Structured for success

Financial statements for the year ended 31 December 2017

Prepared in the format required by Section 41 of the Higher Education Act (Act 101 of 1997, as amended)

NWU®
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NOORDWES-UNIVERSITEIT
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NORTH-WEST UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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NORTH-WEST UNIVERSITY

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

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

The consolidated financial statements comply with International Financial Reporting Standards (IFRS), including full and responsible disclosure in accordance with the University's accounting policies and in the manner required by the Minister of Higher Education and Training in terms of Section 41 of the Higher Education Act (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 2017 as set out on pages 9 to 66 have been approved by the Council on 31 July 2018 and are signed on behalf of the Council by:

CHAIRPERSON OF COUNCIL

VICE-CHANCELLOR

EXECUTIVE DIRECTOR: FINANCE AND FACILITIES

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Report of the independent auditors to the Minister of Higher Education and Training and the council on 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 66, which comprise of the consolidated statement of financial position at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the North-West University at 31 December 2017, 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, 1997 (Act no. 101 of 1997) (Higher Education Act of South Africa).

Basis for opinion

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

Responsibilities of council for the financial statements

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

In preparing the consolidated financial statements, the council is responsible for assessing the 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 to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated financial statements, and the procedures performed on reported performance information for selected objectives and on the university'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 in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 about the material uncertainty or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a 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 where applicable, related safeguards.

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Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (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 objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

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

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the performance assessment report (annual performance report) of the university for the year ended 31 December 2017:

Objectives	Pages in the annual performance report
Goal 1: Promote excellent learning and teaching and reposition the NWU to attain the size and shape required by the market direction decisions	135
Goal 2: Intensify research and innovation	136
Goal 4 Develop a clearly differentiated student value proposition	136
Goal 5: Develop and retain excellent staff and create an equitable staff and student profile	137

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

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

Other matter

We draw attention to the matter below.

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Achievement of planned targets

Refer to the annual performance report on page(s) 134 to 137 for information on the achievement of planned targets for the year and explanations provided for the under/ overachievement of a number of targets.

Report on the 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.

The material findings on compliance with specific matters in key legislations are as follows:

The revised annual performance plan for 2017, as approved by the council, was not submitted to the Department of Higher Education and Training as required by regulation 5(2) of the Regulations for Reporting by Public Higher Education Institutions.

Other information

The council is responsible for the other information. The other information comprises the information included in the annual integrated report 2017 (annual report) which includes 1 About this report, 2 Overview of the NWU, 3 Report of Senate to Council, 4 Report of the Vice-Chancellor, 5 How we engage at the NWU, 6 Our transformation journey – Transformation report, 7 Material risks and opportunities, 8 The NWU Strategy, 9 Our performance against our strategy: How we create value through our performance, 10 Financial Report, 11 Governance supporting value – Report of the chairperson of Council including Council statement on corporate governance, 12 From the Institutional Forum, 13 Incentivising for achievement and Annexures 14.2 – 14.10. The other information does not include the consolidated financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

Our opinion on the consolidated financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated financial statements, reported performance information and compliance with applicable legislation; however, our objective was not

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

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 2017 to 31 March 2018, and was issued on 25 May 2018;
  - Veterinary Sciences grant for the period 1 April 2017 to 31 March 2018, and was issued on 25 May 2018;
  - Ministerial Foundation Funding grant for the period 1 April 2017 to 31 March 2018, and was issued on 25 May 2018;
  - Research Development grant for the period 1 April 2017 to 31 December 2017, and was issued on 28 February 2018;
  - Teaching Development grant for the period 1 April 2016 to 31 December 2017, and was issued on 13 June 2018;
  - New Generation of Academics Programme grant for the period 1 April 2017 to 31 March 2018, and was issued on 25 May 2018;
  - Infrastructure and Efficiency grant for the period 1 April 2017 to 31 March 2018, and was issued on 18 May 2018; and
  - Journal Research Output subsidy claim for the period 1 January 2017 to 31 December 2017, and was issued on 10 May 2018.
- Agreed-upon procedures engagement in connection with the Higher Education Management Information Systems (HEMIS) Report of the North-West University and was issued on 31 July 2018;
- Agreed-upon procedures engagement in connection with the Middle Missing Grant of the North-West University, and was issued on 30 July 2018;
- 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 2017 to 31 December 2017, and was issued on 31 July 2018;
- 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 2017 to 31 March 2018, and was issued on 23 March 2018;
- 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 2017, and was issued on 7 March 2018; and

- 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 2017 to 31 March 2018, and was issued on 24 April 2018.

KPMG Inc.

M Senekal

Per Maureen Senekal
Chartered Accountant (SA)
Registered Auditor
Director
31 July 2018

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	NOTE	2017 R'000	2016 R'000
ASSETS		4 219 578	3 278 444
NON-CURRENT ASSETS		2 922 667	2 238 325
PROPERTY, PLANT AND EQUIPMENT (PPE)	6	1 360 752	1 180 478
INVESTMENT PROPERTIES	7	19 328	19 826
INTANGIBLE ASSETS	8	950	950
INVESTMENTS	9	1 168 428	804 753
EQUITY-ACCOUNTED INVESTEES	10	107	20
DEFERRED TAX ASSET	33	119	100
EMPLOYEE BENEFITS	18	372 983	232 198
CURRENT ASSETS		1 296 911	1 040 119
INVENTORIES	13	24 907	25 396
TRADE AND OTHER RECEIVABLES	14	236 277	216 614
CURRENT PORTION OF INVESTMENTS	9	662 071	540 320
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	32	10 229	0
CASH AND CASH EQUIVALENTS	15	363 427	257 789
EQUITY AND LIABILITIES		4 219 578	3 278 444
EQUITY	16	2 854 461	2 166 050
NON-DISTRIBUTABLE RESERVES		1 487 567	1 256 869
FIXED ASSET RESERVE FUND (PPE)		1 333 147	1 144 305
AVAILABLE-FOR-SALE REVALUATION RESERVES		154 420	112 564
RESERVE FUNDS		1 363 623	908 549
RESTRICTED USE FUNDS		229 626	239 484
STUDENT LOAN FUNDS		563	563
STUDENT AND STAFF ACCOMMODATION FUNDS		99 072	97 241
DONATIONS AND SIMILAR FUNDS		41 395	42 611
RESEARCH AND OTHER (CONTRACTS) FUNDS		88 596	99 069
NWU PENSION FUND AND DISABILITY FUND		372 983	232 198
HELD FOR INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT		14 167	69 059
UNRESTRICTED RESERVE FUNDS - EDUCATION AND GENERAL		11 930	40 803
DESIGNATED RESERVE FUNDS - EDUCATION AND GENERAL		734 917	327 005
EQUITY RELATING TO NON-CURRENT ASSETS HELD FOR SALE		2 535	0
NON-CONTROLLING INTERESTS		736	632
NON-CURRENT LIABILITIES		675 849	630 973
BORROWINGS - INTEREST-BEARING	17	22 570	33 082
EMPLOYEE BENEFITS	18	557 143	519 679
DEFERRED INCOME	19	96 136	78 212
CURRENT LIABILITIES		689 268	481 421
TRADE AND OTHER PAYABLES	20	295 595	301 134
INCOME TAX PAYABLE	33	358	1 010
CURRENT PORTION OF BORROWINGS - INTEREST-BEARING	17	11 471	10 777
CURRENT PORTION OF EMPLOYEE BENEFITS	18	37 050	29 417
CURRENT PORTION OF DEFERRED INCOME	19	168 499	46 422
STUDENT DEPOSITS AND PREPAID INCOME	21	176 295	92 661

The notes on pages 15 to 66 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 R'000	2016 R'000
INCOME		4 181 253	3 837 958
REVENUE		4 015 097	3 623 038
OTHER INCOME		166 156	214 920
EXPENDITURE		3 679 466	3 555 196
PERSONNEL REMUNERATION	24	2 062 505	1 950 361
OPERATING EXPENSES	25, 6, 7	1 603 782	1 577 456
OTHER EXPENSES		4 662	12 155
FINANCE CHARGES	27	8 517	15 224
NET SURPLUS BEFORE INCOME TAX		501 787	282 762
INCOME TAX EXPENSE	33	531	1 740
SURPLUS FOR THE YEAR		501 256	281 022
OTHER COMPREHENSIVE INCOME (OCI)		187 155	(92 102)
Items that will not be reclassified to surplus or deficit		145 299	(98 712)
Remeasurements of employee benefit obligations			
PENSION FUND - SURPLUS/(DEFICIT)	18	129 679	(73 167)
DISABILITY RESERVE FUND - SURPLUS/(DEFICIT)	18	4 755	(48 787)
HEALTH CARE (MEDICAL) - SURPLUS	18	10 865	23 242
Items that may be subsequently reclassified to surplus or deficit		41 856	6 610
NET FAIR VALUE GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	41 856	6 610
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		688 411	188 920
Surplus for the year attributable to:			
- North-West University		501 152	280 904
- Non-controlling interests		104	118
		501 256	281 022
Total comprehensive income for the year attributable to:			
- North-West University		688 307	188 802
- Non-controlling shareholders		104	118
		688 411	188 920

The notes on pages 15 to 66 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

	NOTE	EDUCATIONAL & GENERAL: COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	EDUCATIONAL & GENERAL: SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	EDUCATIONAL & GENERAL: SUB-TOTAL R'000	STUDENT AND STAFF ACCOMMO-DATION: RESTRICTED R'000	2017 TOTAL R'000	2016 TOTAL R'000
RECURRING ITEMS		467 535	30 010	497 545	2 818	500 363	228 547
INCOME	22	3 609 096	256 317	3 865 413	314 192	4 179 605	3 775 729
STATE APPROPRIATIONS - SUBSIDIES AND GRANTS	23	1 724 649	0	1 724 649	11 369	1 736 018	1 544 095
TUITION AND OTHER FEES		1 417 592	0	1 417 592	0	1 417 592	1 241 629
INCOME FROM CONTRACTS		2 430	212 019	214 449	0	214 449	198 732
FOR RESEARCH		1 958	210 348	212 306	0	212 306	198 314
FOR OTHER ACTIVITIES		472	1 671	2 143	0	2 143	418
SALES OF GOODS AND SERVICES		261 984	19 360	281 344	302 823	584 167	583 799
PRIVATE GIFTS AND GRANTS		45 859	17 012	62 871	0	62 871	54 784
SUB-TOTAL		3 452 514	248 391	3 700 905	314 192	4 015 097	3 623 039
INVESTMENT INCOME	26.1	156 582	7 926	164 508	0	164 508	152 690
EXPENDITURE		3 141 561	226 307	3 367 868	311 374	3 679 242	3 547 182
PERSONNEL REMUNERATION	24	1 969 912	52 452	2 022 364	40 141	2 062 505	1 950 361
ACADEMIC PROFESSIONAL		1 067 592	19 729	1 087 321	0	1 087 321	1 043 485
OTHER PERSONNEL		900 482	32 723	933 205	40 141	973 346	910 784
IAS19 - ADJUSTMENTS (EMPLOYEE BENEFITS)		1 838	0	1 838	0	1 838	(3 908)
OTHER CURRENT OPERATING EXPENSES	25	1 033 980	173 972	1 207 952	267 108	1 475 060	1 475 929
CAPITAL EXPENDITURE EXPENSED	31	4 438	0	4 438	0	4 438	4 141 *
DEPRECIATION	6 & 7	128 722	0	128 722	0	128 722	101 527
SUB-TOTAL		3 137 052	226 424	3 363 476	307 249	3 670 725	3 531 958
FINANCE CHARGES	27	4 509	(117)	4 392	4 125	8 517	15 224
NON-RECURRING ITEMS		1 423	1	1 424	0	1 424	54 215
INCOME		1 648	1	1 649	0	1 649	62 230
PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		0	1	1	0	1	39
PROFIT ON INVESTMENTS	26.2	1 058	0	1 058	0	1 058	3 332
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES	10	87	0	87	0	87	0
OTHER NON-RECURRENT INCOME	28	503	0	503	0	503	58 859
EXPENDITURE		225	0	225	0	225	8 015
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		225	0	225	0	225	4 506
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEES	10	0	0	0	0	0	3 509
NET SURPLUS BEFORE INCOME TAX		468 958	30 011	498 969	2 818	501 787	282 762
INCOME TAX EXPENSE	33	531	0	531	0	531	1 740
SURPLUS FOR THE YEAR		468 427	30 011	498 438	2 818	501 256	281 022

NORTH-WEST UNIVERSITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)
(as required by Section 41 of the Higher Education Act (Act No. 101 of 1997, as amended))

		EDUCATIONAL & GENERAL					
	NOTE	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	SUB-TOTAL R'000	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R'000	2017 TOTAL R'000	2016 TOTAL R'000
SURPLUS FOR THE YEAR		468 427	30 011	498 438	2 818	501 256	281 022
OTHER COMPREHENSIVE INCOME (OCI)		187 155	0	187 155	0	187 155	(92 102)
Items that will not be reclassified to surplus or deficit		145 299	0	145 299	0	145 299	(98 712)
Remeasurements of employee benefit obligations							
PENSION FUND - SURPLUS/(DEFICIT)	18	129 679	0	129 679	0	129 679	(73 167)
DISABILITY RESERVE FUND - SURPLUS/(DEFICIT)	18	4 755	0	4 755	0	4 755	(48 787)
HEALTH CARE (MEDICAL) - SURPLUS	18	10 865	0	10 865	0	10 865	23 242
Items that may be subsequently reclassified to surplus or deficit		41 856	0	41 856	0	41 856	6 610
NET FAIR VALUE GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	41 856	0	41 856	0	41 856	6 610
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		655 582	30 011	685 593	2 818	688 411	188 920
Surplus for the year attributable to:							
- North-West University		468 323	30 011	498 334	2 818	501 152	280 904
- Non-controlling interests		104	0	104	0	104	118
		468 427	30 011	498 438	2 818	501 256	281 022
Total comprehensive income for the year attributable to:							
- North-West University		655 478	30 011	685 489	2 818	688 307	188 802
- Non-controlling shareholders		104	0	104	0	104	118
		655 582	30 011	685 593	2 818	688 411	188 920

* Comparative amount (previously R97 517 000) was adjusted with R93 376 000 due to reclassification of periodicals and electronic related expenditure to be include in operating expenses.

The notes on pages 15 to 66 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

DESCRIPTION	UNRESTRICTED RESERVE FUNDS: EDUCATIONAL AND GENERAL R'000	DESIGNATED RESERVE FUNDS: EDUCATIONAL AND GENERAL * R'000	SUB-TOTAL A R'000	RESTRICTED RESERVE FUNDS: DONATIONS AND SIMILAR FUNDS R'000	RESTRICTED RESERVE FUNDS: RESEARCH AND OTHER (CONTRACTS) R'000	SUB-TOTAL B R'000	RESTRICTED RESERVE FUNDS: STUDENT LOANS R'000	RESTRICTED RESERVE FUNDS: STUDENT AND STAFF ACCOM-MODATION R'000	FIXED ASSET RESERVE FUND (PPE) R'000	HELD FOR INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT R'000	AVAILABLE-FOR-SALE REVALUATION RESERVES R'000	NWU PENSION FUND AND DISABILITY FUND R'000	SUB-TOTAL C R'000	TOTAL R'000	NON-CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
BALANCE AT 31 DECEMBER 2015 (note16)	41 457	92 143	133 600	41 279	118 956	160 235	563	134 430	1 077 892	24 935	105 954	339 007	1 682 782	1 976 617	514	1 977 131
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	256 947	256 947	779	16 568	17 347	0	14 707	0	0	6 610	(106 809)	(85 492)	188 801	118	188 919
SURPLUS/(DEFICIT) FOR THE YEAR	0	233 705	233 705	779	16 568	17 347	0	14 707	0	0	0	15 145	29 852	280 903	118	281 021
OTHER COMPREHENSIVE INCOME	0	23 242	23 242	0	0	0	0	0	0	0	6 610	(121 954)	(115 344)	(92 102)	0	(92 102)
TRANSFERS	(654)	(22 085)	(22 739)	553	(36 455)	(35 902)	0	(51 896)	66 413	44 124	0	0	58 640	0	0	0
BALANCE AT 31 DECEMBER 2016 (note16)	40 803	327 005	367 808	42 611	99 069	141 680	563	97 241	1 144 305	69 059	112 564	232 198	1 655 930	2 165 418	632	2 166 050
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	0	472 837	472 837	(200)	30 211	30 011	0	2 818	0	0	41 856	140 785	185 459	688 307	104	688 411
SURPLUS/(DEFICIT) FOR THE YEAR	0	461 972	461 972	(200)	30 211	30 011	0	2 818	0	0	0	6 351	9 169	501 152	104	501 256
OTHER COMPREHENSIVE INCOME	0	10 865	10 865	0	0	0	0	0	0	0	41 856	134 434	176 290	187 155	0	187 155
TRANSFERS	(28 873)	(62 390)	(91 263)	(1 016)	(40 684)	(41 700)	0	(987)	188 842	(54 892)	0	0	132 963	0	0	0
BALANCE AT 31 DECEMBER 2017 (note16)	11 930	737 452	749 382	41 395	88 596	129 991	563	99 072	1 333 147	14 167	154 420	372 983	1 974 352	2 853 725	736	2 854 461

* R2 535 000 included in total relating to non-current assets held for sale.

The notes on pages 15 to 66 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	29	722 642	271 229
INVESTMENT INCOME LESS COST OF FINANCE		157 049	140 798
INTEREST RECEIVED	26.3	158 396	150 154
DIVIDENDS RECEIVED	26.3	7 170	5 868
INTEREST PAID	27	(8 517)	(15 224)
NET CASH GENERATED FROM OPERATING ACTIVITIES		879 691	412 027
CASH FLOWS UTILISED BY INVESTING ACTIVITIES		(764 235)	(307 012)
DISPOSAL/(ACQUISITION) OF OTHER INVESTMENTS		0 *	0
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT	6	(321 022)	(164 925)
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		2 069	822
RECOUPMENT FROM INSURANCE CLAIM		0	26 000
PURCHASES OF INVESTMENTS		(445 282)	(168 909)
CASH OUTFLOWS FROM FINANCING ACTIVITIES		(9 818)	(29 966)
REPAYMENTS OF INTEREST-BEARING BORROWINGS	17	(9 818)	(29 966)
NET INCREASE IN CASH AND CASH EQUIVALENTS		105 638	75 049
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		257 789	182 740
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	363 427	257 789

***** amounts less than R1 000 - disclosed as NIL due to rounding to the nearest thousand.

The notes on pages 15 to 66 are an integral part of these consolidated financial statements.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

STRUCTURE OF THE UNIVERSITY

1.1 Legal persona and country of registration

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

1.2 Nature of business, operations and main activities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements are presented in rand (R) (rounded off to the nearest thousand, unless otherwise indicated), which is the University's functional currency, and are prepared in accordance with International Financial Reporting Standards ('IFRS') 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 31 July 2018.

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 2017 and adopted by the University

- None applicable.

(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. 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.

  The University has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  The University's equity instruments that are currently classified as available for sale for which a fair value through other comprehensive income (FVOCI) election is available, will continue to be measured on the same basis under IFRS 9 if the University elects this model.

  The majority of the University's debt instruments that are currently classified as receivables (Investments in money market instruments) will have to be evaluated to determine if they satisfy the conditions for classification at amortised cost under IFRS 9. Debt instruments currently classified as held-to-maturity and measured at amortised cost will most likely meet the conditions for classification at amortised cost under IFRS 9. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, R1 058 000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

  There will be no impact on the University's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the University does not have any such liabilities.

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 9, 'Financial instruments' (continued)**

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

  The University has a robust process to collect student fees in that it requires students to pay an initial instalment in respect of tuition and accommodation fees at registration. Tuition and residence fees are invoiced in January and February. In addition, students with an outstanding balance from the previous year are only permitted to renew their registration after settling the outstanding amount and paying the current year's initial registration fees. Both the extensive collection procedures and the assessment of collection patterns after year-end are taken into account in calculating the current allowance for doubtful debt. The University therefore does not expect a significant increase in the loss allowance for trade receivables relating to tuition and residence fees. Other debtors, which make up 24% of the total trade and other receivables balance at 31 December 2017, are expected to reduce because of an increase in the doubtful debt allowance attributable to the incorporation of forward-looking information into the allowance. The increase is currently being assessed by the University.

  However, the University does expect an increase in doubtful debt allowance to be raised on financial assets that are categorised at amortised cost. The doubtful debt allowance on debt instruments held at amortised cost is estimated to range between 0,26% and 3,01% of the value of the investments at year-end, depending on the terms and conditions of the underlying investment.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the University's disclosures about its financial instruments particularly in the year of adoption of the new standard.

  Must be applied for financial years commencing on or after 1 January 2018. The University will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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'.** The IASB has issued this new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard contains a single model that applies to contracts with customers and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  The main sources of revenue for the University is from state appropriations, which is accounted for as a government grant and tuition and other fees earned annually. Together these revenue streams make up approximately 75% of the income of the University with limited or no impact from the adoption of IFRS 15. The NWU has started to assess the effects of applying the new standard to the University's financial statements and has identified the following areas that will be affected: research contract income (approximately 5% of the University's income) and distance learners' tuition fees (approximately 1% of the University's income) – both of which will be recognised when the related performance obligations are satisfied.

  The application of IFRS 15 may result in the identification of separate performance obligations in relation to these research contracts which could affect the timing of the recognition of revenue going forward. In addition, costs to obtain or fulfil these contracts would be capitalised and deferred over the term of the specific research contract.

  IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The University is busy assessing the impact but will most likely adopt the standard using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- **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 standard will affect primarily the accounting for the University's operating leases. As at the reporting date, the University has non-cancellable operating lease commitments of R43 210 000 – see note 30.

  A number of the property leases will run out in 2018. It is therefore not possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the University's profit or loss and classification of cash flows going forward until the new lease agreements are in place.

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 16, 'Leases'** (continued)

  It is anticipated that once contracted for, these leases will result in the recognition of a lease liability and a corresponding right of use asset. It is anticipated that while the surplus before depreciation, interest and income tax will improve, depreciation and finance charges will increase as a result of the adoption of IFRS 16.

  IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the University does not intend to adopt the standard before its effective date. The University will most likely apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2.2 Basis of consolidation

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

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

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

(a) Subsidiaries

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

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

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

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably (macro maintenance). The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

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)

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

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

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

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

CATEGORY	PERCENTAGE PER ANNUM		USEFUL LIFE
Buildings	Indefinite	:	The useful life is estimated as indefinite
Computer equipment	33,3%	:	The useful life is estimated at 3 years.
Computer equipment less than R5 000	33,3%	:	The useful life is estimated at 3 years.
Servers and printers	20,0%	:	The useful life is estimated at 5 years.
Laboratory equipment	15,0%	:	The useful life is estimated at 6,67 years.
Specialised equipment	4,0% - 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.
Low value assets	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 written off in the year acquired. See note 31.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 their cost less their residual value over the estimated useful life of 50 years.

2.5 Intangible assets

<u>Goodwill</u>

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).

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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 are accumulated in the available-for-sale revaluation reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified as 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

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.

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 cost

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.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

Equity-accounted investees

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

2.9 Inventories

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

Cost of inventory is determined by the following methods:

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

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

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

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

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and investments in money-market instruments with an initial maturity of less than 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 and comprise mainly the following:

Educational and General – Council controlled – Unrestricted or designated

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

Educational and General – Specifically funded activities – Restricted

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

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

Student and staff accommodation – Restricted

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

Fixed asset reserve fund (PPE)

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

Held for investment in property, plant and equipment

These funds are reserved for approved and already committed future investment in, or acquisition of, property, plant and equipment (PPE) (refer to note 30).

Available-for-sale revaluation reserve

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

NWU Pension fund and Disability fund

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

Other

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits

2.13.1 Pension

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

Defined-benefit plans

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

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

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

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

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

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 (continued)

Defined-contribution plan

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

2.13.2 Disability Reserve Fund

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

The objective of the fund is to provide disability benefits to the members of the North-West University Pension Fund. After a waiting period of 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 rand (R).

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

2.13.3 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.

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)

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

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

2.13.4 Termination benefits

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

2.13.5 Bonus plans

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

2.13.6 Accumulated annual leave

Employee entitlements to annual leave are recognised at an undiscounted amount in accordance with the conditions of service of the employees with leave accruing to them as a result of services rendered. These include annual leave and accumulated leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Income

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Income (continued)

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.

2.16 Provisions

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

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

2.17 Tax

The University is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act. Subsidiary entities are not exempt from tax and are liable for normal South African Income Tax.

2.18 Trade payables

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

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

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

2.19 Borrowings

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

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

Risk abatement strategies are identified based on the strategic objectives of the University according to the Institutional Plan. 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.

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

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

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

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

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.

A 1% movement of the ALSI of the JSE while all other variables held constant and all the University's equity instruments moved accordingly, would affect the value of the investments to be R3 761 000 higher/lower as at 31 December 2017 (2016: R3 194 000) (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.

(ii) Cash flow and fair value interest rate risk

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

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

At 31 December 2017 an investment performance measurement was done by the University which indicated an actual yield on the University's cash and cash equivalent portfolio of 8,21% (2016: 8,32%). Had the interest rate been 0,5% higher/lower (50 basis points), the surplus would have been R6 987 000 higher/lower (2016: R4 076 000).

(iii) 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. Credit evaluations are not done for trade and other debtors (accounts receivable) or for student debtors. The University also does not require any collateral as security. Receivables comprise outstanding student fees and a number of sundry customers.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Credit risk (continued)

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.

	2017	2016
Listed investments – shares	51%	55%
Cash and cash equivalents	49%	45%
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.

	R'000	R'000	R'000
	Less than 1 year	**Between 1 and 2 years**	**Between 3 and 5 years**
2017			
Borrowings	13 680	19 969	6 290
Trade and other payables	295 595	0	0
2016			
Borrowings	13 679	27 358	12 581
Trade and other payables	301 134	0	0

Liquidity ratio	**2017 R'000**	**2016 R'000**
Current assets *****		
Inventories	24 907	25 396
Trade and other receivables	236 277	216 614
Non-current assets classified as held for sale	10 229	0
Cash and cash equivalents	363 427	257 789
	634 840	499 799
Current liabilities		
Trade and other payables	295 595	301 134
Income tax payable	358	1 010
Current portion of interest-bearing borrowings	11 471	10 777
Current portion of post-employment benefits	37 050	29 417
Current portion of deferred income	168 499	46 422
Student deposits and prepaid income	176 295	92 661
	689 268	481 421
Net liquidity of operations	(54 428)	18 378
Ratio	0.92	1.04

***** 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)	1 830 499	1 345 073
Cash and cash equivalents	363 427	257 789
Total	2 193 926	1 602 862

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 CAPITAL MANAGEMENT (continued)

	2017 R'000	2016 R'000
Liabilities		
Non-current liabilities (excluding deferred income)	579 713	552 761
Current liabilities (excluding deferred income)	520 769	434 999
Capital commitments (infrastructure) (note 30)	65 800	67 054
Contractual obligations - operating leases (note 30)	43 210	39 347
Total	1 209 492	1 094 161
Net position	984 434	508 701

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 over the entire year span.

3.3 FAIR VALUE ESTIMATION

The fair value of financial and non-financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the University is the current bid price.
These instruments are included in Level 1 of the table below. Instruments comprise primarily JSE equity investments 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 are not based on observable market data, the instrument is included in Level 3.

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

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

The following table presents the University's assets and liabilities that are measured at fair value at 31 December 2017.

Assets	Level 1 R'000	Level 2 R'000	Total R'000
Available-for-sale financial assets			
Equity securities - Listed shares in public companies	376 128		376 128
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		1 054	1 054
Total assets	376 128	1 054	377 182

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 2016.

	Level 1	Level 2	Total
Assets	**R'000**	**R'000**	**R'000**
Available-for-sale financial assets			
Equity securities - Listed shares in public companies	319 353		319 353
Investments - Unlisted shares that do not qualify as an investment in equity-accounted investees		851	851
Total assets	319 353	851	320 204

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.

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.

(ii) Employee benefits

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

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

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

4.1 Critical accounting estimates and assumptions (continued)

(iii) Allowance for impairment of trade receivables and student debtors

An allowance for impairment of trade receivables and student debtors is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms. Default in payments is considered as an indication that the receivable is impaired. Amounts outstanding by the autumn graduation ceremony in respect of student accounts from the previous year are taken into consideration in the calculation of the allowance. The history over three years is used to determine an average percentage. This average is applied in the adjustment of the allowance amount considered to be non-recoverable or doubtful for collection.

(iv) Impairment of goodwill

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

4.2 Significant judgements

(i) Impairment of financial instruments

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

The possible impairment of loans, trade and other receivables requires to be assessed at each reporting date. Management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset and of the collectability of these assets.

5. NUMBER OF EMPLOYEES

The number of permanent employees and fixed term employees with benefits on 31 December 2017, totals 3 719 (2016: 3 740).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements (R'000)	Land	Buildings and other improvements *	Vehicles	Furniture	Laboratory equipment	Specialised equipment	Computer equipment	Servers and Printers	Synthetic hockey field	Low value assets	Computer equipment less than R5 000	Total
Carrying amount at 31/12/15	31 288	747 099	29 646	88 048	49 236	84 898	40 552	38 817	876	11 411	0	1 121 871
Cost	31 288	933 890	43 540	180 501	118 933	285 748	174 050	84 740	2 666	54 651	0	1 910 007
Accumulated depreciation	0	(186 791)	(13 894)	(92 453)	(69 697)	(200 850)	(133 498)	(45 923)	(1 790)	(43 240)	0	(788 136)
Additions during the year	0	30 124	5 937	16 064	11 524	53 839	25 872	12 497	0	9 068	0	164 925
Depreciation for the year	0	0	(2 027)	(16 660)	(12 412)	(21 044)	(27 642)	(13 577)	(27)	(7 641)	0	(101 030)
Cost of disposals/scrappings in the year	0	0	(3 384)	(4 519)	(2 437)	(4 603)	(8 764)	(990)	0	(36 210)	0	(60 907)
Accumulated depreciation of disposals	0	0	1 227	3 211	2 014	3 838	8 166	952	0	36 211	0	55 619
Carrying amount at 31/12/16	31 288	777 223	31 399	86 144	47 925	116 928	38 184	37 699	849	12 839	0	1 180 478
Cost	31 288	964 014	46 093	192 046	128 020	334 984	191 158	96 247	2 666	27 509	0	2 014 025
Accumulated depreciation	0	(186 791)	(14 694)	(105 902)	(80 095)	(218 056)	(152 974)	(58 548)	(1 817)	(14 670)	0	(833 547)
Additions during the year	0	145 427	6 527	8 606	14 023	65 548	56 309	4 622	0	17 915	2 045	321 022
Depreciation for the year	0	0	(1 899)	(14 649)	(12 368)	(24 852)	(27 886)	(13 181)	(27)	(32 361)	(1 001)	(128 224)
Cost of disposals/scrappings in the year	0	(9)	(3 361)	(6 792)	(5 750)	(6 649)	(5 186)	(1 084)	0	(52 473)	(1 031)	(82 335)
Accumulated depreciation of disposals	0	0	1 407	6 740	5 728	6 649	4 997	1 047	0	52 447	1 027	80 042
Cost of reclassification	0	0	(206)	(47 953)	(11 136)	0	(1 651)	(1 551)	0	59 295	3 202	0
Accumulated depreciation of reclassification	0	0	71	21 614	5 130	0	947	800	0	(26 813)	(1 749)	0
Cost of assets held for sale	(900)	(11 338)	0	(324)	0	0	(357)	(71)	0	(4)	0	(12 994)
Accumulated depreciation of assets held for sale	0	2 060	0	291	0	0	346	65	0	1	0	2 763
Carrying amount at 31/12/17	30 388	913 363	33 938	53 677	43 552	157 624	65 703	28 346	822	30 846	2 493	1 360 752
Cost	30 388	1 098 094	49 053	145 583	125 157	393 883	240 273	98 163	2 666	52 242	4 216	2 239 718
Accumulated depreciation	0	(184 731)	(15 115)	(91 906)	(81 605)	(236 259)	(174 570)	(69 817)	(1 844)	(21 396)	(1 723)	(878 966)

Buildings and equipment with a cost price of R2 868 000 (2016: R2 325 000) funded with Government grants were not included above (note 2.14.2). Government grants are recognised as deferred income (current liability) and then applied against the cost of the relevant asset as the asset is obtained / developed, in accordance with IAS 20.

Included in assets are fully depreciated property, plant and equipment with an original cost of R340 157 000 (2016: R303 860 000) that are still in use.

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

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

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

Refer to note 30 regarding capital commitments.

Refer to note 32 regarding classification of non-current assets held for sale .

***** Buildings still under construction at year end amount to R86,9 million for 2017 (2016: R67,2 million).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT PROPERTIES	2017 R'000	2016 R'000
Carrying amount at beginning of year	19 826	20 323
Cost	24 862	24 862
Accumulated depreciation	(5 036)	(4 539)
Depreciation	(498)	(497)
Carrying amount at end of year	19 328	19 826
Cost	24 862	24 862
Accumulated depreciation	(5 534)	(5 036)
Income	10 891	10 266
Rental income (short-term investment income - note 26)	10 762	10 192
Interest received	72	74
Other	57	0
Less: Expenditure (direct operating expenses arising from investment properties that generate rental income)	3 358	6 621
Personnel remuneration	421	395
Maintenance - buildings	779	3 810
Municipal fees and property tax	270	586
Operating costs	566	469
Services outsourced	824	864
Depreciation	498	497
Net surplus from investment properties	7 533	3 645

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 for 2017 were done by Acom Valuers (2016: 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 95% (2016: 100%) and a rental margin of 67,9% (2016: 45,7%). No tax implications were applicable.
Present value of future cash flow projections, based on current lease agreements, were used in the calculation of the fair value in the amount of R82 000 000 (2016: R79 140 000), using a discount rate per annum of 9,50% for 2017 (2016: 8,75%).
Investment properties - Other: The fair value amounts to R3 650 000 (2016: R3 650 000).
The total fair value of all investment properties amounts to R85 650 000 (2016: R82 790 000).

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

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

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS	2017 R'000	2016 R'000
Goodwill (with acquisition of OpenCollab Proprietary Limited)	950	950

Impairment tests for goodwill

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

9. INVESTMENTS

9.1 Total investments

The following investments are carried at fair value:	2017	2016
Unlisted investments	R'000	R'000
Available-for-sale		
Unlisted shares that do not qualify as an investment in equity-accounted investees	1 054	851
Listed investments		
Available-for-sale		
Shares in public companies	376 128	319 353
Total investments at fair value (refer to note 12)	377 182	320 204
The following investments are carried at amortised cost:		
Unlisted investments		
Investments in money market instruments	1 422 050	991 774
Committee for investments	93 782	87 774
Other	1 328 268	904 000
Held-to-maturity	31 267	33 096
Bonds	31 267	33 096
Total investments at amortised cost	1 453 317	1 024 870
Presented as follows:		
Non-current assets	1 168 428	804 753
Current assets	662 071	540 320
Total investments	1 830 499	1 345 073

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

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

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.

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

9.1 Total investments (continued)

Available-for-sale investments

The fair value adjustment for the current year amounts to R41 856 000 (gain) (2016: R6 610 000) and is shown in OCI (Other comprehensive income).

	2017 R'000	2016 R'000
Shares in public companies	41 653	6 309
Unlisted shares - not investments in equity-accounted investees	203	301
	41 856	6 610

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.

	2017	2016
Carrying amount of shares	3	3
Attributable profit after tax	53	54

PUK Kanselierstrust (100% interest)

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

	2017	2016
Carrying amount of trust funds	1 394	1 365
Attributable profit	29	29

PUK Ontwikkelingstrust (Incorporated association not for gain) (100% interest)

The principal business of the company is to generate funds in order to realise the vision and mission of the University.

	2017	2016
Carrying amount: Reserves	13 938	13 938
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.

	2017	2016
Carrying amount of shares	0 *	0 *
Attributable profit after tax	2 045	2 315

Intsyst Labs Proprietary Limited (100% interest)

The principal business of the company is research into and development of intelligent systems.

	2017	2016
Carrying amount of shares	0 *	0 *
Attributable (loss)/profit after tax	(19)	553

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.

	2017	2016
Carrying amount of shares	0 *	0 *
Attributable profit after tax	17	1 559

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2017	2016
9. INVESTMENTS (continued)		
9.3 Investment in subsidiaries (continued)	**R'000**	**R'000**
Innovation Highway Enterprises Proprietary Limited (100% interest)		
The principal business of the company is technology transfer, innovation and business commercialisation and any other related activities.		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	144	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	0 *	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	0 *	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	0 *	0 *
Attributable profit after tax	0	0
North West Fibre Proprietary Limited (100% interest) (2016: 50% interest)		
The principal business of the company is the development of fibre technology.		
Carrying amount of shares	0 *	0 *
Attributable profit after tax	0	0
Total assets and liabilities of consolidated subsidiaries		
Assets	28 697	27 027
Liabilities	(211)	513

***** amounts less than R1 000 - disclosed as NIL due to rounding to the nearest thousand.

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.

Other

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. EQUITY-ACCOUNTED INVESTEES

	2017 R'000	2016 R'000
Balance at beginning of year	20	3 528
(Disposal)/acquisition of holding in investees *	(0)	0
Share of profit/(loss)	87	(3 508)
Balance at end of year	107	20

* amounts less than R1 000 - disclosed as NIL due to rounding to the nearest thousand.

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

Name	Assets R'000	Liabilities R'000	Revenue R'000	Profit/(loss) R'000	Interest held
2017					
- Ambixtra Proprietary Limited	34 775	49 848	38	(2 624)	26%
- Finclude Technologies Proprietary Limited	2 313	2 051	8 931	212	35%
	37 088	51 899	8 969	(2 412)	
2016					
- Ambixtra Proprietary Limited	27 406	39 855	106	(1 943)	40%
- Finclude Technologies Proprietary Limited	1 358	1 308	5 774	(202)	50%
	28 764	41 163	5 880	(2 145)	

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. 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

2017	Receivables R'000	Held to maturity R'000	Available-for-sale R'000	Fair value through profit or loss R'000	Total R'000
Assets					
Investments and derivatives (note 9)	1 422 050	31 267	377 182	0	1 830 499
Trade and other receivables (note 14) (excluding prepayments and VAT)	225 489	0	0	0	225 489
Cash and cash equivalents (note 15)	363 427	0	0	0	363 427
Total	2 010 966	31 267	377 182	0	2 419 415

Liabilities	At amortised cost R'000	Total R'000
Borrowings (note 17)	34 041	34 041
Trade and other payables (note 20)	295 595	295 595
Total	329 636	329 636

2016	Receivables R'000	Held to maturity R'000	Available-for-sale R'000	Fair value through profit or loss R'000	Total R'000
Assets					
Investments and derivatives (note 9)	991 774	33 096	320 204	0	1 345 074
Trade and other receivables (note 14) (excluding prepayments and VAT)	198 158	0	0	0	198 158
Cash and cash equivalents (note 15)	257 789	0	0	0	257 789
Total	1 447 721	33 096	320 204	0	1 801 021

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS (continued)

11a. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2016 (continued)	At amortised cost	Total
Liabilities	**R'000**	**R'000**
Borrowings (note 17)	43 859	43 859
Trade and other payables (note 20)	301 134	301 134
Total	344 993	344 993

11b. CREDIT QUALITY OF FINANCIAL ASSETS

Exposure per category:	Credit rating:	2017 R'000	2016 R'000
Investments (note 9)			
Listed investments - shares	-	376 128	319 353
Unlisted investments - money market and bonds	BB+ (2016: BBB-)	1 454 371	1 025 721
Trade and other receivables	(Group 1,2,3)	236 277	216 614
Cash and cash equivalents	BB+ (2016: BBB-)	363 427	257 789
Total		2 430 203	1 819 477

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

BBB- rating: An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor 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:

	2017	2016
Counterparties without external credit rating		
Group 1	171 076	103 452
Group 2	29 079	24 728
Group 3	36 122	88 434
Trade and other receivables (note 14)	236 277	216 614

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

	2017	2016
Balance at beginning of year	320 204	301 539
Additions	15 122	12 055
Net gain/(loss) transferred to OCI (Other comprehensive income)	41 856	6 610
Balance at end of year	377 182	320 204

There were no impairment provisions made on available-for-sale financial assets in 2017 and 2016.

Available-for-sale financial assets include the following:		
Listed securities:		
Equity securities	376 128	319 353
Unlisted securities:		
Investments that do not qualify as an investment in equity-accounted investees	1 054	851
	377 182	320 204

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)

13. INVENTORIES	2017 R'000	2016 R'000
Net realisable value (see note 25)		
Foodstuffs (Residence and Catering Services)	3 392	3 219
Publications and study materials	1 193	10 003
Other consumables	18 806	10 575
Veterinary health	1 516	1 599
	24 907	25 396
At cost		
Foodstuffs (Residence and Catering Services)	3 642	3 418
Publications and study materials	2 628	10 243
Other consumables	19 260	10 593
Veterinary health	1 516	1 599
	27 046	25 853

Obsolete inventory in the amount of R2 140 000 (2016: R457 000) was written off (see note 25).

14. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Balance at beginning of year	358 554	266 684
Plus: Net movement	30 669	131 252
	389 223	397 936
Less: Bad debts written off	(53 835)	(39 382)
Balance at end of year	335 388	358 554
Less: Allowance for credit losses	(99 111)	(141 940)
Balance at beginning of year	(141 940)	(123 468)
Debtors written off during current year	53 835	39 382
Allowance for credit losses created in current year	(11 006)	(57 854)
Balance at end of year	236 277	216 614

Details of trade and other receivables

	2017 R'000	2016 R'000
Students		
Tuition and residence fees	241 918	225 355
Less: Allowance for credit losses	(70 842)	(121 903)
Sub-total: Students	171 076	103 452
Sub-total: Advances and prepayments	8 841	7 587
Other debtors	84 628	125 611
Projects: Services rendered	57 347	44 764
VAT	1 947	10 869
Other	25 334	69 978
Less: Allowance for credit losses	(28 268)	(20 036)
Sub-total: Other debtors	56 360	105 575
Total trade and other receivables	236 277	216 614

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER RECEIVABLES (continued)

Student receivables

Student debtors who have not paid their accounts by the autumn graduation ceremony of the following year are considered non-recoverable or doubtful and handed over to attorneys for collection. Current student debtors are also not allowed to register for studies unless outstanding balances are settled or repayment contracts have been negotiated. The increase or decrease in 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.

	2017 R'000	2016 R'000
Movement in an allowance for credit losses of student debtors was as follows:		
Balance at beginning of year	121 903	98 495
Student debtors written off during current year	(52 378)	(37 798)
Allowance for credit losses created in current year	1 317	61 206
Balance at end of year	70 842	121 903
The ageing of student debtors that are past due is as follows:		
Student debtors past due and impaired (enrolled in 2017 & before)	70 842	121 903
Student debtors past due but not impaired (enrolled in 2018 again)	171 076	103 451
Total balance at end of year	241 918	225 355

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 surplus or deficit are generally written off when there is no expectation or recovering any additional cash.

	2017 R'000	2016 R'000
Movement in an allowance for credit losses of other debtors was as follows:		
Balance at beginning of year	20 036	24 973
Other debtors written off during current year	(1 457)	(1 584)
Allowance for credit losses created/(reversed) in current year	9 689	(3 353)
Balance at end of year	28 268	20 036
The fair values of trade and other receivables are as follows:		
Student debtors	171 076	103 452
Other debtors	54 413	94 706
Financial assets	225 489	198 158
Advances and prepayments	8 841	7 587
VAT	1 947	10 869
Total	236 277	216 614

The fair value is deemed to approximate the carrying amounts.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2017 R'000	2016 R'000
14. TRADE AND OTHER RECEIVABLES (continued)		
Other debtors (continued)		
The ageing analysis of other receivables is as follows:		
Current	29 058	68 853
30 days	29 350	24 517
60 days	6 793	19 791
90 days	28 268	20 036
Total balance before impairment allowance at end of year	93 469	133 198

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

	2017 R'000	2016 R'000
Short-term bank deposits	184 305	144 556
Bank balances	178 307	112 535
Petty cash advances	815	698
	363 427	257 789

The weighted average effective interest rate on short-term bank deposits was 8,21% (2016: 8,32%).
The cash and cash equivalents and investments are managed on a total basis. The restricted funds are not managed separately. Unspent earmarked grant funds of R292 132 000 (2016: R149 083 000) are included in cash and cash equivalents and as these funds are restricted, it may only be used for specific grants.
The reserves have been split between restricted funding and non-restricted funding.
Guarantees of R2 063 000 are currently held by ABSA Bank.

16. EQUITY

The movement is the result of the normal financial cycle after a fair value adjustment (note 9) in the amount of R41 856 000 increase (2016: R6 610 000) was made on 31 December 2017.

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 property, plant and equipment funds. It also includes depreciation;
- Where Council has designated funds for specific purposes, e.g. bursaries;
  Funds allocated for financing of major capital expenditure projects (funds held for investment in property,
- plant and equipment); and
- on completion of certain projects/defined activities, the surplus is transferred to designated funds.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. BORROWINGS - INTEREST-BEARING

	2017 R'000	2016 R'000
Carrying amounts		
First National Bank - PUK Sport Village and extension of Excelsior Hostel	12 992	18 606
First National Bank - New residence	21 049	25 253
Total borrowings	34 041	43 859
Less: Current portion	11 471	10 777
Non-current liabilities	22 570	33 082

Represented as follows:

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

	2017	2016
Total - First National Bank loan	12 992	18 606
Less: Current portion	6 285	5 811
Non-current liabilities	6 707	12 795

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 389 000 (including interest and capital), with a final instalment due on 21 October 2019.

First National Bank - New residence

	2017	2016
Total - First National Bank loan	21 049	25 253
Less: Current portion	5 186	4 966
Non-current liabilities	15 863	20 287

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

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

Maturity of borrowings (capital and interest):

	2017	2016
Less than 1 year	13 680	13 679
Between 1 and 2 years	19 969	27 358
Between 3 and 5 years	6 290	12 581
	39 939	53 618

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2017	2016
18. EMPLOYEE BENEFITS	**R'000**	**R'000**
ASSETS		
Net assets recognised in the statement of financial position		
North-West University Pension Fund (note 18.1)	372 983	232 198
Total employee benefit assets	372 983	232 198
LIABILITIES		
Accrued leave	428 613	380 840
Post-employment medical benefits (note 18.3)	165 580	168 256
Total employee benefit liabilities	594 193	549 096
Less: Current liability - accrued leave	(37 050)	(29 417)
Total non-current liability	557 143	519 679

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 (2017: 0,56% or 20 members and 2016: 0,74% or 27 members). A fixed-contribution option with a defined-benefit guarantee applied to all new members joining from 1 January 1995 (2017: 8,01% or 286 members and 2016: 8,63% or 313 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 (2017: 91,18% or 3 257 members and 2016: 90,33% or 3 277 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 done in terms of IAS19 (revised) in reporting on the defined benefit pension fund, with the following results:

	2017	2016
Current estimated employee benefit obligation:	**R'000**	**R'000**
Present value of obligation	1 217 424	1 270 650
Fair value of plan assets	(1 648 221)	(1 502 848)
Impact of asset ceiling limitation (note 1)	57 814	0
Asset at year-end	(372 983)	(232 198)
Recognised in profit or loss:		
Current service costs (personnel remuneration)	31 732	29 079
Net interest (personnel remuneration)	(22 235)	(30 821)
	9 497	(1 742)
Recognised in other comprehensive income:		
Actuarial gain due to experience	(14 078)	(49 272)
Actuarial gain due to demographic assumption changes (note 2)	(26 601)	0
Actuarial gain due to financial assumption changes	(95 825)	(39 254)
Actual return on assets	(195 929)	5 466
Expected return	144 940	165 242
Change in asset ceiling limitation	57 814	(9 015)
	(129 679)	73 167

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.1 North-West University Pension Fund (continued)

Recognised in the statement of financial position:	2017 R'000	2016 R'000
Opening net asset	(232 198)	(281 079)
Expense	9 497	(1 742)
Contribution	(20 603)	(22 544)
Remeasurements recognised in other comprehensive income	(129 679)	73 167
Asset at year-end	(372 983)	(232 198)
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	1 270 650	1 276 547
Interest cost	122 705	134 421
Service cost	31 732	29 079
Contribution	10 235	11 207
Benefits paid	(81 394)	(92 078)
Actuarial gain	(136 504)	(88 526)
Liability for defined-benefit obligations at 31 December	1 217 424	1 270 650
Movement in the plan assets:		
Fair value of plan assets at 1 January	1 502 848	1 566 641
Expected return on plan assets	144 940	165 242
Contribution	30 838	33 751
Benefits paid	(81 394)	(92 078)
Actuarial gain/(loss)	50 989	(170 708)
Fair value of plan assets at 31 December	1 648 221	1 502 848

Note:

1. The trustees have not allocated the surplus in terms of Practice Notice 2 of 2016, thus the surplus is limited until approved by the trustees.
2. Since 2008 pensioners were valued with an assumption that the spouse's pension will continue at 75%. This assumption was reduced as spouses are only entitled to a 50% continuation on death. The result of the aforementioned change in assumption has been shown as a gain due to a change in demographic assumptions.

Plan assets comprise:	%	%
Local equity securities	53,5	44,1
International equity securities	23,7	27,3
Local fixed interest	5,1	10,9
International fixed interest	6,7	6,2
Local cash	3,6	5,4
Local property	7,4	6,1
	100,0	100,0

Principal actuarial assumptions at the reporting date:		
Inflation rate	6,94	7,51
Discount rate	9,70	9,81
Expected return on plan assets**	10,94	11,51
Expected future salary increases	7,94	8,51
	+ merit scale	+ merit scale
Expected pension increases	6,44	7,01

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):	**2017 %**	**2016 %**
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, exceeds the threshold rate of 4,5% per annum. The expected return used is based on the long term investment strategy of the Fund, which is to target CPI + 4% (i.e. 10,94%).

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 by 0,25%	(33 436)	39 244
Inflation rate - change by 0,10%	14 873	(14 464)
Mortality rate - change by 1 year	(28 788)	28 015

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 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 were performed, with the following results:

Current estimated employee benefit obligation:	**2017 R'000**	**2016 R'000**
Present value of obligation	19 271	21 431
Fair value of plan assets	(63 443)	(64 868)
Impact of asset ceiling	44 172	43 437
Asset at year-end	0	0

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

	2017 R'000	2016 R'000
Recognised in profit or loss:		
Current service costs	862	706
Net interest	(3 452)	(4 825)
Reinsurance premiums	7 345	7 412
Disability claimants	0	5 878
Total included in personnel remuneration	4 755	9 171
Recognised in other comprehensive income:		
Actuarial loss due to experience	90	4 791
Actuarial gain due to financial assumption changes	(1 885)	(4 128)
Actual return on assets	(8 931)	(2 127)
Expected return	5 236	6 814
Impact of asset ceiling limitation	735	43 437
	(4 755)	48 787
Recognised in the statement of financial position:		
Opening net asset	0	(57 928)
Expense	4 755	9 171
Contribution	0	(30)
Remeasurement recognised in other comprehensive income	(4 755)	48 787
Asset at year-end	0	0
Movement in the liabilities:		
Liability for defined-benefit obligations at 1 January	21 431	14 954
Interest cost	1 784	1 989
Service cost	862	706
Benefits paid (net of reinsurance recoveries)	(3 011)	(2 759)
Actuarial (gain)/loss	(1 795)	663
Disability claimants - employer contribution	0	5 878
Liability for defined-benefit obligations at 31 December	19 271	21 431
Movement in the plan assets:		
Fair value of plan assets at 1 January	64 868	72 882
Expected return on plan assets	5 236	6 814
Contribution (net of reinsurance premiums)	(7 345)	(7 382)
Benefits paid (net of reinsurance recoveries)	(3 011)	(2 759)
Actuarial gain/(loss) on assets	3 695	(4 687)
Fair value of plan assets at 31 December	63 443	64 868

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.2 North-West University Disability Reserve Fund (continued)

	2017	2016
Plan assets comprise:	**%**	**%**
Local equity securities	61,4	60,3
International equity securities	22,1	20,9
Property	9,9	10,5
Bonds	3,2	3,8
Local cash	3,4	4,5
	100,0	100,0
Principal actuarial assumptions at the reporting date:		
Inflation rate	5,83	6,48
Discount rate	8,44	8,76
Expected return on investment***	9,83	10,48
Benefit increases	5,83	6,48
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 by 0,25%	(322)	288
Inflation rate - change by 0,10%	381	(419)
Mortality rate - change by 1 year	(310)	300

18.3 Post-employment medical benefits

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

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

	2017 R'000	2016 R'000
Current estimated employee benefit obligation:		
Present value of obligation	165 580	168 256
Recognised in profit or loss:		
Current service costs	2 287	2 759
Net interest	15 168	17 706
Total included in personnel remuneration	17 455	20 465

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS (continued)

18.3 Post-employment medical benefits (continued)

	2017 R'000	2016 R'000
Recognised in the statement of comprehensive income:		
Actuarial gain recognised in other comprehensive income (OCI)	(10 865)	(23 242)
Recognised in the statement of financial position:		
Pensioners	108 987	111 820
Active employees	56 593	56 436
Present value of unfunded liability	165 580	168 256
Movement in the liabilities:		
Liability at 1 January	168 256	180 261
Interest cost	15 168	17 706
Service cost	2 287	2 759
Contribution	(9 266)	(9 228)
Actuarial (gain)/loss	(10 865)	(23 242)
Liability at 31 December	165 580	168 256
Principal actuarial assumptions at the reporting date:	**%**	**%**
Inflation rate	6,50	7,01
Discount rate	9,23	9,27
Expected future salary increases	7,00	7,51
Expected future medical cost increases	8,00	8,51

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)
2017			
Salary/Health-care cost inflation	+1%	+10,3%	+11,3%
	-1%	-8,9%	-9,6%
Mortality	+1%	-8,3%	- 8,8%
	-1%	+9,3%	+9,9%
Resignation rate	+1%	-1,3%	-1,8%
	-1%	+1,5%	+1,9%
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%

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 2018 are R9 633 000.

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), (2017: 0,25% or 9 staff members and 2016: 0,30% 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 2017 is R1 102 000 (2016: R1 295 000).

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 2017: 98 staff members and 2016: 106 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 2017 is R1 729 000 (2016: R1 721 000).

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2017 R'000	2016 R'000
19. DEFERRED INCOME		
Deferred income mainly comprise of state infrastructure grants. Capital by nature.		
Capital projects	264 635	124 634
Balance at beginning of year	124 634	47 881
Subsidy received during the year	131 145	74 500
Interest capitalised during the year	11 055	5 333
	266 834	127 714
Recognised during the year	(2 199)	(3 080)
Balance at end of year	264 635	124 634
Presented as follows:		
Non-current liability: Long-term portion	96 136	78 212
Current liability: Short-term portion	168 499	46 422
	264 635	124 634

20. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade creditors	165 918	192 693
Student fees - credit accounts	129 677	108 441
	295 595	301 134

The fair value approximates the carrying amount.

21. STUDENT DEPOSITS AND PREPAID INCOME

	2017 R'000	2016 R'000
Student-related fees	31 579	7 243
Earmarked grants (operational by nature - granted annually)	35 343	31 899
Other (research and projects)	109 373	53 519
	176 295	92 661

The fair value approximates 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.

23. STATE APPROPRIATIONS - SUBSIDIES AND GRANTS

	2017 R'000	2016 R'000
Unrestricted or designated		
Operating purposes	1 592 950	1 342 528
Earmarked grants	67 315	67 356
No fee increase - tuition	15 135	117 127
Gap funding - 8% fee adjustment	42 306	0
	1 717 706	1 527 011
Deferred capital subsidy recognised	6 943	31
Total	1 724 649	1 527 042
Student and staff accommodation		
No fee increase - residences	11 369	17 053
Total: State appropriations - subsidies and grants	1 736 018	1 544 095

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMODATION: RESTRICTED R'000	2017 TOTAL R'000	2016 TOTAL R'000
24. PERSONNEL REMUNERATION					
Remuneration and fringe benefits	1 880 707	52 019	39 810	1 972 536	1 892 085
Severance packages	7 658	0	0	7 658	0
Accrued leave	47 773	0	0	47 773	27 366
NWU Pension Fund	9 072	241	184	9 497	(1 742)
NWU Disability Reserve Fund	4 543	120	92	4 755	9 171
AI Pension Fund	1 053	28	21	1 102	1 295
NWU Provident Fund	1 651	44	34	1 729	1 721
Post-employment medical benefits	17 455	0	0	17 455	20 465
	1 969 912	52 452	40 141	2 062 505	1 950 361

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

Name	Office held	Basic salary R'000	Employment benefits R'000	Other payments / allowances R'000	Total costs to NWU 2017 R'000	Total costs to NWU 2016 R'000
Prof ND Kgwadi	Vice-Chancellor and Principal	2 613	290	659	3 562	3 442
Prof JJ Janse van Rensburg	Vice-Principal and Deputy Vice-Chancellor: Campus Operations (Potchefstroom)	1 963	28	679	2 670	2 552
Prof F van Niekerk #	Deputy Vice-Chancellor: Research and Innovation	2 117	23	375	2 515	2 638
Prof MM Verhoef	Registrar	1 748	287	408	2 443	2 368
Ms E de Beer	Executive Director: Finances and Facilities	1 796	224	399	2 419	2 326
Prof LA du Plessis	Deputy Vice-Chancellor: Planning and Campus Operations (Vaal Triangle)	1 686	216	335	2 237	2 234
Prof MJ Oosthuizen #	Deputy Vice-Chancellor: Teaching and Learning	1 858	251	239	2 348	2 525
Prof M Davhana-Maselesele #	Deputy Vice-Chancellor: Campus Operations (Mafikeng)	1 840	190	299	2 329	2 388
Prof RJ Balfour #	Deputy Vice-Chancellor: Teaching and Learning	1 640	286	348	2 274	0
Mr KJ Oagile *	Executive Director: People and Culture	1 499	175	405	2 079	1 914
Prof LL Lalendle #	Executive Director: Student Life	1 320	158	481	1 959	0
Prof ME Phaswana-Mafuya #	Deputy Vice-Chancellor: Research and Innovation	1 528	174	211	1 913	0
Mr NC Manoko *	Executive Director: Corporate Relations and Marketing	1 369	161	320	1 850	1 566
Total		22 977	2 463	5 158	30 598	23 953

Management member not in service for full year - 2017. Remuneration annualised.

* Management member not in service for full year - 2016. 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 at year-end.

Refer to note 35 - Related-party transactions.

Number of senior staff members 2017: 11 (2016: 10).

Other information regarding personnel remuneration	COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMODATION: RESTRICTED R'000	2017 TOTAL R'000	2016 TOTAL R'000
Accrued leave - increase (note 18)	47 773	0	0	47 773	27 366
Retirement benefit costs	201 229	5 337	4 084	210 650	197 367
Members' contributions	73 545	1 951	1 492	76 988	73 032
Council contributions	127 684	3 386	2 592	133 662	124 335
Senior management remuneration	25 876	0	0	25 876	22 457
For managerial services	25 876	0	0	25 876	22 457

Payments for attendance at meetings of the Council and its Committees

Name	Number of members	2017 R'000	2016 R'000
Chair of Council: Honorarium, travel and accommodation expenses	1	134	203
Chairs of committees: Honorarium, travel and accommodation expenses	8	594	491
Members of Council: Honorarium, travel and accommodation expenses	41	406	322
Total		1 134	1 015

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. PERSONNEL REMUNERATION (continued)

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

Purpose/nature of payment	Name	Office held	2017 R'000	2016 R'000
Leave gratuity and	Van Niekerk, F	Senior Consultant: IM Deputy Vice-Chancellor: Research; Innovation;		0
non-pensionable allowance		and Technology	2 350	0
Leave gratuity and severance	Van Der Westhuizen, CR	Chief Director: PC Chief Director: Finance and Facilities	1 755	0
Leave gratuity and severance	Sito, BR	Manager: MC Financial Aid	1 083	0
Leave gratuity	Visser, SS	Deputy Executive Dean: IM Economic Management; Science:		0
		Research and Innovation	981	0
Leave gratuity	Oosthuizen, MJ	Deputy Vice-Chancellor: IM Deputy Vice-Chancellor: Teaching-Learning	757	0
Leave gratuity and Severance	Gaobepe, BD	Farm Manager: MC Farm Administration	719	0
Leave gratuity	Kroon, J	Professor: PC Marketing and Business Management	708	0
Leave gratuity	Ferreira, GM	Professor: PC Law Undergraduate Programmes	644	0
Leave gratuity	Blignaut, AS	Professor: VC TELIT-SA	635	0
Severance	Rothman, D	Director (Pt): IM Tax Services	629	0
Leave gratuity	Boneschans, B	Director: PC Centre for Pharmaceutical and Bio-Medical Services	591	0
Leave gratuity	Du Toit, CGDK	Professor:PC School of Mechanical and Nuclear Engineering	570	0
Leave gratuity	Chikulo, BC	Professor: MC Demography; Population and Development Studies	557	0
Severance	Makgwa, MA	Senior Financial Assistant: MC Financial Accounting	504	0
Leave gratuity	Mpolokeng, LP	Director: MC Campus Rector	492	0
Leave gratuity	Meyer, LW	Associate Professor: PC Educational Psychology	466	0
Ad hoc: Project allowance	Nel, I	Associate Professor: PC Potchefstroom Business School	430	0
Leave gratuity	Oosthuyzen, A	Manager: VC Information Technology	428	0
Leave gratuity	Erasmus, PB	Manager: PC Instrument-Making Department	425	0
Leave gratuity	Mabe, KL	Dean of Students: MC Dean of Students	411	0
Leave gratuity	Nieuwoudt, HD	Associate Professor: PC Mathematics Education	409	0
Leave gratuity	Karstens, A	Senior Lecturer: PC Curriculum Studies; Philosophy and Research		0
		Methodology	392	0
Ad hoc: Project allowance	Smit, AM	Associate Professor: PC Potchefstroom Business School	390	0
Leave gratuity	Venter, LM	Director: IM Research Support	383	0
Leave gratuity	Smit, N	Executive Dean: PC Faculty of Law	377	0
Leave gratuity	Ngwenya, TL	Professor: MC Communication and Languages	371	0
Leave gratuity	Nell, DC	Senior Lecturer: PC School of Music	368	0
Leave gratuity	Carstens, WAM	Professor: PC School of Languages	367	0
Leave gratuity	Hefer, IC	Lecturer: PC Technology for Education	363	0
Leave gratuity	Bogopane, LP	Associate Professor: MC Public Administration	348	0
Leave gratuity	Oliver, GJ	Senior Lecturer: PC School of Music	347	0
Leave gratuity	Klopper, A	Senior Lecturer: PC Early Childhood Development	330	0
Leave gratuity	Steyn, MM	Senior Lecturer: PC Social Work	318	0
Leave gratuity	North, CA	Executive Advisor: Planning and Special Projects: IM Deputy		0
		Vice-Chancellor: Teaching-Learning	317	0
Leave gratuity	Mellet, A	Senior Lecturer: VTC School of Economic Sciences	305	0
Leave gratuity	Krüger, PP	Senior Lecturer: PC Physics	300	0
Leave gratuity	Gontsana, I	Marketer: MC Marketing and Communications	295	0
Leave gratuity	Du Toit, SF	Professor: PC Law Undergraduate Programmes	290	0
Leave gratuity	Marx, S	Associate Professor: PC School of Chemical and Mineral Engineering	281	0
Leave gratuity	Trumpelmann, M	Subject Specialist: PC School of Electrical Electronic and		0
		Computer Engineering	278	0
Incentive bonus	Janse Van Vuuren, HH	Associate Professor: VTC School of Accounting Sciences	275	0
Incentive bonus	Van Der Merwe, N	Associate Professor: PC School of Accounting Sciences	270	0
Leave gratuity	Dircksen, MR	Associate Professor: PC School of Ancient Language and Text Studies	267	0
Incentive bonus	Schutte, DP	Associate Professor: PC School of Accounting Sciences	261	0
Leave gratuity	Mturi, A	Professor: MC HSS School of Research and Postgraduate Studies	259	0
Total			23 296	0

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. PERSONNEL REMUNERATION (continued)

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

Purpose/nature of payment	Name	Office held	2017 R'000	2016 R'000
Leave gratuity	Swanepoel, J	Executive Dean: PC Faculty of Arts	0	762
Lumpsum arbitration award	Gericke, JS	Professor: PC School of Accounting Sciences	0	698
Severance	Swanepoel, J	Executive Dean: PC Faculty of Arts	0	676
Leave gratuity	Viljoen, HM	Executive Dean: VTC Faculty of Humanities	0	664
Leave gratuity	Steyn, T	Professor: PC Computer Sciences and Information Systems	0	661
Leave gratuity	Gericke, JS	Professor: PC School of Accounting Sciences	0	628
Leave gratuity	Du Plessis, TE	Associate Professor: PC Potchefstroom Business School	0	620
Lumpsum arbitration award	Mundalamo, MC	Director: IM Human Capital: Operations	0	614
Leave gratuity	Fourie, JH	Executive Dean: PC Faculty of Theology	0	548
Leave gratuity	Theron, AMC	Medical Pensioners Group 1: PC Pensioners and Overheads	0	526
Leave gratuity	Theron, LC	Extraordinary Professor: VTC Optentia	0	516
Leave gratuity	Du Toit, P	Associate Professor: MC School for Educational Leadership Development	0	504
Ad-hoc: Project allowance	Kruger, P	Associate Professor: PC Institute for Psychology and Wellbeing	0	472
Leave gratuity	Fick, JIJ	Professor: PC Centre for Research and Continuous English Development	0	464
Leave gratuity	Seretlo, TT	Associate Professor: MC Mathematical Sciences	0	457
Leave gratuity	Van Wyk, CDW	Associate Professor: VTC School of Behavioural Sciences	0	427
Leave gratuity	Kruger, MF	Chief Scientific Officer (SASLAB): PC Centre for Business Mathematics and Informatics	0	424
Leave gratuity	Botha, JR	Associate Professor: PC History of Arts	0	418
Leave gratuity	Tiedt, LR	Professor: PC School of Human Resources Sciences	0	413
Leave gratuity	De Klerk, W	Director: PC Residence and Catering Services	0	411
Leave gratuity	De Wet, FW	Professor: PC Unit for Reformed Theology and Development of the SA Society	0	387
Leave gratuity	Earle, ED	Director: IM Financial Administration	0	374
Ad-hoc: Project allowance	Steenekamp, JH	Associate Professor: PC Pharmaceutics	0	372
Leave gratuity	Janse Van Rensburg, JJ	Associate Professor: PC Potchefstroom Business School	0	366
Leave gratuity	Van Den Berg, M	Senior Lecturer: PC Afrikaans for Education	0	361
Leave gratuity	Van Der Walt, JL	Associate Professor: PC Marketing and Business Management	0	359
Lumpsum arbitration award	Matjila MA	Director: IM Legal Services	0	350
Leave gratuity	Mmope, PP	Executive Director: IM Institutional Advancement	0	345
Leave gratuity	Meko, MK	Senior Lecturer: MC School of Accounting Sciences	0	339
Leave gratuity	Van Rensburg, H	Senior Lecturer: PC School of Music	0	324
Leave gratuity	Gericke, DH	Executive Dean: MC Faculty of Education and Training	0	320
Leave gratuity	Katashaya, SR	Senior Lecturer: PC Microbiology	0	314
Leave gratuity	Van Der Merwe, CJH	Senior Lecturer: MC School of Accounting Sciences	0	313
Leave gratuity	Visagie, JC	Professor: VC School of Basic Sciences	0	309
Leave gratuity	Steyn, ME	Campus Registrar: VC Campus Registrar	0	307
Leave gratuity	Tempelhoff, JWN	Professor: VTC School of Basic Sciences	0	304
Leave gratuity	Jordaan, GJC	Professor: PC School of Minister`s Training	0	304
Leave gratuity	Fourie, MA	Lecturer: PC Pharmaceutics	0	297
Leave gratuity	Triegaardt, TE	Senior Lecturer: MC School of Accounting Sciences	0	297
Management bonus	Kgwadi, ND	Vice-Chancellor	0	291
Leave gratuity	Esterhuysen, HA	Professor: PC School of Minister`s Training	0	282
Leave gratuity	Schutte, JW	Lecturer: PC Afrikaans and Dutch	0	275
Leave gratuity	Jinnah, MA	Manager: PC Centre for Pharmaceutical and Bio	0	275
Leave gratuity	Kakula, N	Human Resources Practitioner: MC Human Resources	0	274
Leave gratuity	Broodryk, JH	Subject Specialist: PC Instrument-Making Department	0	264
Service bonus	Verhoef, MM	Institutional Registrar: IM Registrar	0	260
Leave gratuity	Maubane, TJ	Lecturer: MC Industrial Psychology	0	260
Leave gratuity	Wilders, CJ	Professor: PC Human Movement Science	0	259
Incentive bonus	Janse Van Vuuren, HH	Associate Professor: VC School of Accounting Sciences	0	257
Leave gratuity	Miruka, CO	Professor: MC Graduate School of Business and Government Leadership	0	252
Incentive bonus	Van Der Merwe, N	Associate Professor: PC School of Accounting Sciences	0	252
Leave gratuity	Kruger, MF	Chief Scientific Officer (SASLAB): PC Centre for Business Mathematics and Informatics	0	252
Total			0	20 698

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

		COUNCIL-CONTROLLED: UNRESTRICTED OR DESIGNATED R'000	SPECIFICALLY FUNDED ACTIVITIES: RESTRICTED R'000	STUDENT & STAFF ACCOMMO-DATION: RESTRICTED R'000	2017 TOTAL R'000	2016 TOTAL R'000
25.	**OTHER CURRENT OPERATING EXPENSES BY NATURE**					
	Allowance for credit losses: Accounts receivable (note 14)	7 631	43	3 332	11 006	57 854
	Bad debts recovered	(12 187)	(5)	(22)	(12 214)	(10 048)
	Recognise student accounts with credit balances (older than 5 years)	(16 376)	0	0	(16 376)	0
	Inventory written off (note 13)	1 889	0	250	2 139	457
	Foodstuffs (Residence and Catering Services)	0	0	250	250	199
	Publications and study materials	1 435	0	0	1 435	240
	Other consumables	454	0	0	454	18
	Auditor's remuneration	3 990	68	14	4 072	3 344
	Audit fees	3 129	68	14	3 211	2 766
	Other costs	861	0	0	861	578
	Services outsourced	75 278	35	24 884	100 197	132 776
	Rent: Buildings	8 273	1 566	19 730	29 569	32 108
	Rent: Equipment	17 753	283	835	18 871	17 847
	Maintenance	138 230	4 820	33 124	176 174	150 721
	Bursaries	182 272	34 082	0	216 354	196 136
	Goods and services - other	627 227	133 080	184 961	945 268	894 735
		1 033 980	173 972	267 108	1 475 060	1 475 929
26.	**INVESTMENT INCOME**					
26.1	Operating income (short-term investment income)	142 381	7 926	0	150 307	140 192
	Interest	131 619	7 926	0	139 544	130 000
	Rental received (investment properties - note 7)	10 762	0	0	10 762	10 192
	Long-term investment income	14 201	0	0	14 201	12 498
	Interest	7 031	0	0	7 031	6 630
	Dividends (listed investments)	7 170	0	0	7 170	5 868
		156 582	7 926	0	164 508	152 690
26.2	Realised profit on disposal of investments	1 058	0	0	1 058	3 332
	Available-for-sale investments	1 282	0	0	1 282	3 386
	Financial instruments at fair value through profit or loss	(224)	0	0	(224)	(54)
		1 058	0	0	1 058	3 332
26.3	Total per statement of cash flows					
	Total interest received	150 470	7 926	0	158 396	150 154
	Total dividends received	7 170	0	0	7 170	5 868
		157 640	7 926	0	165 566	156 022
27.	**FINANCE CHARGES**					
	Long-term loans (note 17)	3 862	0	0	3 862	6 520
	Bank account	2	0	0	2	2
	Exchange differences	530	0	0	530	598
	Other	115	(117)	4 125	4 123	8 104
		4 509	(117)	4 125	8 517	15 224

28. NON-RECURRING INCOME

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

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2017 R'000	2016 R'000
29. CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	501 256	281 022
Adjusted for:		
Allowance for credit losses: Trade and other receivables (note 14)	11 006	57 854
Depreciation (note 6 and 7)	128 722	101 527
Loss on disposal/write-off of assets - property, plant and equipment	225	4 466
Recoupment from insurance claim	0	(57 000)
Increase in retirement benefit obligations (note 18)	49 611	23 458
Increase in deferred income (note 19)	140 001	76 753
Increase in deferred income tax assets (note 33)	(19)	(27)
Investment income (note 26)	(165 566)	(156 022)
Finance charges (note 27)	8 517	15 224
(Profit)/loss from/write-off of equity-accounted investees (note 10)	(87)	3 508
Adjustments i.t.o. IAS 39 - Capital market	1 713	1 335
Operating surplus before changes in working capital	675 379	352 098
Changes in working capital	47 263	(80 869)
Decrease/(Increase) in inventories	489	(4 894)
Increase in trade and other receivables, excluding allowance for credit losses	(30 669)	(100 251)
Decrease/(increase) in income tax receivable	0	406
Increase in trade and other payables	(5 539)	3 856
Increase in income tax payable	(652)	1 010
Increase in student deposits and prepaid income	83 634	19 004
Cash flows from operating activities	722 642	271 229

30. COMMITMENTS

CAPITAL COMMITMENTS

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

	2017 R'000	2016 R'000
Buildings	65 800	67 054

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:

	2017 R'000	2016 R'000
Payable within 1 year	28 544	19 848
Payable within 2 to 5 years	14 666	19 499
	43 210	39 347

31. CAPITAL EXPENDITURE EXPENSED

	2017 R'000	2016 R'000
Capital expenditure expensed consists of library books	4 438	4 141 *

***** Comparative amount (previously R97 517 000) was adjusted with R93 376 000 due to reclassification of periodicals and electronic related expenditure to be included in operating expenses.

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

Ministerial approval is needed and we are awaiting this documentation. VUT deposited the purchase amount into the NWU attorney's trust account, which is earning interest to the benefit of the NWU.

All criteria are met to classify these non-current assets as assets held for sale and are measured and disclosed at their carrying amount (see note 6).
It is highly probable than the registration will be concluded within one year of the effective date of signing the agreement and it is unlikely that significant changes will occur.

33. INCOME TAX AND DEFERRED TAX ASSET

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

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

Tax is calculated at 28% (2016: 28%). Deferred tax is applicable to OpenCollab Proprietary Limited.

	2017 R'000	2016 R'000
Income tax expense		
Current tax	883	1 767
Deferred tax	(19)	(27)
Prior year tax	(333)	0
Total income tax expense	531	1 740
Tax reconciliation		
Surplus before tax	501 787	282 762
Unrecognised losses - utilised	(53)	(54)
Exempt income	(498 664)	(276 541)
Non-deductible expenses	14	48
Prior year tax	(1 189)	0
Taxable income	1 895	6 215

Total unrecognised tax losses of R22 273 000 are carried forward for 2017 (2016: R22 326 000).

	2017	2016
Deferred tax asset (accrual for leave pay)		
Opening balance	100	73
Movement	19	27
Closing balance	119	100
Income tax payable		
Opening balance	1 010	0
Movement	(652)	1 010
Closing balance	359	1 010

NORTH-WEST UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. PRIOR PERIOD ERROR – IAS 16 PROPERTY, PLANT AND EQUIPMENT

As disclosed in Note 6, the University fully depreciated property, plant and equipment with an original cost of R340 157 000 (2016: R303 860 000) that are still in use. As required per IAS16, Property, Plant and Equipment, the depreciation method and useful life should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate under IAS 8.

As disclosed above the University has a significant number of fully depreciated assets that are still in use and this is indicative that useful life and depreciation method were not appropriately reassessed at each reporting date in the past as required by IAS 16, Property, Plant and Equipment. However to correct this error retrospectively would require assumptions to be made as to what management's intentions were at those dates as well as other information per asset for which detailed records do not exist. IAS 8, Accounting Policies, Changes in Estimates and Errors specifically states that hindsight should not be used in correcting prior period error. The University has therefore concluded that it is impracticable to correct the error in prior periods. This error has therefore been corrected to the extent practicable in the current period, however the University will continue to reflect fully depreciated assets until such time as these assets are no longer in use due to the inability to correct the error without using hindsight.

35. CONTINGENT LIABILITIES

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

36. 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 the University 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.

37. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events that occur between the reporting date and the date on which the financial statements are 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.