643)	0	0	(10 047 643)	(16 650 464)
	Inventory written off (note 13)	257 714	0	198 913	456 627	1 615 133
	Foodstuffs (Residence and Catering Services)	0	0	198 913	198 913	190 627
	Publications and study materials	239 580	0	0	239 580	1 177 632
	Other consumables	18 134	0	0	18 134	0
	Veterinary health	0	0	0	0	246 874
	Auditor's remuneration	3 176 226	155 287	12 860	3 344 373	3 430 186
	Audit fees	2 597 876	155 287	12 860	2 766 023	2 862 837
	Other costs	578 350	0	0	578 350	567 349
	Services outsourced	97 045 948	17 916	35 712 391	132 776 255	69 974 694
	Rent: Buildings	11 456 702	1 007 756	19 643 121	32 107 579	18 938 791
	Rent: Equipment	17 214 372	84 414	547 787	17 846 573	13 344 065
	Maintenance	117 518 838	4 175 895	29 025 985	150 720 718	151 523 917
	Bursaries	160 367 701	35 768 191	0	196 135 892	193 566 686
	Goods and services - other	494 734 173	136 561 657	170 062 587	801 358 417	752 362 142
		945 789 525	177 870 720	258 892 449	1 382 552 694	1 276 062 570
26.	**INVESTMENT INCOME**					
26.1	Operating income (short-term investment income)	131 854 678	8 336 947	0	140 191 625	108 307 321
	Interest	121 662 960	8 336 947	0	129 999 907	98 855 336
	Rental received (investment properties - note 7)	10 191 718	0	0	10 191 718	9 451 985
	Long-term investment income	12 498 726	0	0	12 498 726	13 138 773
	Interest	6 630 496	0	0	6 630 496	6 259 543
	Dividends (listed investments)	5 868 230	0	0	5 868 230	6 879 230
		144 353 404	8 336 947	0	152 690 351	121 446 094
26.2	Realised profit on disposal of investments	3 331 648	0	0	3 331 648	39 540 347
	Available-for-sale investments	3 386 145	0	0	3 386 145	38 997 614
	Financial instruments at fair value through profit or loss	(54 497)	0	0	(54 497)	542 733
		3 331 648	0	0	3 331 648	39 540 347
26.3	Total per statement of cash flows					
	Total interest received	141 816 822	8 336 947	0	150 153 769	154 107 211
	Total dividends received	5 868 230	0	0	5 868 230	6 879 230
		147 685 052	8 336 947	0	156 021 999	160 986 441
27.	**FINANCE CHARGES**					
	Long-term loans (note 17)	6 520 395	0	0	6 520 395	5 554 142
	Bank account	1 582	0	0	1 582	62 660
	Exchange differences	598 093	0	0	598 093	0
	Other	3 396 256	(115 982)	4 824 240	8 104 514	5 690 422
		10 516 326	(115 982)	4 824 240	15 224 584	11 307 224

28. NON-RECURRENT INCOME

As previously reported, extensive damages were suffered during riots on the Mafikeng Campus during February 2016.
Included in other non-recurrent income is the insurance claim received from SASRIA to the amount of R57 000 000.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2016	2015
29. RECONCILIATION OF SURPLUS TO CASH GENERATED FROM OPERATIONS	**R**	**R**
Surplus for the year	281 021 711	80 964 966
Adjusted for:		
Allowance for credit losses: Trade and other receivables (note 14)	57 853 903	87 957 420
Depreciation (note 6 and 7)	101 526 626	164 568 622
Loss on disposal/write-off of assets - PPE	4 466 437	191 946
Recoupment from insurance claim	(57 000 000)	0
Increase in retirement benefit obligations (note 18)	23 457 953	150 850 951
Increase/(decrease) in deferred income (note 19)	76 752 673	(54 447 273)
Increase in deferred income tax assets (note 33)	(26 850)	(770)
Investment income (note 26)	(156 021 999)	(160 986 441)
Finance charges (note 27)	15 224 584	11 307 224
Loss from/write-off equity-accounted investees (note 10)	3 508 738	4 235 016
Adjustments i.t.o. IAS 39	1 334 758	(2 196 081)
Capital market	1 334 758	(2 393 385)
ALSI future contracts	0	197 304
Operating surplus before changes in working capital	352 098 534	282 445 581
Changes in working capital	(80 869 148)	(101 895 351)
Increase in inventories	(4 894 191)	(971 305)
Increase in trade and other receivables	(100 251 208)	(106 535 171)
Decrease/(increase) in income tax receivable	406 330	(241 560)
Increase/(decrease) in trade and other payables	3 855 968	(10 006 300)
Increase in income tax payable	1 009 867	0
Increase in student deposits and prepaid income	19 004 086	15 858 985
Cash flows from operating activities	271 229 386	180 550 230

30. COMMITMENTS

CAPITAL COMMITMENTS

The following commitments not recognised in the statement of financial position existed on 31 December 2016 with regard to capital expenditure approved but not yet completed or carried out:

	2016	2015
Buildings	67 053 619	25 529 359

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:

	2016	2015
Payable within 1 year	19 848 630	19 499 959
Payable within 2 to 5 years	19 498 689	43 190 457
	39 347 319	62 690 416

31. CAPITAL EXPENDITURE EXPENSED

Capital expenditure expensed consist of books and periodicals.

	2016	2015
Libraries (all campuses)	56 042 404	39 410 381
Other departments	41 475 039	22 206 199
	97 517 443	61 616 580

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CHANGE IN ACCOUNTING ESTIMATES

In the current year, management reassessed the useful lives of specialised laboratory equipment and buildings. The useful lives were reassessed as follows:

Specialised laboratory equipment :	Previously 5 years - to a range from 3 to 25 years
Buildings :	Previously 50 years - to an indefinite useful life

The change in the useful lives of the two above categories provides a more relevant depreciation charge per year.

The effect on the depreciation charge in the current year and what the effect would have been in the prior year is as follows:

	2016 R	2015 R
Specialised laboratory equipment	(19 560 161)	(23 739 765)
Buildings	(17 638 033)	(17 240 496)
Total effect on depreciation (decrease)	(37 198 194)	(40 980 261)

33. INCOME TAX / DEFERRED TAXATION

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 and Innovation Highway 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% for 2016 (2015: 28%). Deferred tax is applicable to OpenCollab Proprietary Limited.

	2016	2015
Income tax expense	R	R
Current tax	1 766 997	1 102 128
Deferred tax	(26 850)	(770)
Total income tax expense	1 740 147	1 101 358
Tax reconciliation		
Surplus before tax	282 761 858	82 066 324
Unrecognised losses		
- loss not recognised	0	0
- loss utilised	(53 955)	(53 213)
Exempt income	(276 540 930)	(78 155 568)
Non-deductible expenses	47 838	75 876
Prior year tax	0	0
Taxable income	6 214 811	3 933 419

Total unrecognised tax losses of R22 326 475 are carried forward for 2016 (2015: R22 380 430).

Deferred tax (accrual for leave pay)		
Opening balance	72 716	71 946
Movement	26 850	770
Closing balance	99 566	72 716

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. 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 detail of each case is considered necessary.

35. RELATED-PARTY TRANSACTIONS

Included in unlisted investments – available-for-sale – 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 9.3 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 Institutional Management is considered related-party transactions. Refer to note 24 for disclosure of remuneration.

All transactions with related parties are transactions at arm's length and have been eliminated on consolidation.

36. 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 approved to be issued, and are accounted for as follows: the financial statements are adjusted as necessary with regard to events that provide further proof of circumstances existing on the reporting date and/or information that is only mentioned by way of a note if the events are evidence of circumstances that arose after the reporting date.

No material facts or circumstances affecting the financial position arose between the reporting date and the date of approval of this report.