NELSON MANDELA UNIVERSITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2021

NELSON MANDELA UNIVERSITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2021

CONTENTS **Page**

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is responsible for the preparation, integrity and fair presentation of the consolidated financial statements of the Nelson Mandela University. The financial statements, presented on pages 13 TO 73, have been prepared in accordance with International Financial Reporting Standards and as required by the Minister of Education in terms of section 41 of the Higher Education Act (No. 101 of 1997), as amended. The financial statements include amounts based on judgements and estimates made by Management.

The Council also prepared the other information included in the Annual Report and is responsible for both its accuracy and consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. Council has no reason to believe that the Nelson Mandela University will not be a going concern based on forecasts, reasonable assumptions and available cash resources. The current viability of the Nelson Mandela University is supported by the financial statements.

The financial statements have been audited by the independent audit firm, Nexia SAB&T, who were given unrestricted access to all financial records and related information, including minutes of meetings of the Council and relevant sub-committees.

The Council believes that all representations made to the independent auditors during their audit were valid and appropriate.

Approval of the Consolidated Financial Statements

The consolidated financial statements on pages 13 - 73 were approved by the Council of the Nelson Mandela University on 29 August 2022 and signed on its behalf by:

Ms N January-Bardill
CHAIR OF COUNCIL
NELSON MANDELA UNIVERSITY

Prof S Muthwa
VICE-CHANCELLOR
NELSON MANDELA UNIVERSITY

FINANCIAL OVERVIEW OF THE 2021 FINANCIAL YEAR

Governance and Controls

The financial statements have been prepared in accordance with the Department of Higher Education and Training reporting requirements for Higher Education, and the accounting policies comply in all material respects with International Financial Reporting Standards. The Nelson Mandela University is committed to good corporate governance and sound financial management.

The consolidated annual financial statements for 2021 covers all activities of the university, which include audited results of the Nelson Mandela University Trust, companies and other partnerships where the university exercises control. The activities of the Trust are governed by the provisions of the Trust deed and an independent board of trustees. These consolidated financial statements provide a complete and comprehensive overview of the operations and financial position of the university.

Budgeting Process

Through the annual and three year rolling budget directives, the University strives to optimally resource the academic project, operations, infrastructure and support services at optimal levels while driving strategic initiatives and growth areas in a sustainable manner. A surplus from council controlled recurrent operations, before finance income, is budgeted. Finance income is utilised to grow reserves, seed new initiatives and strategy. The university's budget is based on an Institutional Resource Allocation Model that allocates high level block allocations of resources per funding category and activity i.e. Strategic Allocations, Academic Staffing Allocations, CAPEX, Bursaries and other expenses that are further distributed via budgetary processes and allocations models. These processes are performed by various committees that are representative of directorates within the university to ensure inclusivity of stakeholders.

These committees allocate funds based on models and processes informed by Vision 2030, strategic plans and Council's performance objectives. A three-year Annual Performance Plan (APP), cash flow and reserves accumulation plan support's the budget as to monitor and evaluate future sustainability.

Higher Education and Training Environment

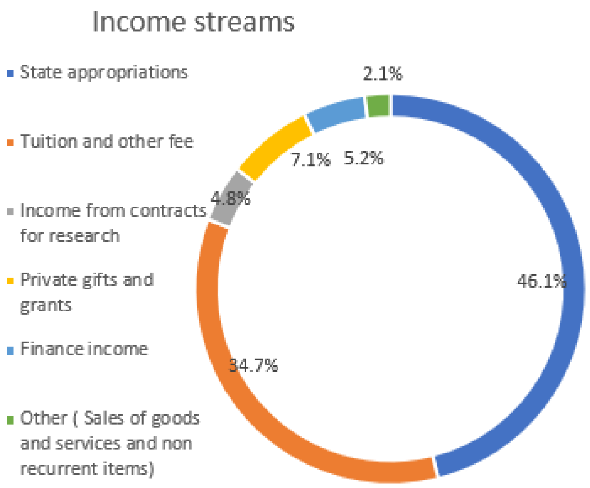
Higher Education and Training as a national priority receives a significant portion of the national annual budget. There has been a significant increase in funding towards the budget vote since the implementation of fee free higher education in 2018, mainly in contributions to NSFAS funding. This has assisted universities in providing access to academically deserving but financially needy students.

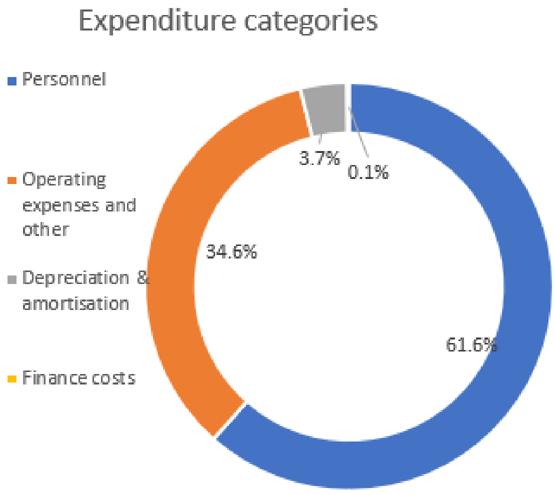
The capping of fee increases, providing debt relief concessions to academically deserving students in financial need, and the re-integration of certain outsourced contracts, together with the effect of the COVID-19 pandemic, have impacted the financial sustainability of institutions.

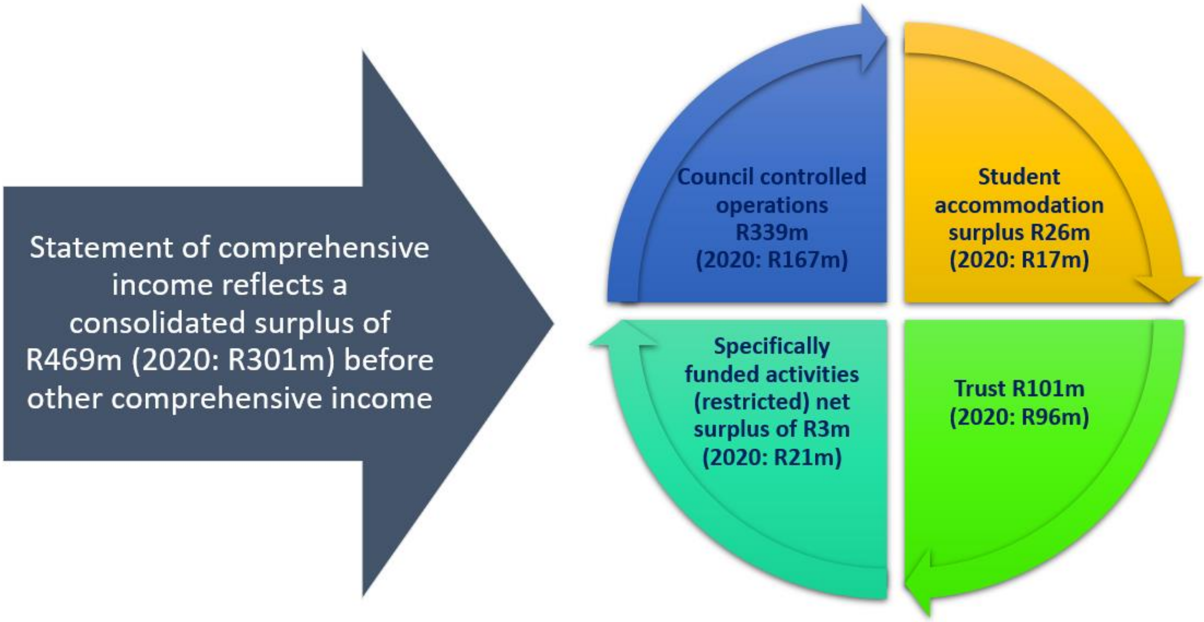
It is apparent from the latest Ministerial Statement on University Funding, as well as the National Assembly Department of Higher Education and Training Budget Vote Presentation 2022 by the Minister of Higher Education, Science and Innovation, that the already constrained budget has been reprioritized to cater for the additional funding required for NSFAS First Time Entering (FTEN) students. This together with capping of fees, mean that the most significant streams of funding will be limited, which requires careful consideration around resource allocation. As the university is still heavily reliant on fees and subsidy, a Sustainability and Institutional Viability Task Team (SIVTT) has been implemented to contribute to the sustainability of the university.

The future of the higher education funding framework in South Africa has a significant impact on financial planning within the sector.

Overview of 2021 financial position







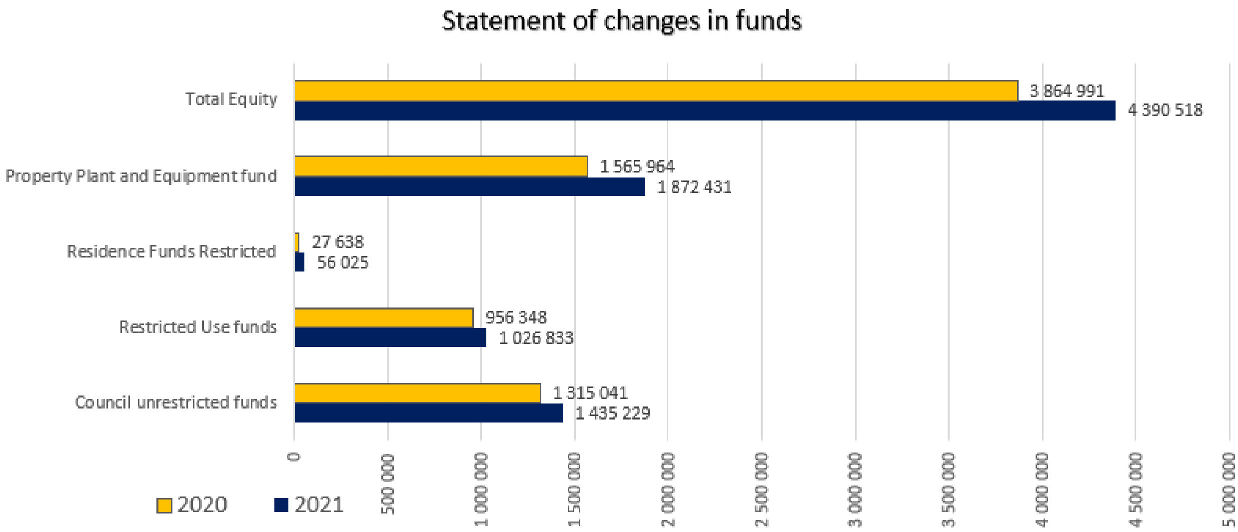
The University once again posted positive set of financial results during the year under review. The statement of comprehensive income reflects a consolidated surplus of R 469 m (2020: R301 m) before other comprehensive income, of which Council controlled operations amounted to R 339 m (2020: R167m) or 12% reserve accumulation in line with Councils' performance indicator of 5% to 10%.

Student accommodation surplus R 26m (2020: R 17m) and the Trust R 101 m (2020: R 96m). Specifically, funded activities (restricted) realised a net surplus of R 3 m (2020: R 21 m).

The consolidated surplus before other comprehensive income and finance income amounts to R 309 m (2020: R 87 m), of which Council controlled operations amounted to a R 199 m (2020: R 3 m surplus).

The re-measurements of post retirement obligations and revaluation of investments to market value disclosed under other comprehensive income has increased Total Comprehensive Income for the year by R 53 m (2020: R 111 m).

The statement of financial position reflects an increase in total assets of R 866 m with equity funds increasing by R 525 m and total liabilities by R 340 m, mainly due to draw down on long term borrowing for student accommodation. Retirement benefit obligations increased by R 12 m and now amounts to R 75 m. The liquidity position is sound as indicated by the liquidity ratio.



The consolidated statement of changes in funds indicates that Restricted use funds increased to R 1 026m (2020: R 956m), Residence funds increased to R 56m (2020: R 27m), while Council unrestricted funds increased to R 1 435 m (2020: R 1 315m) of which the General Reserve increased to R 956m (2020: R 890m).

Financial Indicators	2021	2020	2019	2018	2017	2016	2015
Council controlled: - State support income (State appropriations /total recurrent income)	52,33%	52.28%	49.09%	48.15%	47.89%	47.57%	44.68%
Council controlled: - Own funding as % income (Other income/total recurrent income)	47.66%	47.71%	50.91%	51.84%	52.11%	52.43%	55.32%
Council controlled: - Staff cost as % total recurrent expenses - Total Staff costs (Council controlled - AFS)/Recurrent expenditure (council controlled)	65.15%	61.56%	60.69%	60.87%	63.77%	59.00%	58.62%
Council controlled: - Staff cost as % total recurrent income - Total Staff costs (Council controlled - AFS)/Recurrent income (council controlled). The expected normal standard for total personnel cost as a percentage of total revenue is between 58% and 63%	56.77%	57.71%	54.34%	53.71%	56.69%	56.96%	54.56%
Council controlled: - Staff cost (Academic and Professional Administrative and Support Staff and as a % of tuition fees and operational subsidy). Council Benchmark 65 %	57.79%	59.82%	58.14%	59.38%	60.53%	65.24%	63.46%
Council controlled: - Net surplus as % including finance income. The DHET expected normal standard is a surplus. Council benchmark of between 5% and 10 % from council-controlled operations.	12.87%	6.25%	10.47%	11.76%	11.12%	3.47%	6.92%
Council controlled: - Net surplus as % excluding finance income	7.56%	0.11%	3.01%	5.12%	4.25%	-3.37%	1.27%
Student debt ratio: - Student Debtors before provision for doubtful debt/Total Tuition & Other Fees.	38.09%	42.22%	24.34%	22.35%	17.64%	21.81%	12.17%
Short Term Liquidity ratio (current assets/current liabilities). Expected normal standard is > 2:1	5.13	6.91	8.99	10.23	8.28	7.31	8.36
Sustainability ratio (Council-controlled reserves only) (Council-controlled reserves / annual recurrent expenditure on Council-controlled expenditure) Council has in 2020 set this target at 1.00 as for resreves to equal the annual cost of recurrent expenditure	0.63	0.55	0.55	0.62	0.46	0.26	0.18
Sustainability ratio (Total reserves) Total reserves / annual recurrent expenditure	1,91	1.61	1.6	1.63	1.29	1.08	1.19
Post-retirement Liabilities (balance sheet)	R75m	R62m	R69m	R68m	R61m	R35m	R23m

The institutional financial indicators show that the university has maintained a relatively healthy financial position.

Financial sustainability however remains a challenge for the Higher Education Sector, striving to contribute to national objectives in difficult economic trading conditions. It is also remains a key strategic objective of the Nelson Mandela University. The Higher Education Sector, as with the broader national and international economy, will be under significant pressure in the foreseeable future, with many unknown levels of uncertainty. Careful consideration will need to be given to when considering approval of recurrent resourcing projects or programmes.

A task team has been established to consider the financial sustainability of the university as to ensure that in the medium to long term, the recurrent cost structures are financed from recurrent revenue streams excluding finance income, and that earmarked reserves for funding five-year capital maintenance, replacement of teaching and research equipment and IT infrastructure plans are maintained as well as enhancing digital transformation. The University will confront these challenges by means of its strategic approach to financial planning and management.

Management is satisfied that the financial measures taken to date are adequate to ensure financial sustainability over the next 12 months, and the impact of the events disclosed do not impact the going concern of the University.

We would like to thank the Council, Finance & Facilities Committee, and Audit & Risk Committee for their guidance and commitment to the financial sustainability of the university.

D MacLean
Chairperson: Finance & Facilities Committee

M R Monaghan
Executive Director: Finance

Nexia SAB&T
accountants | auditors | consultants

99 Cape Road
Millpark, Port Elizabeth
6001
Postnet Suite Nr 48
Private Bag X0002
The Fig Tree
Charlo
Port Elizabeth
6033
T: +27 (0) 12 682 8995
F: +27 (0) 12 682 8994
www.nexia-sabt.co.za

Independent Auditor's report to the Minister of Higher Education and Training and Council of the Nelson Mandela University

Report on the audit of the consolidated financial statements

Opinion

1. We have audited the consolidated financial statements of the Nelson Mandela University and its subsidiaries (the group) set out on pages 13 to 73 , which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

2. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2021, 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, Act no. 101 of 1997.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this auditor's report.

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

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

Emphasis of matter

6. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Material impairments – trade and other receivables

7. As disclosed in note 7 to the consolidated financial statements, material impairments to the amount of R140 185 000 (2020: R128 364 000) for student debtors and R48 708 000 (2020: R52 770 000) for external debtors were incurred.

Restatement of corresponding figures

8. As disclosed in note 30 to the consolidated financial statements, the corresponding figures for 31 December 2020 were restated due to errors identified which have been adjusted for in the consolidated financial statements of the University for the year ended 31 December 2021.

Responsibilities of Council for the financial statements

9. 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, Act no. 101 of 1997, 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.

10. 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 appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected indicators presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

14. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the university's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the university enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

15. 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 selected indicators presented in the University's annual performance report for the year ended 31 December 2021:

Indicators	Page number
Access: First-time entering undergraduates	Page 33
Access: Headcount enrolments	Page 33
Success: Graduates UG	Page 33
Success: Graduates PG	Page 33
Success: Success rate	Page 33

16. We performed procedures to determine whether the reported performance information 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.

17. We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected indicators.

Other matters

18. We draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual report on page 33 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

21. The material finding on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

22. The financial statements submitted for auditing were not prepared in accordance with International Financial Reporting Standards and supported by complete accounting records, as required by Section 7(4)(b)(xii) of the regulations for reporting by public higher education institutions and section 41(1)(b) of the Higher Education Act.

23. Material misstatements of recurring income, other operating expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and Contract Management

24. A member of staff or employee did not in writing:

    (a) before he or she was appointed or assumed office, declare any business that may raise a conflict or a possible conflict of interest with the public higher education institution concerned in contravention of section 34(4)(a) of the Higher Education Act; and/or
    (b) notify the public higher education institution concerned of any conflict or possible conflict of interest before such public higher education institution procured any goods or services from such member of staff or an organisation within which such member or employee held an interest, in contravention of section 34(4)(b) of the Higher Education Act.

25. An employee conducted business directly or indirectly with the university at which he or she is employed that entailed or may have entailed a conflict of interest with the university in contravention of section 34(5)(a)-(c) of the Higher Education Act.

Other information

26. The council is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated financial statements, the auditor's report and those selected indicators presented in the annual report that have been specifically audited and reported on in the auditor's report.

27. Our opinion on the consolidated financial statements and my 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.

28. 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 indicators presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

30. We considered internal control relevant to our audit of the consolidated financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

31. Leadership did not implement effective controls to ensure accurate financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation.

Other reports

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

Audit-related services (Agreed-upon procedures)

33. We issued the following agreed-upon procedures engagement reports on the funding received by the University:

Engagement Name	Purpose of Engagement	Reporting Due Date	Status
Research Articles	Agreement of the 2020 Research Articles Submission to supporting journals and publications.	15 May 2022	Completed
Financial Data Audit	Ensure compliance with the reporting requirements for the period of 01 January 2021 – 31 December 2021.	30 August 2022	Completed
Clinical Training Grant	Ensure compliance with the reporting requirements for the period of 01 January 2021 – 31 December 2021.	25 July 2022	Completed
Higher Education Management Information System (HEMIS)	Ensure compliance with the reporting requirements for the period of 01 January 2021 – 31 December 2021.	29 July 2022	Completed

Auditor tenure

34. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Nelson Mandela University and its subsidiaries for 5 years.

Nexia SAB&T

Nexia SAB&T
Per: Y Moosa
Director
Registered Auditor
30 August 2022

Annexure – Auditor's responsibility for the audit

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

Financial statements

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

   - identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Nelson Mandela University and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the group to cease continuing as a going concern;
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

3. We communicate with 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.

NELSON MANDELA UNIVERSITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		3 042 108	2 128 358
Property, plant and equipment	2	2 019 602	1 729 279
Intangible assets	3	2 221	2 547
Long term investments	4	227 284	197 531
Other Financial Assets	6	793 000	199 000
Current assets		3 768 471	3 816 074
Inventories	5	3 304	3 648
Other Financial Assets	6	3 175 900	3 219 600
Cash and cash equivalents	6	130 007	141 659
Trade and other receivables	7	459 260	451 167
Total assets		6 810 578	5 944 432
EQUITY AND LIABILITIES			
Equity funds		4 390 518	3 864 991
Property, plant and equipment		1 872 431	1 565 964
Restricted use funds		1 082 858	983 986
Student residence funds		56 025	27 638
Other restricted use funds		1 026 833	956 348
Council unrestricted funds		1 435 229	1 315 041
Non-current liabilities		1 684 788	1 511 145
Deferred income	8	1 218 291	1 284 139
Interest-bearing borrowings	9	262 701	45 892
Retirement benefit obligations	10	74 535	61 729
Accumulated leave liability	11	121 941	112 064
Long service award accrual	13	7 320	7 321
Current liabilities		735 272	568 297
Deferred income	8	14 621	13 295
Current portion of borrowings	9	13 230	12 251
Accumulated leave liability	11	2 478	2 167
Accounts payable and accrued liabilities	12	703 670	539 117
Long service award accrual	13	1 274	1 467
Total equity and liabilities		6 810 578	5 944 432

NELSON MANDELA UNIVERSITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	2021 Council controlled unrestricted	2021 Specifically funded activities restricted	2021 NMU Trust restricted	2021 SUB-TOTAL	2021 Student & staff accommo-dation unrestricted	2021 TOTAL	2020 TOTAL
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
TOTAL INCOME		2 632 838	216 482	102 152	2 951 473	143 045	3 094 518	2 996 180
RECURRENT ITEMS		2 632 561	216 666	102 152	2 951 378	143 045	3 094 424	2 996 152
State appropriations	14	1 377 774	48 025	-	1 425 799	20	1 425 819	1 319 358
Tuition and other fee income	26	931 438	45	-	931 483	143 025	1 074 508	926 932
Income from contracts for research	26	51 432	95 877	-	147 308	-	147 308	153 843
Sales of goods and services	26	59 196	6 913	-	66 110	-	66 110	84 297
Private gifts and grants	15,26	73 111	52 929	94 567	220 606	-	220 606	297 702
Finance income	16	139 610	12 876	7 586	160 072	-	160 072	214 019
NON-RECURRENT ITEMS		278	(183)	-	95	-	95	28
Profit/(Loss) on disposal of PPE		278	(183)	-	95	-	95	28
TOTAL EXPENDITURE		2 294 072	213 398	1 187	2 508 657	116 343	2 625 000	2 695 112
Personnel	17	1 494 574	67 230	-	1 561 804	53 964	1 615 768	1 590 581
Academic professional		680 771	41 625	-	722 396	-	722 396	704 297
Other personnel		803 808	25 606	-	829 413	53 964	883 377	865 345
Accumulated leave		10 189	-	-	10 189	-	10 189	19 106
Long service award		(194)	-	-	(194)	-	(194)	1 833
Other current operating expenses (Exclude compensation, depreciation, amortisation & debt service & principal)	18	706 915	146 168	1 187	854 270	54 267	908 537	1 002 535
Depreciation	2	90 437	-	-	90 437	6 063	96 499	95 957
Amortisation	3	326	-	-	326	-	326	77
		797 678	146 168	1 187	945 033	60 329	1 005 362	1 098 566
Finance costs	27	1 820	-	-	1 820	2 049	3 870	5 965
NET SURPLUS		338 767	3 084	100 965	442 816	26 702	469 518	301 068
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to surplus or deficit:								
Remeasurements - retirement healthcare obligation	17	7 215	-	-	7 215	-	7 215	90 781
Remeasurements - pension fund obligation	17	10 311	-	-	10 311	-	10 311	8 142
Revaluation of investments at year end		-	-	35 836	35 836	-	35 836	12 351
		17 527	-	35 836	53 363	-	53 363	111 275
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		356 293	3 084	136 801	496 179	26 702	522 881	412 343

NELSON MANDELA UNIVERSITY
CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
For the year ended 31 December 2021

Description	General Reserve Fund R'000	Accumu-lated Fund R'000	Council Unrestricted Funds Subtotal R'000	Contract/ Private Funds Restricted Use R'000	NMU Trust/ Restricted Funds Restricted Use R'000	Other Funds Restricted Funds Restricted Use R'000	Restricted Use Funds Sub-total R'000	Residence Funds Restricted R'000	Property, Plant and Equipment Fund R'000	Total R'000
Balance at 1 January 2021	890 334	424 705	1 315 041	25 227	188 776	742 345	956 348	27 638	1 565 964	3 864 991
Net surplus	90 022	248 745	338 767	3 084	100 965	-	104 049	26 702	-	469 518
Other comprehensive income	-	17 527	17 527	-	35 836	-	35 836	-	-	53 363
Other additions	26 384	26 499	52 883	142 868	-	-	142 868	4 149	10 817	210 716
Funds utilised	(27 094)	(28 449)	(55 543)	(145 487)	(403)	-	(145 891)	(6 637)	-	(208 070)
Net transfers (to)/from other funds	(23 597)	(209 848)	(233 445)	(10 971)	(104 875)	49 468	(66 378)	4 173	295 651	-
Balance at 31 December 2021	956 049	479 179	1 435 229	14 721	220 299	791 813	1 026 833	56 025	1 872 431	4 390 518
Balance at 1 January 2020	834 966	348 078	1 183 045	39 685	174 371	619 643	833 699	14 533	1 413 924	3 445 201
Restated net surplus	62 745	103 882	166 627	20 657	96 531	-	117 187	17 253	-	301 068
Other comprehensive income	98 923	-	98 923	-	12 351	-	12 351	-	-	111 275
Other additions	14 285	3 216	17 501	114 850	-	-	114 850	8 352	158 793	299 496
Funds utilised	(36 880)	(27 746)	(64 626)	(114 509)	(94 477)	-	(208 986)	(12 500)	(5 937)	(292 049)
Net transfers (to)/from other funds	(83 705)	(2 725)	(86 429)	(35 456)	-	122 702	87 245	-	(816)	-
Balance at 31 December 2020	890 334	424 705	1 315 041	25 227	188 776	742 345	956 348	27 638	1 565 964	3 864 991

Refer Note 29 Statement of Equity movements.

NELSON MANDELA UNIVERSITY
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Cash flow from operating activities			
Cash generated by operations	23	562 686	395 097
Interest received - short term	16	149 241	249 325
Net cash inflow from operating activities		711 927	644 422
Cash flow from investing activities			
Interest received	16	2 379	2 664
Dividends received	16	5 295	1 336
Purchase of property, plant and equipment	2	(399 660)	(207 361)
Disposal of property, plant and equipment	2	3 502	76
Purchase of short-term investments		(550 300)	(397 700)
Purchase of investment portfolio at cost		(15 373)	(26 889)
Proceeds from investment portfolio at cost		21 456	30 144
Net cash outflow from investing activities		(932 701)	(597 732)
Cash flow from financing activities			
Interest paid on other financial liabilities		(8 666)	(5 965)
Repayment of other financial liabilities	23	(7 212)	(7 200)
Cash received from other financial liabilities	23	225 000	-
Net cash inflow/(outflow) from financing activities		209 122	(13 164)
(Decrease)/Increase in cash and cash equivalents		(11 652)	33 526
Cash and cash equivalents at beginning of year		141 659	108 134
Cash and cash equivalents at end of year	6	130 007	141 659

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies are consistent with those of the previous year, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the Nelson Mandela University have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and in the manner prescribed by the Minister of Education in terms of section 41 of the Higher Education Act (No. 101 of 1997), as amended. The consolidated financial statements have been prepared under the historical cost convention except for equity instruments under non-current investments, which are carried at fair value. The presentation currency of the Nelson Mandela University is South African Rands. Unless stated otherwise, all amounts are rounded to the nearest thousand Rand (R'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Nelson Mandela University's 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 valuation of employee benefits, impairment of receivables and valuation of certain investments.

The policies set out below have been consistently applied to all the years presented.

a) *Standards and pronouncements approved but not yet effective and not adopted by the Nelson Mandela University*

There are a number of standards, amendments to standards, and interpretations, which have been issued by the IASB that are effective in future accounting periods that the Nelson Mandela University has decided not to adopt early.

- The new standards and pronouncements approved but not yet effective have been assessed by the Nelson Mandela University and the impact is expected not to be significant.

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 Apr 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 Jan 2022
Annual Improvements to IFRS Standards 2018–2020 (May 2020)	Annual Improvements to IFRS Standards 2018–2020 (May 2020)	1 Jan 2022
Amendments to IFRS 3 (May 2020)	Reference to the Conceptual Framework	1 Jan 2022
Amendments to IAS 37 (May 2020)	Onerous Contracts - Cost of Fulfilling a Contract	1 Jan 2022
IFRS 17	Insurance Contracts	1 Jan 2023
Amendments to IFRS 17	IFRS 17	1 Jan 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 Jan 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current — Deferral of Effective Date	1 Jan 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 Jan 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 Jan 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
Amendments to IAS 8	Definition of accounting estimates	1 Jan 2023

1. Accounting policies (continued)

b) New and amended standards adopted by the Nelson Mandela University

The following new standards that were approved and effective from 1 January 2021 have been applied by the Nelson Mandela University:

- Interest Rate Benchmark Reform — Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have an impact on the amounts recognised in prior periods and will not significantly affect the current or future periods.

1.2 Basis of Consolidation

Control is achieved when the Nelson Mandela University is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are all entities (including special purpose entities) over which the Nelson Mandela University has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Nelson Mandela University. They are de-consolidated from the date that control ceases. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Nelson Mandela University.

All financial activities of the Nelson Mandela University have been included in these financial statements. Also included are the financial activities of the Nelson Mandela University Trust, Rubious Mountain Properties (Pty) Ltd, Innovolve (Pty) Ltd and its subsidiaries and the Nelson Mandela University Investment Company (Pty) Ltd.

1.3 Revenue recognition

1.3.1 State appropriations: Subsidy and grant income
State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates. Appropriations for specific purposes, e.g. capital expenditure, are recognised as deferred income and recognised in income over the depreciable life of the assets capitalised.

Government grants received for infrastructure are included in liabilities as deferred income and are credited to the asset when the asset becomes available for use, resulting in a decrease in the depreciation recognised in the consolidated statement of comprehensive income over the expected lives of related assets.

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.2 Revenue from contracts with customers

The Nelson Mandela University is in the business of providing tertiary educational services to the students and research activities to third parties. The fees from these services includes tuition fees, private gift and grants, sales of goods and service, and income from research contracts. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Nelson Mandela University expects to be entitled in exchange for those goods or services. The Nelson Mandela University has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

The above excludes income from National Student Financial Aid Scheme, donor bursaries income and Off Campus Rental, where Nelson Mandela University acts as an agent for these funds.

Tuition and other fee income are delivered over time in a 12-month period and the delivery of this service coincides with the financial year of the Nelson Mandela University.

Payment terms for tuition fees are determined annually and updated on the student account guidelines.

Sales of goods and services performance obligation are satisfied upon delivery of the services or goods. Payment terms for sales of goods and services are normally 30 days from date of invoice.

The performance obligations for income from contracts for research, received as private gift and grants are satisfied over time and contractual periods can exceed a 12-month period. Payment terms are generally upon signature date of contract or as deliverables or milestones are met.

Revenue for private gift and grants is recognised by measuring progress towards completion of that performance obligation. This is achieved by the input method, making use of measurements of resources consumed, labour hours expended and costs incurred.

1.3.2.1 Variable consideration

If the consideration in a contract includes a variable amount, the Nelson Mandela University estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Nelson Mandela University assessed all revenue streams for variable consideration and concluded it is not material due to the nature of the operations of the Nelson Mandela University.

1.3.2.2 Significant financing component

Generally, the Nelson Mandela University receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Nelson Mandela University does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service, will be one year or less.

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.2.3 Non-cash consideration
The Nelson Mandela University receives research equipment and other tools from certain customers to be used in research activities. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Nelson Mandela University obtains control of the equipment.

The Nelson Mandela University applies the requirements of IFRS 13 Fair Value Measurement in measuring the fair value of the non-cash consideration.

1.3.2.4 Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Nelson Mandela University performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

1.3.2.5 Trade receivables
A receivable represents the Nelson Mandela University’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets Financial instruments – initial recognition and subsequent measurement.

1.3.2.6 Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Nelson Mandela University has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Nelson Mandela University transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Nelson Mandela University performs under the contract.

1.3.3 Designated income
Income for designated and specific purposes arises, inter alia, from contracts, grants, donations and specifically purposed endowments. In all instances any such income is recognised as income in the financial period when the Nelson Mandela University is entitled to use those funds. Funds that will not be used until some specified future period or occurrence are held in an appropriate fund until the financial period in which they can be used. Prior to that time the amount is appropriately grouped in one of the restricted funds comprising aggregate funds. These are treated as "transfers" on the statement of comprehensive income.

1.3.4 Interest income
Interest is recognised using the effective interest rate method taking account of the principal amount outstanding and the effective interest rate over the period to maturity.

1.3.5 Dividend income
Dividends are recognised when the Nelson Mandela University’s right to receive a dividend is established.

1.3.6 Donations
Donations are recognised on receipt. Donations in kind are recognised at fair value. Donations received which are of a capital nature, with specific conditions, are deferred over the period of the agreement.

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.7 Rental income
Where the Nelson Mandela University retains the significant risks and benefits of ownership of an item under a lease agreement, it is classified as an operating lease. Receipts in respect of the operating lease are recognised on a straight-line basis in the statement of comprehensive income over the period of the lease.

1.3.8 Tuition and residence fees
Tuition and residence fees charged are applicable to one academic and financial year and are recognised in that year. The Nelson Mandela University has assessed that the students simultaneously receive and consume the benefits provided within the year, as such revenue is recognised over time. Scholarships, bursaries and other financial aid provided by the Nelson Mandela University to students for tuition and residence fees are recognised as a reduction of fees.

1.4 Research costs

Research costs are expensed in the period in which they are incurred since it is inherent in the normal operations of a university.

1.5 Segment Information and Reserve Funds

A segment is a recognised component of the Nelson Mandela University that is engaged in undertaking activities and providing services that are subject to risk and returns different from those of other segments. The segmentation provided in the statement of comprehensive income of these consolidated financial statements is in terms of the guidelines prescribed by the Department of Higher Education and Training and is specifically not in terms of IFRS 8: Operating Segments. The operating businesses are managed separately but all fall under the oversight of the Nelson Mandela University's executive leadership.

1.5.1. Council unrestricted funds
The unrestricted operating fund reflects the Nelson Mandela University’s subsidised activities. This includes state appropriations, tuition fees and the sales and services of educational activities. The budget of the Nelson Mandela University, as approved by Council, is represented through this fund group. These funds fall under the absolute discretion and control of Council.

1.5.2. Restricted use funds
These funds may be used only for the purposes that have been specified in legally binding terms by the provider of such funds or by another legally empowered person.

1.5.3. Property, plant and equipment funds
The amount in property, plant and equipment funds represents that portion of the Nelson Mandela University’s fixed assets at carrying value that have been financed from its own funds.

1.5.4 Residence funds
These funds are designated funds for the specific purpose of providing student accommodation.

1. Accounting policies (continued)

1.6 Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.6.1 Financial assets

1.6.1.1 Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Nelson Mandela University's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Nelson Mandela University has applied the practical expedient, the Nelson Mandela University initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Nelson Mandela University commits to purchase or sell the asset.

1.6.1.2 Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments); and
- Financial assets at fair value through profit or loss.

1.6.1.3 Financial assets at amortised cost (debt instruments)
The Nelson Mandela University measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Nelson Mandela University's financial assets at amortised cost includes trade and other receivables, fixed deposits and cash on call disclosed under non-current investments.

1. Accounting policies (continued)

1.6.1 Financial assets (continued)

1.6.1.4 Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Nelson Mandela University can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established.

The Nelson Mandela University elected to classify irrevocably its listed shares, international assets swops, gilts, bonds and Unit Trusts in non-current investments under this category.

1.6.1.5 De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Nelson Mandela University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Nelson Mandela University has transferred substantially all the risks and rewards of the asset, or (b) the Nelson Mandela University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Nelson Mandela University could be required to repay.

1.6.1.6 Impairment of financial assets
The Nelson Mandela University recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Nelson Mandela University expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For other financial assets and long term investments, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For student and external debtors for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and student fees receivables, the University applies a simplified approach in calculating ECLs. Therefore, the University does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The University has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

1. Accounting policies (continued)

1.6.1 Financial assets (continued)

The Nelson Mandela University's equity instruments at fair value through OCI comprise solely of quoted equity instruments that are graded in the top investment category by the Credit Rating Agency and therefore are considered to be low credit risk investments.

1.6.1.7 Write off policy
The write off of student debtors is determined annually by extracting a report which identifies no movements on the students accounts that have been handed over for debt collection.

Actual bad debts are written off in the year in which they are identified.

Subsequent recoveries of amounts previously written off are credited to the Statement of Comprehensive Income.

1.6.1.8.1. Cash and cash equivalents
The Nelson Mandela University's exposure to credit risk from cash and cash equivalents arises from default of the counter party. The maximum exposure to credit risk at the reporting date, is the carrying amount of the cash and cash equivalents.

1.6.1.8.2. Student debtors
The Nelson Mandela University's exposure to credit risk from student debtors, is mainly attributable to non-payment of tuition fees.

The Nelson Mandela University's Finance Division limits the credit risk exposure through debt collection procedures to ensure the repayment of outstanding balances.

The Nelson Mandela University has stringent policies with respect to not allowing students with outstanding tuition fee balances to either graduate or to register for the new academic year.
Only students that have qualified for university concessions for academically deserving but financially needy students may register with outstanding debt.

1.6.1.8.3. Other receivables
The Nelson Mandela University's exposure to credit risk from other receivables is mainly attributable to non-delivery of goods and services for prepaid expenses or non-payment of the accrued interest balance and sundry receivables reported at year end.
The Nelson Mandela University limits the risk by only trading with credit worthy third parties.

1.6.1.8.4. Other financial assets - Investments
The Nelson Mandela University's exposure to credit risk, from investments arises from default of the counter party.

The Nelson Mandela University limits its counter party exposures from its money market operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any counter party is managed by setting transaction/exposure limits which are reviewed annually by management.

1.6.2 Financial liabilities

1.6.2.1 Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

1. Accounting policies (continued)

1.6.2 Financial liabilities (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Nelson Mandela University's financial liabilities include accounts payable and accrued liabilities, interest bearing borrowings.

1.6.2.2 Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

1.6.2.3 Financial liabilities at amortised cost
This is the category most relevant to the Nelson Mandela University. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs. The effective interest is included as finance costs in the statement of profit or loss.

1.6.2.4 Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.7 Property, plant and equipment

Land and buildings mainly consist of lecture halls, laboratories, on campus hostels, administrative buildings and sports facilities. All property, plant and equipment is stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Donated property, plant and equipment is recorded at fair value at the date of the donation in terms of the principles of IAS 20. Fair value is determined based on the current market value of similar assets in a similar condition.

Subsequent costs are included in the 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 Nelson Mandela University and the cost of the item can be measured reliably. The carrying amount of any significant component accounted for, as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit and loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated average useful lives are:

Buildings, Infrastructure, Sports facilities	10 to 50 years
Furniture and equipment including art collection	5 to 20 years
Motor Vehicles	4 to 10 years
Computer equipment	3 to 5 years
Right of Use Assets - Infrastructure	25 to 50 years
Right of Use Assets – Furniture and Equipment	5 to 20 years

Land is not depreciated as it is deemed to have an indefinite life. Library books and other library materials are written off in the year in which they are acquired.

1. Accounting policies (continued)

1.7 Property, plant and equipment (continued)

For all assets, the estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit and loss

1.8 Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment losses annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Property, plant and equipment and intangible assets that were affected by an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Inventories

Inventories mainly comprise consumer goods and stationery. Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

1.10 Cash and cash equivalents

For the purposes of the consolidated statement of cash flow, cash and cash equivalents comprise cash in hand and deposits held on call with banks.

1.11 Employee benefits

1.11.1 Accumulated annual leave
Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial year end. Accumulated leave is measured based on the number of leave days outstanding and staff members remuneration received. Accumulated leave is de-recognised as staff members utilise their leave during the year.

1.11.2 Retirement benefit obligations – pensions
The Nelson Mandela University participates in two retirement funds, namely the Nelson Mandela University Retirement Fund (NMURF) and the National Tertiary Retirement Fund (NTRF: NMU). Both funds are predominantly defined contribution (DC) in nature but include defined benefit (DB) guarantees for specific member categories.

The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Nelson Mandela University pays fixed contributions into a separate entity. The Nelson Mandela 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.

1. Accounting policies (continued)

1.11 Employee benefits (continued)

For the defined benefit plan, plan assets are taken at their fair value (i.e. market value) and the liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at that date less the fair value of plan assets. The plan assets are funded within the scheme, any shortfall on the liability is funded from the reserves. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Net interest expense or income is recognised within finance costs (refer note 10.1).

For defined contribution plans, the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.11.3 Retirement benefit obligations – medical benefits

The Nelson Mandela University provides post-retirement healthcare benefits to qualified retirees. Entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit only accrues to employees who joined the Nelson Mandela University prior to the following dates:

- previous PE Technikon	- 1 April 2002
- previous University of Port Elizabeth	- 1 April 2001

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

The liability for all eligible in-service members and continuation members is valued assuming medical scheme contributions increase with health care cost Inflation. The continuation liability is split assuming no future increases in medical scheme contributions (to align with what would be covered under the annuity) and the future increase portion.

Any plan assets are valued at current market value.

All actuarial gains and losses are recognised immediately in the year in which they arise, in other comprehensive income.

1. Accounting policies (continued)

1.11 Employee benefits (continued)

1.11.4 Long service awards
The Nelson Mandela University provides for other significant employee benefits, for example, long service awards. Management estimates the value of the Nelson Mandela University's obligations in this regard at each reporting date. Employees are awarded this benefit based on the number of years of service. The fee is determined according to the policy of the University and discounted to net present value based on the effective interest rate. These estimates take account of the existing policies and contractual obligations and the likelihood of employees remaining in service to actually receive the benefits.

1.12 Leases

The Nelson Mandela University has applied IFRS 16 to all those contracts previously identified as containing a lease except for short-term leases and leases of low value assets.

For contracts entered into or changed on or after 1 January 2019, the Nelson Mandela University assesses at inception or date of change, whether a contract is, or contains, a lease. It does so if the contract conveys the right to control the use of an identified asset, as assessed, for a period of time in exchange for a consideration.

At inception or on reassessment of a contract that contains lease components, the Nelson Mandela University allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

1.12.1 As a Lessee

The Nelson Mandela University leases a variety of properties and equipment from third parties.

The Nelson Mandela University recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Nelson Mandela University recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.The right of use asset is initially measured at cost or estimate thereof, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term except where ownership transfers. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Nelson Mandela University's incremental borrowing rate. Generally, the Nelson Mandela University uses the incremental borrowing rate as the discount rate.

1. Accounting policies (continued)

1.12 Leases (continued)

Lease payments allocated to lease components that are included in the measurement of the lease liability comprise the following:

- fixed payments
- variable lease payments that depend on an index or rate
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Nelson Mandela University is reasonably certain to exercise, lease payments in an optional renewal period if the Nelson Mandela University is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Nelson Mandela University is reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Nelson Mandela University changes its assessment of whether it will exercise a purchase, extension or termination option.

When the liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Nelson Mandela University right of use assets is included in property, plant and equipment.

1.12.2 As a lessor
When the Nelson Mandela University acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease. To classify each lease, the Nelson Mandela University makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Nelson Mandela University considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Nelson Mandela University recognises lease receipts under operating leases as income on a straight-line basis over the lease term.

1.13 Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 3. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.14 Cash flow statement

The Cash flow statement has been prepared using the indirect method.

1.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

1. Accounting policies (continued)

1.15 Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Property, plant and equipment

	Land, Buildings, Infrastructure and Sport Facilities	Right of use of assets Infrastructure	Computer Equipment	Furniture and Equipment	Right of use of assets Furniture, Equipment	Motor Vehicles	Library Books	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 December 2021								
Opening net book value	1 518 604	23 815	49 500	128 357	3 207	5 798	-	1 729 279
Additions	302 197	-	30 648	62 460	-	5 531	3 621	404 457
Disposals	-	-	-	(200)	(3 207)	-	-	(3 407)
Depreciation charge	(24 867)	(418)	(21 219)	(56 028)	-	(4 574)	(3 621)	(110 727)
Closing net book value	1 795 934	23 397	58 929	134 589	-	6 755	-	2 019 602
At 31 December 2021								
Cost	2 208 870	25 069	243 070	639 357	-	43 514	236 210	3 396 090
Accumulated depreciation	(412 935)	(1 672)	(184 141)	(504 769)	-	(36 760)	(236 210)	(1 376 487)
Net book value	1 795 934	23 397	58 929	134 589	-	6 755	-	2 019 602
Year ended 31 December 2020								
Opening net book value	1 389 109	24 651	35 553	167 786	4 305	9 556	-	1 630 959
Additions	159 226	-	20 175	20 575	-	4 187	3 198	207 361
Disposals	-	-	(36)	(12)	-	-	-	(48)
Depreciation charge	(29 731)	(836)	(6 192)	(59 991)	(1 098)	(7 945)	(3 198)	(108 991)
Closing net book value	1 518 604	23 815	49 500	128 357	3 207	5 798	-	1 729 279
At 31 December 2020								
Cost	1 906 673	25 069	212 422	577 097	6 500	37 983	232 588	2 998 333
Accumulated depreciation	(388 069)	(1 254)	(162 922)	(448 740)	(3 293)	(32 186)	(232 588)	(1 269 053)
Net book value	1 518 604	23 815	49 500	128 357	3 207	5 798	-	1 729 279

2. Property, plant and equipment (continued)

Included in the property, plant and equipment as set out above are certain assets funded by grants from the Department of Higher Education and Training. The treatment of these grants is set out in accounting policy note 1.3.1 and note 8 of these financial statements. The impact of the government grant on the annual depreciation charge is as follows:

	2021 R'000	2020 R'000
Total depreciation charge	110 727	108 991
Less: Release from deferred income	(14 227)	(13 034)
Statement of comprehensive income	96 500	95 957

Included in the closing net book value of land, buildings, infrastructure and sport facilities above is Capital Work in Progress of R523 million (2020: R417 million) relating to assets under construction at year-end. No depreciation charge has been levied against these assets as they have not yet been brought into use at year-end.

Land and land improvements with a net carrying value of R21.7 million (2020: R18.8 million) is included as part of land and buildings, infrastructure and sport facilities.

Included in profit or loss is compensation received from third parties for property, plant and equipment impaired, lost or given up which amounts to R1.4 million (2020: R1.60 million).

A register of land and buildings is available for inspection at the Nelson Mandela University's main campus. The Nelson Mandela University is not permitted to dispose of, or otherwise alienate its land and buildings without the approval of the Minister of Higher Education and Training.

Included in furniture and fittings are lease assets with carrying value NIL (2020: R3.2 million), secured under a right of use obligation of NIL (2020: R2.7 million) in note 9 to the financial statements.

The lease assets belong to the Nelson Mandela University and are no longer recorded as right of use assets.

Right of use of assets infrastructure include lease assets with carrying value of R23.4 million (2020: R23.8 million), secured under right of use obligation of R22.3 million (2020: R23.6 million) in note 9 to the financial statements.

Change in estimates:

The Nelson Mandela University annually performs a useful life assessment on all its assets.

In assessing the useful life of the assets of the Nelson Mandela University, Management has determined that, based on the write off trend of the Nelson Mandela University's assets, some of the assets exceed the original useful life that is assigned on initial capitalisation.

This is contributed to the way departments take care of and accept responsibility for their assets and ensure maintenance of the assets to extend its useful life. There is a certain element of subjectivity used in determining how long to extend the useful life.

The assessment considers if there is a legal or similar limit on the use of the asset, as well as an any significant unexpected wear and tear, technological advancement and changes in market prices that may indicate that the residual value or useful life of an asset has changed.

The assessment resulted in a decrease in depreciation expense for 2021 of R62 million (2020: R69 million) which includes buildings.

3. Intangible Assets

Year ended 31 December 2021	**R'000**
Opening net book value	2 547
Additions	-
Disposals	-
Amortisation	(326)
Closing net book value	2 221

	At cost	**Accumulated amortisation**	**Carrying amount**
	R'000	**R'000**	**R'000**
Balance at 1 January 2021	4 295	(1 748)	2 547
Amortisation recognised during the financial year	-	(326)	(326)
Balance at 31 December 2021	4 295	(2 074)	2 221

Year ended 31 December 2020	**R'000**
Opening net book value	1 141
Additions	1 483
Disposals	-
Amortisation	(77)
Closing net book value	2 547

	At cost	**Accumulated amortisation**	**Carrying amount**
	R'000	**R'000**	**R'000**
Balance at 1 January 2020	2 812	(1 671)	1 141
Acquisition	1 483	-	1 483
Amortisation recognised during the financial year	-	(77)	(77)
Balance at 31 December 2020	4 295	(1 748)	2 547

Intangible assets comprises of externally purchased computer software.

Included in Intangible Assets for 2020 and 2021 are 2 items at a total cost of R1.4 million that are in the process of being written off as the software is now redundant.

4. **Long term investments**	**2021 R'000**	**2020 R'000**
Listed shares	91 825	78 864
International asset swaps	79 102	67 095
Gilts and bonds	25 079	24 798
Fixed deposits	14 215	16 032
Unit Trusts	17 064	10 743
	227 284	197 531
At cost:		
Listed shares	67 644	61 956
International asset swaps	31 076	31 788
Gilts and bonds	23 422	23 526
Fixed deposits	14 215	16 032
Unit Trusts	12 608	10 000
	148 965	143 302

These investments comprise a portfolio managed by the Nelson Mandela University Trust with a fair value of R227 million (2020: R198 million).

With the exception of the international asset swaps managed by the Nelson Mandela University Trust, all the investments of the Nelson Mandela University are Rand denominated. The international asset swaps are denominated in US dollars and UK pounds.

Fair value hierarchy applied to the investments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs for fair value measurements, other than quoted prices, that are observable from the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).

4. Long term investments (continued)

The following table presents the Nelson Mandela University's financial assets that are measured at fair value:

	Level 1	Level 2	Total balance
2021	**R'000**	**R'000**	**R'000**
Assets			
Fair value through other comprehensive income			
Listed shares	91 825	-	91 825
International asset swaps	-	79 102	79 102
Gilts and bonds	-	25 079	25 079
Unit Trusts	17 064	-	17 064
Total	108 889	104 180	213 069
Amortised Cost			
Fixed deposits	14 215	-	14 215
Total assets	123 104	104 180	227 284
2020			
Assets			
Fair value through other comprehensive income			
Listed shares	78 864	-	78 864
International asset swaps	-	67 095	67 095
Gilts and bonds	-	24 798	24 798
Unit Trusts	10 743	-	10 743
Total	89 607	91 892	181 500
Amortised Cost			
Fixed deposits	16 032	-	16 032
Total assets	105 639	91 892	197 531

The fair value assessments of the investments are done on an annual basis. Financial instruments traded in active markets are 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 services, 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 Nelson Mandela University is the closing current bid price at year-end. These instruments are included in Level 1.

The fair value of investments disclosed under level 1 and level 2 is determined by portfolio managers based on current market indicators. The portfolio managers are Investec who are responsible for managing the investments and to determine and report the value of the investments on a monthly basis.

4. Long term investments (continued)

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.

5. Inventories

	2021 R'000	2020 R'000
Consumables	2 541	2 870
Goods for resale	763	778
	3 304	3 648

An amount of R0.9million (2020: R0.8 million) is recognised in the consolidated statement of comprehensive income as purchases.

6. Other financial assets and cash and cash equivalents

6.1 Other financial assets

	2021 R'000	2020 R'000
Other financial assets	3 968 900	3 418 600
Non-current investments held on fixed deposits at bank	793 000	199 000
Other financial assets – current held on fixed deposit at banks	3 175 900	3 219 600

An investment of R199 million which was invested on fixed deposit which matures on 3 January 2022 and has therefore been classified as non-current assets under other financial assets in 2020. Investments totalling R793 million which was invested on fixed deposits mature in 2023 between January and April and have therefore been classified as non-current assets under other financial assets in 2021.

The average effective interest rate on short-term bank deposits was 4.563% (2020: 6.387%).

The other financial assets of the Nelson Mandela University are spread amongst 5 of the 'A' rated banks in South Africa and Sanlam. The credit quality of these institutions are as follows:

	2021 R'000
za.A-1+ (Standard and Poor's)	2 381 000
AA+(zaf) (Standard and Poor's)	100 000
F1+(zaf)(Fitch)	1 073 000
Aa1.za (Moody's)	414 900
	3 968 900

	2020 R'000
za.A-1+ (Standard and Poor's)	2 750 600
za.A+ (Standard and Poor's)	100 000
F1+(zaf)(Fitch)	568 000
	3 418 600

6. Other financial assets and cash and cash equivalents (continued)

6.2 Cash at bank and in hand	**2021 R'000**	**2020 R'000**
Cash at bank and in hand at amortised cost	130 007	141 659
For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances at amortised cost	130 007	141 659

The current other financial assets and cash and cash equivalents of R3 305 million (2020: R3 361 million) includes R956 million (2020: R890 million) which is included in the general reserve.

Nelson Mandela University issued guarantees to the following parties:

- Proscience Laboratory Solutions amounting to R1 954 794. The expiry date is 31 January 2030.

The Nelson Mandela University places cash and cash equivalents with reputable financial institutions to limit credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of the cash and cash equivalents.

6.3 National Credit Rating, Long term outlook	**2021 R'000**	**2020 R'000**	
The credit quality of these institutions are as follows:			
Ba2(Moody's)	17 512	31 160	za-1+ (Standard and Poor's)
AA+(zaf)(Standard and Poor's)	107 974	104 716	F1+(zaf)(Fitch)
za.AA (Standard and Poor's)	1 628	3 429	za-1+ (Standard and Poor's)
	127 114	139 305	

The fair value of cash and cash equivalents approximate their carrying amounts as the nature of the balance is short-term and interest rates are market related.

7. Trade, other receivables	**2021 R'000**	**2020 R'000**
Student debtors	354 798	383 451
Less: Provision for impairment	(140 185)	(128 364)
	214 613	255 087
External debtors	61 737	54 802
NSFAS* loan receivable	36 358	36 358
Less: Provision for impairment	(48 708)	(52 770)
	49 387	38 390
Interest receivable	76 788	73 631
NSFAS* receivable	87 211	61 488
Other receivables	31 261	22 571
	459 260	451 167

***NSFAS** – National Student Financial Aid Scheme

Overdue student debts bear interest at market related rates.

7. Trade, other receivables (continued)

The Nelson Mandela University's historical experience in collection of these receivables falls within the recorded allowances. The Nelson Mandela University management believes that there is no additional credit risk beyond amounts provided for collection losses inherent in these balances.

Student debtors
Student debtors are deemed impaired and credit losses are provided for if the students do not register for the next academic year and did not successfully complete their degrees. Students are generally not allowed to register for the next academic year if they still have outstanding debt. However, at a Council meeting in November 2015, it was decided that the Nelson Mandela University would identify academically deserving but financially needy students and assist them with various forms of financial assistance. Qualifying students were categorised as either Zero EFC (no financial means to contribute) or Missing Middle (limited financial means to contribute). These cohorts outstanding debt as at 31 December 2021 is NIL (2020: NIL). Student debt in respect of students who have completed their degrees is not considered to be impaired based on historical evidence that they settle their debt in full in order to secure their degrees certificates.

The Nelson Mandela University uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., Zero EFC students, missing middle students, NSFAS students, customer type and rating). The provision matrix is initially based on the Nelson Mandela University's historical observed default rates. Credit quality of student debtors is managed by the Nelson Mandela University with reference to the last year of registration of the particular student. The impairment provision is based on the Nelson Mandela University's experience in collection of student debt according to the period outstanding since last registration of the student and calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The balances relating to student debtors at year end consist of the following:

	2021 R'000	**2020 R'000**
Student debtors considered to be fully performing	214 528	255 087
Student debtors not considered to be fully performing	140 270	128 364
Students last registered in current year	75 147	63 491
Students last registered in prior year	25 314	37 399
Students last registered two or more years ago	39 809	27 475
	354 798	383 451

The Nelson Mandela University has stringent policies with respect to not allowing students with outstanding fee balances to either graduate or to register for the new academic year. Only students that have qualified for university concessions for academically deserving but financially needy students may register with outstanding debt. Academic registration for the following year is normally from February and late registrations normally closes in March.

7. Trade, other receivables (continued)

At 31 March 2022, after late registration, the age analysis for outstanding student fees for 31 December 2021, all of which are due, is as follows:

31 December	2018 R'000	2019 R'000	2020 R'000	2021 R'000	TOTAL R'000
Gross student fees receivable	4 641	41 881	55 511	100 196	202 229
Gross student fees to be written off	1 785	822	23 868	-	26 475
	2 856	41 059	31 643	100 196	175 754
Expected collection	-	(4 106)	(6 329)	(25 049)	(35 483)
Provision for expected loss	**2 856**	**36 953**	**25 314**	**75 147**	**140 270**
Expected collection rate	0%	10%	20%	25%	4%

The expected collection rate is determined by taking into account the following information:

- The past historical collections rates of students and the increase in the age of the student debts is used to calculate the expected collection rate;
- The Nelson Mandela University also makes use of pre-legal collection methadology and this is expected to result in less collection in the future;
- The economy remains severely constrained which places significant constraints in the collection of outstanding debt.

31 December	2017 R'000	2018 R'000	2019 R'000	2020 R'000	TOTAL R'000
Gross student fees receivable	3 473	1 932	46 334	84 654	136 393
Gross student fees to be written off	1 190	21 074	332	-	22 595
	4 662	23 005	46 666	84 654	158 988
Expected collection	-	(193)	(9 267)	(21 164)	(30 624)
Provision for expected loss	4 662	22 812	37 399	63 491	128 364
Expected collection rate	0%	10%	20%	25%	6%

Due to the nature of the Nelson Mandela University operations, the Nelson Mandela University tracks outstanding fees on academic year basis. The Nelson Mandela University considers all prior outstanding fees as past due. It is the Nelson Mandela University policy that returning students are not allowed to register with outstanding fees debt unless the student qualifies for university concessions.

The movement in the impairment provision was as follows:

	2021 R'000	2020 R'000
Opening balance at 1 January	128 365	85 639
Additional impairment	34 417	58 785
Receivables written off during the year	(22 595)	(16 060)
Closing balance at 31 December	140 185	128 364

The movement in the impairment provision has been included in other current operating expenses in the statement of comprehensive income. Student receivables are written off when there is no expectation of recovery when all available recovery processes have been exhausted for collection and students are no longer registered at the Nelson Mandela University.

7. Trade, other receivables (continued)

External debtors and other receivables

External debtors and other receivables consist of third parties and reputable institutions from whom monies are due for various grants, projects and auxiliary activities of the Nelson Mandela University in accordance with relevant agreements. Credit losses have been provided for based on an individual evaluation of particular balances.

The movement in the impairment provision relating to these receivables was as follows:

	2021 R'000	2020 R'000
Opening balance at 1 January	52 770	49 837
Additional/ (release of) impairment	(3 569)	3 228
Receivables written off during the year	(493)	(295)
Closing balance at 31 December	48 708	52 770

Included in the amount of R52.8 million is the NSFAS loan receivable of R36.5 million which has been provided for, as the recovery of the amount outstanding is doubtful.

The movement in the impairment provision has been included in other current operating expenses in the statement of comprehensive income. External debtors and other receivables are written off when there is no expectation of recovery.

The fair value of trade and other receivables approximate their carrying amounts as the nature of the balances are short term.

8. Deferred income

	2021 R'000	2020 R'000
As at 1 January	1 297 434	1 262 371
Net (decrease)/increase in deferred income	(64 522)	35 063
Grants received (including capital infrastructure)	(8 070)	111 964
Realised in comprehensive income	(42 225)	(63 867)
Release relating to depreciation	(14 227)	(13 034)
As at 31 December	1 232 912	1 297 434
Deferred income is presented as follows:		
Current liability	14 621	13 295
Non-current liability	1 218 291	1 284 139
	1 232 912	1 297 434

As at 31 December the deferred income balance can be analysed further as follows:

	2021 R'000	2020 R'000
Capital project funding	992 230	919 233
Cumulative transfer/offset against depreciation	(119 407)	(105 180)
	872 823	814 053
Unspent grant funds	360 088	483 381
	1 232 912	1 297 434

Deferred income includes building and infrastructure upgrade funding received from the Department of Higher Education and Training. Included in these projects are Student Residences, Medical School and Ocean Sciences.

Unfulfilled conditions regarding government grants relate to infrastructure work in progress disclosed under note 2 which will be completed over time, exceeding a 12-month period.

9. Interest-bearing borrowings

	2021 R'000	2020 R'000
Current portion of long-term loans		
Bank borrowings	6 525	3 133
Right of use liability	1 606	4 021
Government loans	19	17
Rubious Mountain Properties (Pty) Ltd: shareholder's loan	5 080	5 080
	13 230	12 251
Non-current		
Bank borrowings	241 975	23 483
Right of use liability	20 694	22 358
Government loans	32	51
	262 701	45 892
Total borrowings at floating rates	275 931	58 143
Interest rates:		
- bank borrowings	5.72% - 6.18%	5.93%
- right of use liability	7.46%	7.46% - 13.58%
- prime lending rate	7.00% - 7.25%	7.00%

Maturity of interest-bearing borrowings:

2021	**Right of use liability**	**Other borrowings**	**Total**
Between 1 and 2 years	6 824	62 458	69 283
Between 3 and 5 years	11 854	109 465	121 319
Over 5 years	11 559	168 265	179 825
	30 237	340 189	370 426
Less: Interest payable	(7 937)	(86 558)	(94 495)
	22 300	253 631	275 931

2020	**Right of use liability**	**Other borrowings**	**Total**
Between 1 and 2 years	6 437	17 012	23 449
Between 3 and 5 years	11 180	12 363	23 543
Over 5 years	15 746	12 267	28 013
	33 363	41 642	75 005
Less: Interest payable	(9 749)	(7 114)	(16 862)
	23 614	34 529	58 143

The residence loan facilities included in bank borrowings bear interest at 1.07% below the prime rate per annum and are unsecured. The capital and interest amounts of the residence loan facilities are to be repaid bi-annually over the remaining period of the respective loans. The Standard Bank residence loan final repayment is on 30 March 2029. The shareholder's loan bear interest at 12.0% (2020: 12.0%) per annum and is unsecured. There are no specific terms of repayment.

9. Interest-bearing borrowings (continued)

In 2021, the Nelson Mandela University entered into a loan agreement with Standard Bank for the Nelson Mandela University's 2000 bed residence project for R303 million. The first and second drawdown in June 2021 and October 2021 were R120 million and R105 million respectively. The third and final drawdown is in April 2022 of R78 million. Monthly interest payments have been made from 30 June 2021. R4.7 million interest paid has been capitalised as borrowing costs as it is directly attributable to the construction of a qualifying asset. (A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.) Capital repayments are to commence 30 November 2022, thereafter the capital and interest amounts of the loan facility are repaid monthly over the remaining period of the loan with the final loan repayment on 30 May 2036. The loan facilities are included in bank borrowings and bear interest at 1.28% below the prime rate per annum and are unsecured.

The Nelson Mandela University entered into a power purchase agreement with Solar Academy of Sub-Saharan Africa (Developer) in 2017 for the provision of a grid connected 1000kwp photovoltaic system at the Nelson Mandela University's South Campus. The Developer completed the construction, made available and sold the net energy output from the project to the Nelson Mandela University for a 10 year period at its own costs.

The Construction was finalised in 2019 and the Nelson Mandela University started using the assets from 1 July 2019

a. Repayment is on a monthly basis (2021: R260k; 2020: R246k)
b. The implicit interest rate is 7.46%
c. The final repayment is 30 June 2029

After expiry, the full ownership of the project will pass from the Developer to the Nelson Mandela University at no cost to the Nelson Mandela University, or the Nelson Mandela University may renew the contract. The purchase price for the project infrastructure shall be included in the energy price.

The fair value of interest borrowings equals their carrying amount as interest rates are market related.

10. Retirement benefit obligations

	2021 R'000	2020 R'000
Post-retirement medical benefits	64 474	48 856
Present value of medical benefit liability	486 042	460 251
Fair value of plan asset	(421 568)	(411 395)
Pension scheme liabilities	10 061	12 873
Present value of pension benefit liability	2 253 475	1 973 758
Fair value of plan assets	(2 490 566)	(2 161 569)
Surplus not recognised	247 152	200 684
	74 535	61 729

10.1 Post-retirement medical benefits

The Nelson Mandela University provides post-retirement medical benefits to certain qualifying employees in the form of continued medical aid fund contributions. Prior to 2009 this obligation was unfunded. In 2009 Council approved the allocation of R217 400 000 to be invested in an insurance policy, to fund this obligation. The investment is specifically designated to fund the post-retirement medical benefit obligations. The defined benefit liability and asset in respect of this obligation are valued by independent actuaries annually with the latest valuation performed at 31 December 2021.

	2021 R'000	2020 R'000
Present value of medical benefit obligations	486 042	460 251
Movement in the liability recognised in the statement of financial position:		
Contractual liability as at 1 January	460 251	515 447
Movement in liability - Statement of comprehensive income	25 791	(55 196)
Service cost	4 798	6 305
Interest cost	42 577	52 510
Benefit payments	(26 980)	(28 807)
Remeasurements (other comprehensive income)		
Loss/(gains) in financial assumptions	31 627	(52 300)
(Loss) due to changes in experience	(26 231)	(32 904)
Contractual liability as at 31 December	486 042	460 251
Plan asset as at 1 January	411 395	459 655
Movement in asset - Statement of comprehensive income	10 173	(48 259)
Expected return on plan asset		
- Investment Return	25 877	1 261
- Fees	(1 335)	(1 297)
Contributions paid – pensioners	(26 980)	(28 807)
Adjusted plan balance	-	(31 296)
Actuarial gain	12 611	5 577
Contributions received	-	6 303
Plan asset as at 31 December	421 568	411 395

10. Retirement benefit obligations (continued)

10.1 Post-retirement medical benefits (continued)

The plan asset comprises two parts:		
- The guarantee Portfolio	223 895	204 952
- The Growth Portfolio	197 673	206 443
Plan asset as at 31 December	421 568	411 395

The actuarial gain of R12.611 million in plan assets occurred as a result of a combination of the following factors:

	R'000
Subsidy (benefit) payments	(26 980)
Valuation adjustment	14 369
Actuarial gain as at 31 December 2021	(12 611)

Current service cost is defined as the liability accrual in respect of an additional year of service for in-service members. Past service cost is the change in a defined benefit obligation for employee service in prior periods, arising as a result of changes to plan arrangements in the current period. There was no past service cost for 2021 (2020: nil) as there were no amendments to the plan for the current period.

Contributions made by pensioners to the plan were as follows:

	2021 R'000	**2020 R'000**
Member contributions – Pensioners (Monthly)	2 017	2 401
Employer contributions – University (Monthly)	2 364	2 033

	2021	**2020**
Membership data		
Active members (in service)	299	326
Continuation members	548	548
In estimating the unfunded liability for post-employment medical care, the following assumptions are made:		
Discount rate	10.10%	9.53%
Health care cost inflation	7.14%	5.92%
Net discount rate	2.76%	3.41%
Continuation of membership	95%	95%

Mortality rate

During employment: SA85-90 (light) ultimate table, adjusted for female lives. Post employment: PA(90) ultimate table, adjusted down by two years of age, and a 1% annual compound mortality improvement from 31 December 2006.

Continuation members – refers to pensioners who have retired from active work. In service members refers to active employees who is still under the Nelson Mandela University's employment.

10. Retirement benefit obligations (continued)

10.1 Post-retirement medical benefits (continued)

Rate of Discount

IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimate term of the post-employment liabilities should be used. The actuaries used a discount rate of 10.1% per annum. The corresponding index-linked yield at this term is 3.75%.

Healthcare Cost Inflation

The actuaries assumed a health care cost inflation rate of 7.14%. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, which is 5.64%.

A larger differential is considered unsustainable and may eventually force members to less expensive options.

The expected CPI inflation assumption of 5.64% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities.

The actuaries assume that the next contribution increase will occur with effect from 1 January 2023.

Sensitivity Analysis

Sensitivity analysis looks at the effect of deviations in the key valuation assumptions and other implicit valuation assumptions. The effect of changes in the key valuation assumptions to the defined benefit obligation is as follows:

Assumption	Change	New Liability	% Change
Healthcare inflation	1% Increase	542 631	11.6%
Healthcare inflation	1% Decrease	438 299	-9.8%
Discount rate	1% Increase	437 905	-9.9%
Discount rate	1% Decrease	543 977	11.9%
Post employment mortality	1 Year Increase	470 007	-3.3%
Post employment mortality	1 Year Decrease	502 131	3.3%
Average/expected retirement age	1 Year Decrease	496 569	2.2%
Continuation of membership at retirement	10% Decrease	469 765	-3.3%

Expected contributions 2022

Expected contribution for benefits paid in relation to accrued liability is expected to be R27.88 million (2021: R27.59 million).

The average expected remaining working lifetime of eligible employees is 6.2 years.

10. Retirement benefit obligations (continued)

10.1 Post-retirement medical benefits (continued)

Financial risk factors for plan assets

The plan exposes the Nelson Mandela University to the following specific risks: investment risk, market risk and default risk.

a) Investment risk
The risk that the return earned by the plan assets is lower than expected and thus the plan assets are insufficient.
b) Market risk
The risk that the market value of the plan assets will decrease due to unexpected movements in market factors.
c) Default risk
The risk of default of the instruments underpinning the plan asset vehicle.

10.2 Pension schemes

	Nelson Mandela University Retirement Fund (NMURF)	National Tertiary Retirement Fund (NTRF)	TOTAL	
	2021	2021	2021	2020
	R'000	R'000	R'000	R'000
Balance at end of the year				
Present value of funded and unfunded obligations	(1 477 022)	(776 454)	(2 253 475)	(1 973 758)
Fair value of plan assets	1 724 173	766 393	2 490 566	2 161 569
Funded status	247 152	(10 061)	237 091	187 811
Surplus not recognised	(247 152)	-	(247 152)	(200 864)
Liability at reporting date	-	(10 061)	(10 061)	(13 053)

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

The major categories of the plan assets are as follows:

NMURF assets as at 31 December

	2021 R'000	**2020 R'000**
Cash	43 510	25 547
Investments	1 620 891	1 334 556
Accounts receivable	9 353	22 884
Contributions receivable	12 952	12 249
Pension policies	37 467	39 606
	1 724 173	1 434 842

NTRF: assets as at 31 December

Share account	316 428	286 936
Pension account	433 473	424 649
Reserve account	16 491	15 141
	766 392	726 726

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

	NMURF 2021 R'000	NMURF 2020 R'000	NTRF 2021 R'000	NTRF 2020 R'000
Movement in defined benefit obligation				
Beginning of the year	1 234 159	1 112 872	739 599	754 849
Current service cost	7 055	8 111	8 391	8 672
Interest cost	107 372	98 155	66 196	68 499
Member contributions	-	-	2 702	2 794
Remeasurements	153 607	27 032	3 127	(50 260)
Benefits paid	(2 506)	(1 029)	(42 549)	(43 558)
*Risk premium	(22 666)	(10 981)	(1 013)	(1 397)
End of the year	1 477 022	1 234 159	776 453	739 599
Movement in fair value of plan assets				
Beginning of the year	1 434 843	1 295 078	726 726	741 619
Contributions received	6 573	7 672	8 107	8 382
Expected return on plan asset	124 131	114 080	61 683	63 798
*Risk premium	(22 666)	(10 981)	(1 013)	(1 397)
Benefits paid	(2 506)	(1 029)	(42 549)	(43 558)
Remeasurements	183 797	30 024	13 439	(42 118)
End of the year	1 724 173	1 434 843	766 392	726 726
Net (asset)/liability	(247 152)	(200 684)	10 061	12 873
Surplus not recognised	247 152	200 864	-	-
Net pension fund liability	-	180	10 061	12 873
The amount recognised in profit or loss				
Current service costs	7 055	8 111	8 391	8 672
Interest costs	107 372	98 155	66 196	68 499
**Expected return on plan assets	(124 131)	(114 080)	(61 683)	(63 798)
	(9 704)	(7 814)	12 904	13 373
The amount recognised in other comprehensive income				
Remeasurements	-	-	(10 311)	(8 142)

**Risk premiums are paid for risk benefits, namely death and capital disability, which are both approved pension fund benefits. This is the estimated outgo derived from the insurers' risk rates and pensionable salaries.*
***Expected return on plan assets: The expected return on plan assets is the return expected on the assets, per fund, in the following year. It is calculated prospectively, it is the return expected on the assets at the start of the year but also on the principal cash flows affecting those assets during the year, namely the contributions coming in and the benefits going out. It is assumed that they occur half way through the year, hence the division by 2 on the cash flow part.*

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

Nelson Mandela University Retirement Fund

There is no Employer Surplus Account in this fund – the Nelson Mandela University therefore does not have an automatic right to surplus and can therefore not disclose such surplus in its balance sheet in terms of Paragraph 65 of IAS 19.

National Tertiary Retirement Fund (NTRF)

Recent rules amendments established an Employer Surplus Account which means that the Nelson Mandela University can disclose its share of the surplus in its Statement of Financial Position in terms of Paragraph 65 of IAS 19. However, the Nelson Mandela University did not have an amount in an Employer Surplus Account at the Valuation Date.

The NMURF obligation actuarial loss of R153.607 million is made up as follows:

	R'000
Change in financial assumptions	1 095
Change in members and details	71 430
Change in return on plan assets	81 082
Total actuarial loss	153 607

The above is the detail of the remeasurements included in the plan asset and liabilities.

The NTRF obligation actuarial gain of R3.127 million is made up as follows:

	R'000
Change in financial assumptions	(1 460)
Change in members and details	350
Change in return on plan assets	4 238
Total actuarial gain	3 127

The NMURF plan asset actuarial gain of R183.797 million is made up as follows:

	R'000
Change in members and details	69 569
Change in return on plan assets	114 228
Total actuarial gain	183 797

The NTRF plan asset actuarial loss of R13.439 million is made up as follows:

	R'000
Change in members and details	(4 799)
Change in return on plan assets	18 238
Total actuarial loss	13 439

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

The defined benefit cost for the fiscal year ending 31 December 2021 is as follows:

		NMURF		NTRF		Total
		DB R'000	**DC R'000**	**DB R'000**	**DC R'000**	**R'000**
A	**Components of Income Statement Pension Expense**					
	Service Cost	7 055	151 485	8 391	12 461	179 392
	Interest Cost on Defined Benefit Obligation	107 372	-	66 196	-	173 568
	Interest Income on Assets	(124 131)	-	(61 683)	-	(185 814)
	Expense / (Income) recognised in Profit and Loss	(9 704)	151 485	12 904	12 461	167 146
B	**Expected Contributions, Benefit Payments and Risk Premiums**					
	Member Contributions	-	-	2 702	-	2 702
	Company Contributions	6 573	151 485	5 405	12 461	175 924
	Risk Premiums	(22 666)	-	(1 013)	-	(23 680)
	Benefit Payments	(2 506)	-	(42 549)	-	(45 055)

DB – Defined Benefit
DC – Defined Contribution

There is no past service cost for 2021 as no amendments were made in the policy.
NMURF is non-contributory as it is all employer contributions.
NTRF contributions by employees is R2.7 million and R5.4 million by the Nelson Mandela University.

The defined benefit cost for the fiscal year ending 31 December 2020 is as follows:

		NMURF		NTRF		Total
		DB R'000	**DC R'000**	**DB R'000**	**DC R'000**	**R'000**
A	**Components of Income Statement Pension Expense**					
	Service Cost	8 111	136 936	8 672	12 127	165 846
	Interest Cost on Defined Benefit Obligation	98 155	-	68 499	-	166 654
	Interest Income on Assets	(114 080)	-	(63 798)	-	(177 878)
	Expense / (Income) recognised in Profit and Loss	(7 814)	136 936	13 373	12 127	154 622
B	**Expected Contributions, Benefit Payments and Risk Premiums**					
	Member Contributions	-	-	2 794	-	2 794
	Company Contributions	7 672	136 936	5 588	12 127	162 323
	Risk Premiums	(10 981)	-	(1 397)	-	(12 378)
	Benefit Payments	(1 029)	-	(43 558)	-	(44 587)

There is no past service cost for 2020 as no amendments were made in the policy.
NMURF is non-contributory as it is all employer contributions.
NTRF contributions by employees is R2.8 million and R5.6 million by the Nelson Mandela University.

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

Membership data

	2021	2020
NMURF		
Active members (in service)	2 192	2 160
Continuation members	36	39
NTRF		
Active members (in service)	204	217
Continuation members	182	187

The principal assumptions used for accounting purposes were as follows:

	2021 Both Funds	2020 Both Funds
General inflation rate (CPI)	5.23%	3.78%
Discount rate	9.56%	8.81%
Salary inflation	6.73%	5.28%
Effective net discount rate after retirement	6.00%	6.00%

Mortality rate

The standard mortality tables utilised to perform the valuation for 2020 and 2021 were SA 85-90 for employees during their employment, and PA90-2 for NMURF and NTRF for post-retirement.

Economic Assumptions

IAS 19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Pre-retirement Discount Rate: 9.56%

IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.56% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 31 December 2021. This rate does not reflect any adjustment for taxation.

CPI Inflation Rate: 5.23%

The expected inflation assumption of 5.23% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.64%) and those of nominal bonds (9.56%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: (9.56%-0.50%-3.64%)/1.0364.

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

The Post Retirement Medical Aid guarantee relating to the plan asset has been valued separately by Old Mutual and the value of the guarantee at 31 December 2021 per Old Mutual is R435.1 million. The 2021 value for the guarantee was the same as the IAS 19 value per the Actuarial Valuation is R421.6 million.

- **IAS19 Liability**
  The value of guarantee as calculated by ARCH actuarial Consulting in the most recent IAS19 valuation as at 31 December 2021.

- **OM mortality basis**
  This is a difference quantified between the mortality tables used in the IAS19 valuation (PA(90) rated down 2 years with an improvement of 1% p.a. since 2006) and the underlying mortality tables used in the Insurer's value which have been determined by Old Mutual internally as intellectual property.

- **Replace flat discount rate (9.53%) with yield curve adjusted for credit spread and capital charge**
  This is the estimated difference in values due to the IAS19 valuation calculating future cashflows on a flat discount rate for the remaining lifetime of members and the alternative methodology adopted by Old Mutual of using a yield curve at appropriate durations to calculate future cashflows and the discount thereof. There is a further difference in that IAS19 values do not include insurance costs whereas Old Mutual (appropriately valuing its exposure) has adjusted to include credit spread and the cost of the insurance solution into the future.

- **Admin fee**
  The accounting standard IAS19 does not require any expenses or costs to be included in the reported value as explained above, therefore the administration fee that is included in the Insurer's value contributes to a difference in values.

- **Data differences**
  This miscellaneous item quantifies any smaller strains or gains on the asset due to data differences in the member schedule and any other item not full analysed.

Salary Increase Rate: 6.73%

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. The actuaries have assumed that salaries will exceed the assumed inflation rate by 1.5%.

Post-retirement Discount Rate: 5.00% and 6.00%

The actuaries have set the post-retirement discount rate here equal to either 5.00% or 6.00% per annum depending on the rate at which they were insured. A rate of 5.00% is used for new pensioners as their pensions are purchased at this rate.

Expected Return on Assets

In terms of the recently amended IAS19 the return on plan assets must be set equal to the discount rate, namely 9.56%.

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

However, for the purpose of projecting Members' Shares to retirement, for comparison with the old defined benefit pension, a realistic Expected Return on Assets of 11.18% was used. This was derived by assuming a long-term notional portfolio backing the liabilities, invested 35% in gilts and 65% in equities (earning 2.5% more than gilts).

Pension Admin Costs

The following were assumed:

- NMURF: 2% of annual pensions
- NTRF: R600 per annum per pension

Sensitivity analysis

The effect of changes in the key valuation assumptions to the defined benefit obligation is as follows:

Assumption	**Change**	**New Liability**	**% Change**
Discount rate	1% Increase	2 250	-0.2%
Discount rate	1% Decrease	2 258	0.2%
Salary inflation	1% Increase	2 256	0.1%
Salary inflation	1% Decrease	2 252	-0.1%
Investment return	1% Increase	2 250	-0.1%
Investment return	1% Decrease	2 257	0.2%
Post-retirement mortality table	1 Year decrease	2 268	0.6%

The average expected remaining working lifetime of the DB members of NMURF and NMU: NTRF is 6.7 and 2.6 years respectively. This changes to 20.6 and 5.3 years when the DC members are included.

Expected contributions to the defined benefit pension fund for the year ended 31 December 2022 are R12 million.

The responsibility for the governance of the Fund rests with the Trustees of the Pension Fund.

The Fund is subject to the Pension Funds Act (No.24 of 1956). In terms of the Pension Funds Act, an actuarial valuation of the Fund must be performed at least once every 3 years. The last such valuation was performed as at 31 December 2018. The next valuation will be done on 31 December 2021. If the Fund was found to be in a deficit position (a financially unsound position), a special scheme designed to restore the solvency of the Fund within an acceptable period would have to be lodged with the Registrar of Pension Funds. Such a scheme, could in certain circumstances, impose minimum funding requirements on the Nelson Mandela University. The Pension Funds Act also stipulates that no actuarial surplus can be used for the benefit of the employer unless such actuarial surplus, or a part thereof, has been transferred to an employer surplus account.

10. Retirement benefit obligations (continued)

10.2 Pension schemes (continued)

Financial risk factors

The plan exposes the Nelson Mandela University to the following specific risks: investment risk, market risk and default risk.

a) Investment risk
The risk that the return earned by the plan assets is lower than expected and thus the plan assets are insufficient.

b) Market risk
The risk that the market value of the plan assets will decrease due to unexpected movements in market factors.

c) Default risk
The risk of default of the instruments underpinning the plan asset vehicle.

11. Accumulated leave liability	2021 R'000	2020 R'000
Opening balance	114 231	95 125
Additional provisions	19 063	23 899
Utilised during year	(8 875)	(4 793)
Closing balance	124 418	114 231
Current portion of liability	2 478	2 167
Non-current portion of liability	121 941	112 064
Total accumulated leave liability	124 418	114 231

12. Accounts payable and accrued liabilities	2021 R'000	2020 R'000
Student debtors		
Active students	203 428	189 624
Non-active students**	52 414	48 165
Payable to NSFAS*	317 842	158 558
	573 684	396 347
Trade creditors	47 322	44 728
Accruals	6 961	37 338
Payroll related accruals	57 821	44 070
Other payables	17 882	16 634
	703 670	539 117

***NSFAS** – National Student Financial Aid Scheme
**Non-active students comprises of student deposit accounts

The fair value of trade and other payables approximates the carrying amounts as the majority of trade and other payables are non-interest bearing and are normally settled within agreed terms with creditors. The balances are short term in nature and therefore the effect of discounting is not material.

13. Long service award accrual

	2021 R'000	2020 R'000
Current portion of accrual	1 274	1 467
Non-current portion of accrual	7 320	7 321
Total long service award accrual	8 594	8 788
Interest rates:		
Prime lending rate	7.25%	7.00%

2021

Assumption	Change	New Liability	%(Change)
Interest rate increase	1% increase	9 779	8.25%
Interest rate decrease	1% decrease	7 409	6.25%

2020

Assumption	Change	New Liability	%(Change)
Interest rate increase	1% increase	10 043	8.00%
Interest rate decrease	1% decrease	7 533	6.00%

14. State appropriations

	2021 R'000	2020 R'000
Subsidy – operations	1 286 972	1 287 266
Subsidy – foundation programme and ad hoc grants	138 847	10 776
Specific grant – upgrading of facilities	-	75 994
Total State appropriations received	1 425 819	1 374 036
Grants transferred to deferred income	-	(54 677)
Recognised as income	1 425 819	1 319 358

The Nelson Mandela University received state appropriations and grants for general purposes from the Department of Higher Education and Training for R1.426 million in 2021 (2020 : R1.319 million). State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates.

The Nelson Mandela University received specific grant for the upgrading of the Nelson Mandela Universities facilities from the Department of Higher Education and Training for R nil in 2021 (2020 : R75.994 million).

Appropriations for specific purposes, e.g. capital expenditure, are recognised as deferred income and recognised in income over the depreciable life of the assets capitalised. Government grants received for infrastructure are included in liabilities as deferred income and are credited to the asset when the asset becomes available for use, resulting in a decrease in the depreciation recognised in the consolidated statement of comprehensive income over the expected lives of related assets.

15. Private gifts and grants

	2021 R'000	2020 R'000
Received in cash	222 795	294 273
Received in kind	1 464	2 280
Net grants transferred from/(to) deferred income	(3 653)	1 148
Recognised as income	220 606	297 702

Private gifts and grants received in kind represent assets and services received by the Nelson Mandela University for no consideration. These donations in kind are recognised at fair value when received as set out in accounting policy 1.3.6. and note 8

16. Finance income

	2021 R'000	2020 R'000
Interest received – Innovolve	88	32
Interest income on short-term bank deposits	152 398	209 987
Interest income on amortised cost investments	2 291	2 664
Dividends received on investments held at the end of the reporting period	5 295	1 336
Total interest and dividends	160 072	214 019

17. Personnel costs

	2021 R'000	2020 R'000
Academic professional	722 396	704 297
Other personnel	883 377	865 345
Leave pay	10 189	19 106
Long service award	(194)	1 833
	1 615 768	1 590 581

Average number of persons employed by the Nelson Mandela University during the year

	2021	2020
Full time	2 479	2 473
Part time	970	983
	3 449	3 456

18. Other operating expenses

	2021 R'000	2020 R'000
The following items have been charged in arriving at operating profit:		
Supplies and services	683 945	706 928
Fixed property cost – rental	26	570
Bursaries	182 678	211 876
Cost of services outsourced	10 154	20 225
Security	1 116	3 951
Cleaning	1 503	3 735
Ground maintenance	391	7 404
Other	7 144	5 135
Bad debts	31 733	62 935
	908 537	1 002 534

Other cost of services outsourced includes info technology, portfolio management fees and catering.

Bad debts indicated above, includes an amount of R23 million (2020: R16.2 million) to be written off for 2021. The remainder of the amount relates to the increase in the expected credit losses. Total payments made relating to low value assets and short term leases amount to R578k (2020: R215k).

19. Remuneration

Confidential remuneration information excluded from this set.

	2021 R'000	2020 R'000
Compensation of key management		
Short-term Employee benefits	53 898	54 107
Post-employment pension and medical benefits	6 632	6 648
Total compensation paid to key management personnel	60 530	60 755

Payments for attendance at meetings of the Council and its Sub-Committees

Committee	Number of members
Chair of Council	1
Chairs of Committees	6
Members of Council	30

Attendance fees and reimbursed expenses paid to Council and Committee Members amounted to R149 361 (2020: R98 500) and R51 710 (2020: R65 278) respectively.

20. Financial instruments by category

The financial assets and liabilities of the Nelson Mandela University are classified as follows:

	Notes	2021 R'000	2020 R'000
Assets – fair value through OCI		213 069	181 500
Listed shares	4	91 825	78 864
International asset swops	4	79 102	67 095
Gilts and bonds	4	25 078	24 798
Unit Trusts	4	17 064	10 743
Assets – amortised cost		4 572 382	4 027 458
Fixed deposits	4	14 215	16 032
Interest receivable	7	76 788	73 631
NSFAS* receivable	7	87 211	61 488
Other receivables	7	31 261	22 571
Student debtors after provision	7	214 613	255 087
External debtors after provision	7	49 387	38 390
Other financial assets	6	3 968 900	3 418 600
Cash and bank balances	6	130 007	141 659
		4 785 452	4 208 958
Liabilities Amortised Cost		899 479	526 811
Interest-bearing borrowings excluding right of use liability	9	253 631	31 764
Accounts payable and accrued liabilities (exclude payroll liabilities)	12	645 848	495 047

The appropriate accounting policies for these financial instruments have been applied according to the categories set out above.

21. Financial risk management

Financial risk factors

The Nelson Mandela University's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The Nelson Mandela University's overall risk management processes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Nelson Mandela University's financial performance.

The Nelson Mandela University's formal risk management policies and procedures are set out in the Report on Risk Exposure Assessment and Management which is prepared annually by the Vice-Chancellor and Chief Executive Officer and the Chairperson of the Audit and Risk Committee, for inclusion in the Annual Report to the Minister of Education.

Day to day risk management is the responsibility of all the management and staff of the Nelson Mandela University and is achieved through compliance with the documented policies and procedures of the Nelson Mandela University. All such policies and procedures are approved by Council or an appropriately mandated sub-committee of Council.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk arises from transactions, which are denominated in a currency, which is not the Nelson Mandela University's functional currency. The Nelson Mandela University has no significant foreign currency exposure and therefore no formal policy is in place to manage foreign currency risk.

The only area where the Nelson Mandela University is exposed to foreign currency risk at the reporting date is in respect of the non-current investments managed by the NMU Trust, which include international asset swaps, which are exposed to the US dollar and UK pound. The impact of a 5% increase/decrease in exchange rates with all other variables held constant on the valuation of the international asset swaps at reporting date would be R3.955million (2020: R3.355 million) higher/lower.

(ii) Price risk

The Nelson Mandela University is exposed to equity securities price risk because of investments held by the Nelson Mandela University and classified as fair value through other comprehensive income or amortised cost. To manage its price risk arising from investments in equity shares, the Nelson Mandela University diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Trustees of the Nelson Mandela University Trust.

The impact of an increase/decrease in the FTSW/JSW CPI index by 10% with all other variables held constant the market value of the listed equities would have been R9.182 million (2020: R7.886 million) higher/lower. Due to the unpredictability of equity market returns, a general indicative percentage of 10% is used to highlight the changes in market value on equity investments.

(iii) Interest rate risk

The Nelson Mandela University is exposed to interest rate risk due to financial assets and interest bearing borrowings, bearing variable interest rates. Interest rate risk is managed by ensuring that the Nelson Mandela University's assets are invested in accounts, which earn the best possible interest rates.

The impact of a 1% increase/decrease in the interest rate with all other variables held constant on the comprehensive income of the Nelson Mandela University would be R38.50 million (2020: R35.34 million) increase/decrease.

(b) Credit risk

Potential concentrations of credit risk consist mainly of short-term cash, cash equivalent investments, trade receivables and other receivables. The Nelson Mandela University places cash and cash equivalents with reputable financial institutions.

Receivables comprise outstanding student fees, student loans and a number of customers, dispersed across different industries and geographical areas. The Nelson Mandela University is exposed to credit risk arising from student receivables relating to outstanding fees. This risk is mitigated by requiring students to pay an initial instalment in respect of tuition and accommodation fees at or prior to registration, the regular monitoring of outstanding fees and the institution of debt collection action in cases of long outstanding amounts. In addition, students with outstanding balances from previous years of study are only permitted to renew their registration after either the settling of the outstanding amount or the conclusion of a formal payment arrangement. The Nelson Mandela University no longer provides loan funding to students. The student debt outstanding at year-end have been appropriately assessed.

21. Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and investments available. Council, through the Finance and Facilities Committee, and management of the Nelson Mandela University monitor the Nelson Mandela University's liquidity on an ongoing basis, and excess cash is invested in accordance with the Investment Policy of the Nelson Mandela University.

The table below analyses the Nelson Mandela University's financial liabilities into relevant maturity groupings based on the remaining period at the statement of reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Between 1 and 2 years R'000	Between 3 and 5 years R'000	Over 5 years R'000
At 31 December 2021			
Interest-bearing borrowings	62 458	109 465	168 265
Accounts payable and accrued liabilities	645 848	-	-
	708 307	109 465	168 265
At 31 December 2020			
Interest-bearing borrowings	17 012	12 363	12 267
Accounts payable and accrued liabilities	495 047	-	-
	512 059	12 363	12 267

(d) Capital risk management

The Nelson Mandela University's objectives when managing capital are to safeguard the ability of the Nelson Mandela University to continue as a going concern and meet its stated objectives. These objectives are met through careful consideration by the Council.

In order to maintain the capital structure, the Nelson Mandela University has ensured a sound financial position by limiting exposure to debt and sufficient investment and cash balances, which is evident from the table below. This objective is met by a well-planned budget process each year in which the critical strategic objectives of the Nelson Mandela University are addressed.

21. Financial risk management (continued)

Financial risk factors (continued)

	2021 R'000	2020 R'000
Current investments	3 175 900	3 219 600
Cash and bank balances	130 007	141 659
Total	3 305 907	3 361 259
Current liabilities	735 272	568 297
Total	735 272	568 297
Net position	2 570 635	2 792 962

22. Capital Commitments

	2021 R'000	2020 R'000
Capital expenditure in respect of building maintenance and upgrades (including Infrastructure and Efficiency Grant funding (IEG)/infrastructure projects) contracted for at reporting date	324 592	401 958

Council has approved further capital development projects to the value of R283 million (2020: R190 million) which had not yet been contracted for at year end.

All existing capital development plans will be funded from the cash resources of the Nelson Mandela University, designated grants from the Department of Higher Education and Training and external loans (approved by the Minister).

23. Cash generated from operations

	2021 R'000	2020 R'000
Reconciliation of net surplus to cash generated from operations:		
Net surplus	469 518	301 068
Adjusted for:		
Donations in kind	(1 464)	(2 280)
Depreciation	96 500	95 957
Amortisation	326	77
Profit on disposal of fixed assets	(95)	(28)
Interest received	(154 777)	(212 683)
Accumulated leave adjustment	19 063	23 899
Expected credit loss	7 759	45 658
Dividends received	(5 295)	(1 336)
Finance costs	3 870	5 965
Employee benefit liability adjustments		
- increase in accumulated leave liability	(8 875)	(4 793)
- increase/(decrease) in long service award accrual	(194)	1 833
- Movement in post-retirement medical benefits	30 333	91 630
Working capital changes		
- Decrease/(Increase) in inventories	345	(473)
- Decrease /(Increase) in trade, other receivables	(12 695)	(167 070)
- Increase in accounts payable and accrued liabilities	167 198	167 298
- (Decrease)/Increase in deferred income	(48 831)	50 377
Cash generated by operations	562 686	395 097

The purchase of Property, Plant & Equipment comprises R407million of which R73million was purchased with government funding and the remainder comprises purchases with own funds.

	2021 R'000	2020 R'000
Reconciliation of changes in liabilities arising from financing activities		
Opening balance	58 143	65 342
Finance and borrowing cost	8 666	5 965
Repayment of Interest Bearing Borrowings	(15 878)	(13 164)
Cash received from other financial liabilities	225 000	-
Closing balance (note 9)	275 931	58 143

24. Going concern

The Nelson Mandela University considers itself a going concern as evidenced by financial outcomes of the 2021 financial year. There is however still significant economic uncertainty and existing macroeconomic factors that impact the financial sustainability of the Nelson Mandela University.

The Higher Education Sector, as with the broader national and international economy, will be under significant pressure in the foreseeable future, with many unknown levels of uncertainty which include potential decline in subsidy allocations due to decline in the national fiscus and competing sector needs e.g. NSFAS funding; decline in student debt collection; and uncertainty on future fee increases.

Nelson Mandela Bay has edged closer to the reality of water scarcity and a day zero. The Nelson Mandela University has created a contingency fund and implemented plans with various alert levels as to best respond to this crisis.

24. Going concern (continued)

A Sustainability and Institutional Viability Task Team (SIVVT) has been established to work on the sustainability of the university, which among other work groups includes the Strategy-Aligned Budgeting and Sustainable Resource Stewardship workgroup as to ensure that in the medium to long term, the recurrent cost structures are financed from recurrent revenue streams excluding finance income, and that earmarked reserves for funding five-year capital maintenance, replacement of teaching and research equipment and IT infrastructure plans are maintained.

The mandates of each working group is well placed as for the work of each work group to integrate into each other and into the work of the Strategy-Aligned Budgeting and Sustainable Resource Stewardship Working Group. The Macro Environment and Its Impact, Sustainability Scenario Development and Modelling and Institutional Planning Working Group will inform the work on Academic Project Optimisation and Strategic Differentiation Working Group which will inform work on norms of student: staff ratios considering new ways of work. Efficiencies and Institutional Operating Model Working Group will look at how the academic project will be supported taking new ways of work and technology into account.

Management is satisfied that the financial measures taken to date are adequate to ensure financial sustainability over the next 12 months, and the impact of the events disclosed do not impact the Nelson Mandela University's ability to continue as a going concern.

25. Related parties

The institutions listed below is deemed related parties of the Nelson Mandela University.

Party	**Relationship**
Nelson Mandela University Trust	The Nelson Mandela University is the sole beneficiary
Nelson Mandela University Investment Company (Pty) Ltd	Nelson Mandela University Trust is the sole shareholder
Rubious Mountain Properties (Pty) Ltd	The Nelson Mandela University is part of key management
Innovolve (Pty) Ltd	The Nelson Mandela University is part of key management and sole shareholder of the company
Afrepell Technologies (Pty) Ltd	Dormant
African Floralush IP (Pty) Ltd	Dormant
African Floralush (Pty) Ltd	Dormant
Mantacor (Pty) Ltd	Dormant
Du Randt & Grenfell Inc.	Subsidiary
Luiz Stroud & Associates Inc.	Subsidiary

Services, goods and rental income are based on normal commercial terms and conditions.

During the financial year, none of the parties listed above had any material interest in any agreement of note with the Nelson Mandela University or its affiliates, which could have led to a conflict of interest.

26. Revenue from contracts with customers

Disaggregated revenue information

Included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2021 is the disaggregation of the Nelson Mandela University's revenue from contracts with customers as set out below:

Type of goods or service	**2021 R'000**	**2020 R'000**
Tuition and other fee income	1 074 508	926 932
Income from contracts for research	147 308	153 843
Sales of goods and services	66 110	84 297
Private gifts and grants	220 606	297 702
Total revenue from contracts with customers	1 508 533	1 462 774
Timing of revenue recognition		
Goods transferred at a point in time	66 110	84 297
Services transferred over time	1 442 423	1 378 477
Total revenue from contracts with customers	1 508 533	1 462 774

Performance obligations

Tuition and Other Fee Income are delivered over time in a 12 month period and the delivery of this service coincides with the financial year of the Nelson Mandela University. Payment terms for tuition fees are determined annually and updated on the student account guidelines.

Sales of Goods & Services performance obligation are satisfied upon delivery of the services or goods. Payment terms for sales of goods and services are normally 30 days from date of invoice.

The performance obligations for income contracts for research, received as private gift and grants are satisfied over time and contractual period can exceed a 12 month period. Payments terms are generally upon signature date of contract and then as deliverables or milestones are met. Revenue for private gift and grants is recognised by measuring progress towards completion of that performance obligation. This is achieved by the input method, making use of measurements of resources consumed, labour hours expended and costs incurred.

27. Finance Costs

	2021 R'000	**2020 R'000**
Interest on lease liabilities	1 820	3 338
Interest on loans	6 846	2 627
	8 666	5 965
Less: amounts included in the cost of qualifying assets	(4 797)	-
	3 870	5 965

28. Interest in other Entities

Entity	Relationship	Ownership held by Nelson Mandela University	Financial Results	Principal Activities
Nelson Mandela University Trust	The Nelson Mandela University is the sole beneficiary	100%	28.1	Hold, control and administer Educational Funds as contemplated in sections 10(1)(CA) and 18A(1)(c)(ii) of the Income Tax Act
Nelson Mandela University Investment Company (Pty) Ltd	The Nelson Mandela University Trust is the sole shareholder	100%	28.2	Investment Holding company, with interests in Property Development
Rubious Mountain Properties (Pty) Ltd	The Nelson Mandela University is a majority shareholder of the company	75%	28.3	Property rental company
Innovolve (Pty) Ltd	The Nelson Mandela University is the sole shareholder	100%	28.4	Commercialisation of specific technologies and intellectual property development
Du Randt & Grenfell Inc.	The Nelson Mandela University is the sole beneficiary	100%	28.5	Professional Bio-kineticist
Luiz Stroud & Associates Inc.	The Nelson Mandela University is the sole beneficiary	100%	28.6	Professional Psychologists

There have been no changes to ownership for the 2021 year.

28. Interest in other Entities (continued)

28.1 Nelson Mandela University Trust

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Investments	227 284 469	197 531 373
Bank and cash balances	9 027 598	25 226 103
Other financial assets	8 791 722	5 631 799
Total assets	245 103 789	228 389 276
Funds and Liabilities		
Capital and reserves	220 664 121	188 775 765
Other financial liabilities	24 439 668	39 613 512
Total funds and liabilities	245 103 789	228 389 276

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Income		
Donations	94 566 511	93 264 287
Investment income	7 585 707	3 999 695
	102 152 217	97 263 982
Operating expenses	(5 430 752)	(6 011 045)
Net surplus for the year	96 721 465	91 252 937
Other comprehensive income – Revaluation of investments to market value at year end	35 836 465	12 351 467
Total comprehensive income for the year	132 557 930	103 604 404

28.2 Nelson Mandela University Investment Company (Pty) Ltd

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Trade and Other Receivables	-	112 000
Total Assets	-	112 000
Equity	(8 835 137)	(5 636 977)
Liabilities	8 835 137	5 748 977
Total Equity and Liabilities	-	112 000

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Operating expenses	3 198 160	4 239 870
Loss for the year	3 198 160	4 239 870

28. Interest in other Entities (continued)

28.3 Rubious Mountain Properties (Pty) Ltd

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Investments	26 100 000	26 100 000
Current Tax receivable	75 156	61 069
Trade and other receivables	1 304 055	842 569
Total assets	27 479 210	27 003 638
Equity and Liabilities		
Share capital	100	100
Retained income	5 959 026	5 483 454
Deferred Tax	470 849	470 849
Loans from shareholders	20 999 900	20 999 900
Trade and other payables	49 335	49 335
Total Equity and Liabilities	27 479 210	27 003 638

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Revenue	4 148 946	4 002 211
Operating expenses	(968 933)	(931 158)
Operating profit	3 180 013	3 071 053
Finance Costs	(2 519 988)	(2 519 988)
Profit before taxation	660 025	551 065
Taxation	(184 453)	(154 323)
Profit for the year	475 572	396 742

28. Interest in other Entities (continued)

28.4 Innovolve (Pty) Ltd

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Investments	424	49
Trade and other receivables	503 598	644 757
Cash and cash equivalents	1 628 031	3 428 983
Total Assets	2 132 054	4 073 790
Equity and Liabilities		
Share capital	100	100
Retained income	1 547 137	1 262 477
Trade and other payables	84 393	2 311 164
Loans from group companies	500 424	500 049
Total Equity and Liabilities	2 132 054	4 073 790

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Revenue	526 377	3 410 154
Operating expenses	(241 717)	(2 311 537)
Profit for the year before taxation	284 660	1 098 617
Taxation	-	(61 084)
Total comprehensive income for the year	284 660	1 037 533

28.5 Du Randt & Grenfell Inc.

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Trade and other receivables	956 373	1 051 105
Total Assets	956 373	1 051 105
Equity and Liabilities		
Equity	956 373	1 051 105
Liabilities	-	-
Total Equity and Liabilities	956 373	1 051 105

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Revenue	602 490	333 339
Operating expenses	697 221	998 630
Operating (loss)	(94 731)	(665 291)
(Loss) for the year	(94 731)	(655 291)
Total comprehensive income for the year	(94 731)	(665 291)

28. Interest in other Entities (continued)

28.6 Luiz Stroud & Associates Inc.

Statement of Financial Position	**2021**	**2020**
Figures in Rand		
Assets		
Trade and other receivables	80 713	37 501
Total Assets	80 713	37 501
Equity and Liabilities		
Equity	80 713	37 501
Liabilities	-	-
Total Equity and Liabilities	80 713	37 501

Statement of Comprehensive Income	**2021**	**2020**
Figures in Rand		
Revenue	50 932	22 556
Operating expenses	7 720	61 775
Operating profit/(loss)	43 212	(39 219)
Profit/(Loss) for the year	43 212	(39 219)
Total comprehensive income for the year	43 212	39 219

29. Statement of Equity Movements

	Council Unrestricted Funds R'000	**Restricted Use and Residence Funds R'000**	**Property, Plant and Equipment Fund R'000**	**Total R'000**
Movement between funds	(338 632)	40 957	295 651	(2 025)
Loan repayments, redemptions & lease liability	(6 490)	-	7 195	705
Purchase of library books capitalised	-	-	3 621	3 621
Subsidiary adjustments	1 228	(4 772)	-	(3 544)
Restricted Bursaries	-	1 378	-	1 378
Internal loan interest	2 171	-	-	2 171
Trust Distribution, Management Fee and Interest	105 278	(105 278)	-	-
Remeasurements of post retirement medical benefits (net)	340	-	-	340
	(236 105)	(67 716)	306 467	2 646

Council controlled funds- includes the total of all funds, both encumbered and unrestricted, that are under the control of the council, but does not include restricted funds.

Restricted funds - means those funds of a public higher education institution that may be used only for the purposes that have been specified in legally binding terms by the provider of such funds or by another legally empowered person.

29. Statement of Equity Movements (continued)

Designated funds - means those funds of a higher education institution under the control of the Council but are designated / earmarked for a specific purpose.

Unrestricted funds - means those funds of a public higher education institution that fall within the unrestricted control of its council and does not include designated funds.

30. Comparative Figures

Prior period adjustments were made as follows:

Intangible assets comprising externally purchased computer software included separately in Note 3 (previously included in property, plant and equipment Note 2). Decrease in net book value of property, plant and equipment and increase in net book value of intangible assets of R2.5 million.

This also resulted in a decrease in depreciation and an increase in amortisation of R77k.

Cash on call previously disclosed under long term investments. Increase in cash and cash equivalents and decrease in long term investments of R2.2 million.

Interest received (short term) on the cash flow statement increased by R112.9 million due to the effect of the interest accrual reversal.

Cash generated by operations increased by R72 million due to: increase in net surplus (R7 million), decrease in depreciation (R13 million) restated as the amount after the release to deferred income, movement in the expected credit loss (46 million) between 2019 and 2020 as per Note 7 and increase in working capital (R33 million) due to the actual cash flow movements restated.

Net Cash Outflow from Investing Activities increased by R183 million due to: cash on call previously disclosed under long term investments (R2 million), cash flow impact of purchase of property, plant and equipment (R206 million) and cash flow impact of proceeds from investment portfolio at cost (R21 million) restated.

The repayment of other financial liabilities was reclassified between interest paid (R5.9 million) and the actual repayment of (R7 million).

Project expenses incurred in 2020 but invoiced in 2021. No accrual was raised in 2020. Increase in accounts payable and accrued liabilities and property, plant and equipment additions R16 million.

Income from research contract relating to 2020 was received and recorded in 2021. Increase in income from contracts research and trade and other receivables of R7 million, resulting in an increase in the net surplus.

State Appropriations (R15 952), Tuition and Other Fee Income (R18 639), Income from Contracts for Research (R68 231) and Sales of Goods and Services (R15 283) were previously incorrectly recorded in Private Gifts and Grants (R116 610) due to classification errors. The adjustments are recorded net of deferred income.

Internal Transfers (R37 423) were previously incorrectly recorded in Private Gifts and Grants and have erroneously not been eliminated on consolidation.

30. Comparative Figures (continued)

The financial statements of 2020 have been restated to correct these adjustments

The effect of the restatement on the financial statements is summarized below.

	R'000
Consolidated Statement of Comprehensive Income:	
Decrease in private gifts and grants	(116 610)
Decrease in state appropriations	(15 952)
Increase in tuition and other fee income	18 692
Increase in income from contracts for research	68 231
Increase in sales of goods and services	15 283
Decrease in other current operating expenses	37 423
Decrease in depreciation	(77)
Increase in amortisation	77
Increase in Net Surplus	7 065
Consolidated Statement of Financial Position:	
Increase in non-current assets – intangible assets	2 547
Decrease in non-current assets - long term investments	(2 225)
Increase in current assets - cash and cash equivalents	2 225
Increase in current liabilities – accounts payable and accrued liabilities	(16 784)
Increase in current assets – trade and other receivables	7 065
Increase in non current assets – property, plant and equipment	14 237
Decrease in equity funds – Council unrestricted funds	7 065
Consolidated Statement of Cash Flows:	
Increase in cash generated by operations	72 302
Increase in interest received (short term)	112 969
Increase in Net Cash Inflow from Operating Activities	185 271
Cash flow from investing activities	
Decrease in purchase of investment portfolio at cost	(2 225)
Increase in proceeds from investment portfolio at cost	20 613
Increase in Purchase of Property, Plant & Equipment	(205 883)
Increase in Net Cash Outflow from Investing Activities	(187 495)
Cash flow from financing activities	
Increase in interest paid on other financial liabilities	5 965
Decrease in repayment of other financial liabilities	(5 965)
	-
Increase in cash and cash equivalents	2 225
Increase in cash and cash equivalents at end of year	2 225

31. Events after reporting period

The Nelson Mandela Bay has edged closer to the reality of water scarcity and a day zero. The dams supplying Nelson Mandela Bay are significantly low and if no rainfall occurs, the dams will have no water to supply the Nelson Mandela University campuses located in Gqeberha. A Water Emergency Task Team has been constituted as to meet on a regular basis and engage with the Nelson Mandela

31. Events after reporting period (continued)

Bay Municipality Joint Operations Committee, to monitor the water crisis, and develop and implement plans to ensure that there is water supply to the Nelson Mandela University, in line with the relevant alert levels. The Nelson Mandela University has created a water emergency contingency fund as to respond to unforeseen resourcing requirements.