NELSON MANDELA UNIVERSITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NELSON MANDELA UNIVERSITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

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COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is responsible for the preparation, integrity and fair presentation of the financial statements of the Nelson Mandela University (“NMU”). The financial statements, presented on pages 12 to 60, 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 NMU will not be a going concern based on forecasts, reasonable assumptions and available cash resources. The current viability of the NMU 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 12 - 60 were approved by the Council of the Nelson Mandela University on 20 August 2020 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 2019 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 2019 cover 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, Capital Expenditure, 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 2020, strategic plans and Council's performance objectives. A three-year Annual Performance Plan (APP), cash flow and reserves accumulation plan supports the budget as to monitor and evaluate future sustainability.

Higher Education and Training Environment

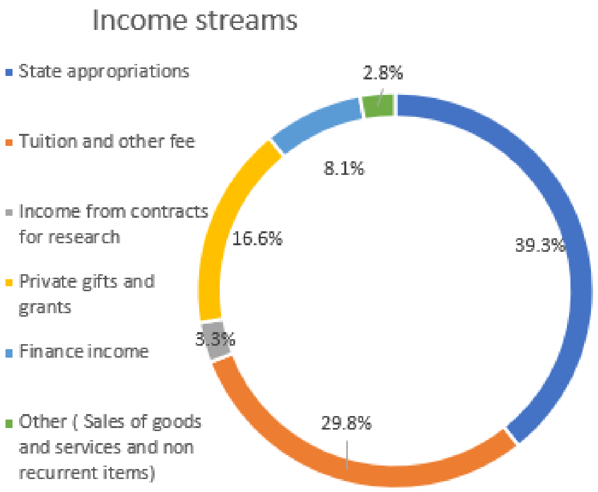
Higher Education and Training as a national priority receives a significant portion of the national annual budget. There has been a significant increase in funding to public universities since 2015, including the funding allocated for NSFAS-qualifying students and roll out of fee free higher education.

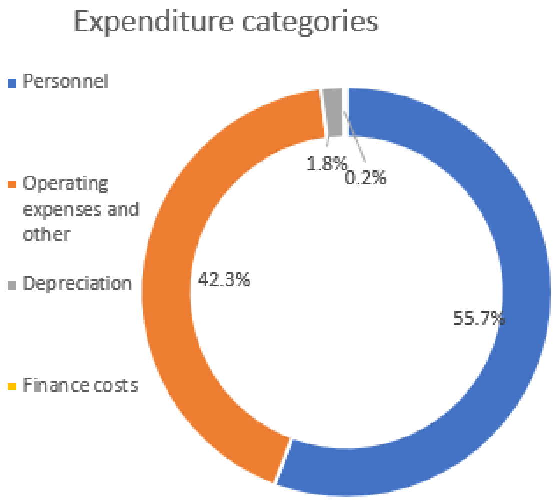
This has assisted universities in responding to the capping of fee increases, providing debt relief concessions to academically deserving students in financial need, and the re-integration of certain outsourced contracts, which has affected the financial sustainability of institutions.

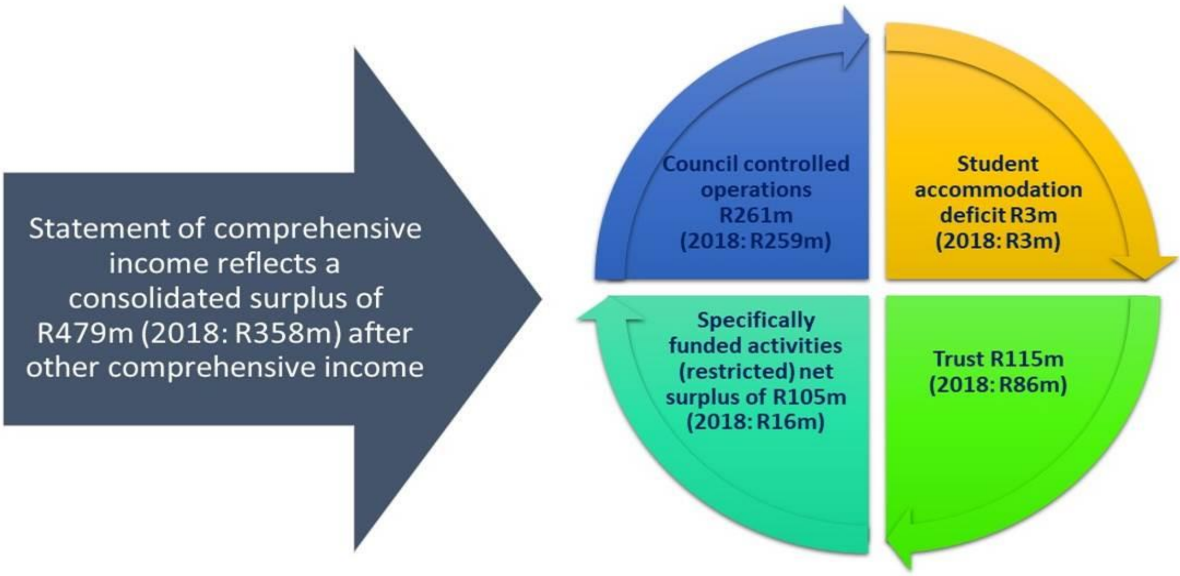
Additional funding injected into the sector has occurred within a constrained national and global economy, with a national fiscus that is under pressure, even more so since the outbreak of the COVID-19 pandemic. As the University is still heavily reliant on fees and subsidy, a resource mobilisation strategy has been developed 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 2019 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 R479m (2018: R358m) after other comprehensive income, of which Council controlled operations amounted to R261m (2018: R259m) or 10% reserve accumulation in line with Councils' performance indicator of 5% to 10%.

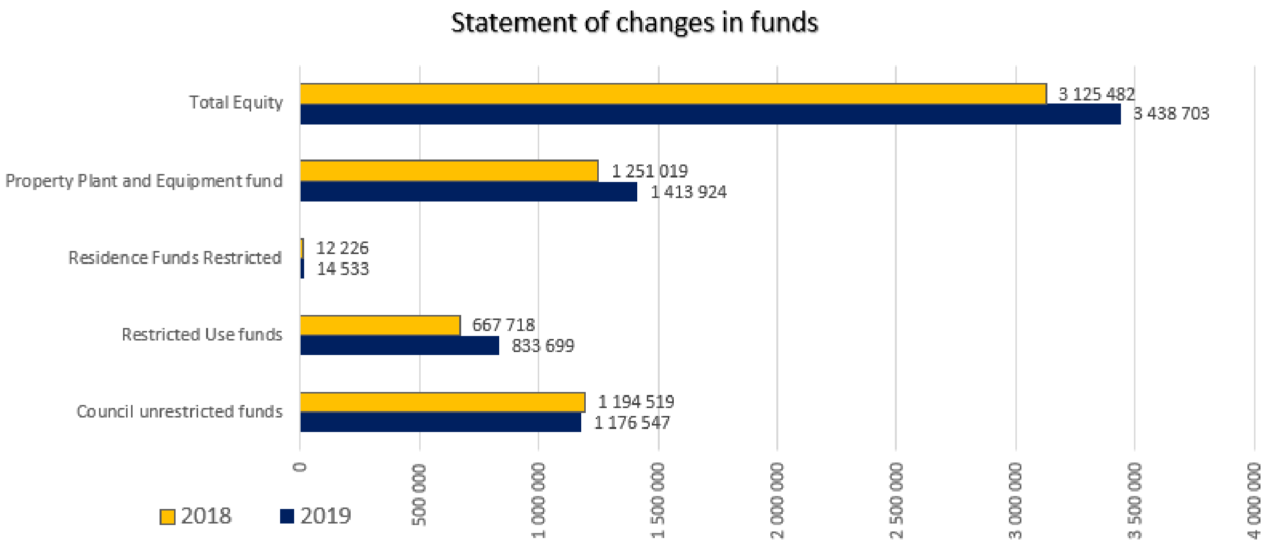
Student accommodation deficit R3m (2018: R3m deficit) and the Trust R115m (2018: R86m). Specifically, funded activities (restricted) realised a net surplus of R105m (2018: R16m).

The consolidated surplus before other comprehensive income and finance income amounts to R215m (2018: R167m), of which Council controlled operations amounted to R72m (2018: R111m).

Financial Indicators 2016 - 2019	**2019**	**2018**	**2017**	**2016**
Council controlled: - State support income (State appropriations /total recurrent income)	49.09%	48.15%	47.89%	47.57%
Council controlled: - Own funding as % income (Other income/total recurrent income)	50.91%	51.84%	52.11%	52.43%
Council controlled: - Staff cost as % total recurrent expenses - Total Staff costs (Council controlled - AFS)/Recurrent expenditure (council controlled)	60.69%	60.87%	63.77%	59.00%
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%	54.34%	53.71%	56.69%	56.96%
Council controlled: - Staff cost (Academic and Professional Administrative and Support Staff and as a % of tuition fees and operational subsidy). Council Benchmark for 2019 is 63.50%	58.14%	59.38%	60.53%	65.24%
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.	10.47%	11.76%	11.12%	3.47%
Council controlled: - Net surplus as % excluding finance income	3.01%	5.12%	4.25%	-3.37%
Student debt ratio: - Student Debtors before provision for doubtful debt/Total Tuition & Other Fees.	24.34%	22.35%	17.64%	21.81%
Short Term Liquidity ratio (current assets/current liabilities). Expected normal standard is > 2:1	8.99	10.23	8.28	7.31
Sustainability ratio (Council-controlled reserves only) (Council-controlled reserves / annual recurrent expenditure on Council-controlled expenditure)	0.55	0.62	0.46	0.26
Sustainability ratio (Total reserves) Total reserves / annual recurrent expenditure	1.60	1.63	1.29	1.08
Post-retirement Liabilities (balance sheet)	R69m	R68m	R61m	R35m

The re-measurements of post retirement obligations and revaluation of investments to market value disclosed under other comprehensive income has increased consolidated net surplus by R22m (2018: reduced by R6m).

The statement of financial position reflects an increase in total assets of R532m with equity funds increasing by R313m and total liabilities by R219m, mainly due to deferred income on government grants for infrastructure. Retirement benefit obligations increased by R1m and now amounts to R69m. 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 R833m (2018: R667m), Residence funds increased to R14m (2018: R12m), while Council unrestricted funds decreased to R1 176 m (2018: R1 194m) of which the General Reserve increased to R834m (2018: R735m).

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 full extent of the financial implications of the COVID-19 pandemic for the University remains to be seen. The COVID-19 impact has presented the University with many challenges including material financial and sustainability risks and it is likely that there will be a significant impact on direct and indirect costs and loss of revenue.

Management approved a budget reprioritisation process for the virement of budgets to assist in addressing new and reprioritised needs due to COVID-19 in 2020.

Academic and Campus Readiness Plans have been approved by The Minister of Higher Education, Science and Innovation. These plans are to date largely funded through the 2020 budget reprioritisation, bridging funding from reserves and the virement of funding from Infrastructure and Efficiency Grant interest to a COVID-19 Responsiveness Grant approved by the Minister of Higher Education, Science and Innovation.

A task team has been established to consider the impact of COVID-19 on 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. 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

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INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING AND THE COUNCIL OF THE NELSON MANDELA UNIVERSITY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Nelson Mandela University and its subsidiaries (the Group) set out on pages 12 to 60, which comprise the consolidated statement of financial position as at 31 December 2019, and the 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 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

Context of Opinion

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

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Council for the Consolidated Financial Statements

The Council is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, Act no. 101 of 1997, and for such internal control as the Council determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Council is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

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

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

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

Objectives	Pages in the annual report
Objective A: Access	Page 6, 23 - 26
Objective B: Success	Page 6, 26 - 29

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents.

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

We did not raise any material findings on usefulness and reliability of the reported performance information for these objectives:

- Objective A: Access; and
- Objective B: Success

Achievement of planned targets

Refer to the annual report on page 22 for information on the achievement of planned targets for the year.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

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

OTHER INFORMATION

The Group's 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 objectives presented in the annual report that have been specifically reported in this auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected objectives presented in the annual report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INTERNAL CONTROL DEFICIENCIES

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

OTHER REPORTS

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

Audit-related services (Agreed-upon procedures)

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

Issued

Engagement Name	Purpose of Engagement	Status
Research Articles	Agreement of the 2019 Research Articles Submission to supporting journals and publications.	Completed
Financial Data Audit	The objective of the audit is to perform procedures to ensure compliance with the reporting requirements regarding the financial data returns of Nelson Mandela University for the period of 31 December 2019.	Completed
Student Statistics	Performance of procedures required by the Department of Higher Education and Training relating to the 2019 HEMIS Submission Data.	Completed

Report on Other Legal and Regulatory Requirements
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 for 3 years.

Nexia SAB&T

Nexia SAB&T
Yousuf Moosa CA (SA)
Director
Registered Auditor
25 August 2020
Port Elizabeth

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 financial statements, and the procedures performed on reported performance information for selected objectives and on the University’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, we also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council
   - conclude on the appropriateness of the council’s use of the going concern basis of accounting in the preparation of the 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’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements 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 a University 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.
4. We also confirm to the council that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

NELSON MANDELA UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		1 785 252	1 717 566
Property, plant and equipment	2	1 600 948	1 532 259
Investments	3	184 304	185 307
Current assets		3 501 270	3 036 913
Inventories	4	3 175	3 480
Short-term investments	5.1	3 020 900	2 560 504
Cash and cash equivalents	5.2	108 134	109 135
Trade, other receivables and contract assets	6	369 061	363 794
Total assets		5 286 522	4 754 479
EQUITY AND LIABILITIES			
Equity funds		3 438 704	3 125 482
Property, plant and equipment		1 413 924	1 251 019
Restricted use funds		848 232	679 944
Student residence funds		14 533	12 226
Other		833 699	667 718
Unrestricted use funds – Education and general		1 176 547	1 194 519
Non-current liabilities		1 458 388	1 332 111
Deferred income and contract liabilities	7	1 262 371	1 138 844
Interest-bearing borrowings	8	26 701	35 621
Retirement benefit obligations	9	69 022	68 261
Accumulated leave liability	10	93 339	84 992
Long service award accrual	12	6 955	4 393
Current liabilities		389 431	296 886
Current portion of borrowings	8	13 999	14 473
Accumulated leave liability	10	1 786	2 057
Accounts payable, accrued liabilities and contract liabilities	11	373 645	280 356
Total equity and liabilities		5 286 522	4 754 479

NELSON MANDELA UNIVERSITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 Council controlled unrestricted	2019 Specifically funded activities restricted	2019 NMU Trust restricted	2019 SUB-TOTAL	2019 Student & staff accommo-dation unrestricted	2019 TOTAL	2018 TOTAL
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
TOTAL INCOME		2 397 768	383 824	104 864	2 886 456	107 915	2 994 371	2 665 110
RECURRENT ITEMS		2 397 831	383 858	104 864	2 886 554	107 915	2 994 469	2 664 813
State appropriations	13	1 177 029	-	-	1 177 029	20	1 177 049	1 045 366
Tuition and other fee income	25	785 186	-	-	785 186	107 854	893 040	841 950
Income from contracts for research		-	98 467	-	98 467	-	98 467	111 793
Sales of goods and services	25	77 738	7 469	-	85 207	23	85 230	69 571
Private gifts and grants	14,25	179 159	219 165	99 370	497 695	18	497 713	396 452
Finance income	15	178 718	58 757	5 494	242 969	-	242 969	199 681
NON-RECURRENT ITEMS		(63)	(35)	-	(98)	-	(98)	297
Profit/(Loss) on disposal of PPE		(63)	(35)	-	(98)	-	(98)	297
TOTAL EXPENDITURE		2 146 762	277 855	679	2 425 296	111 268	2 536 564	2 301 041
Personnel	16	1 302 925	65 140	-	1 368 065	44 393	1 412 458	1 270 059
Academic professional		591 597	38 193	-	629 790	-	629 790	566 017
Other personnel		700 689	26 947	-	727 636	44 393	772 029	701 208
Accumulated leave accrual		8 078	-	-	8 078	-	8 078	2 820
Long service award accrual		2 562	-	-	2 562	-	2 562	14
Other current operating expenses	17	800 941	212 714	679	1 014 334	59 284	1 073 618	976 237
Depreciation	2	40 944	-	-	40 944	4 131	45 076	48 117
		841 885	212 714	679	1 055 279	63 414	1 118 693	1 024 354
Finance costs		1 953	-	-	1 953	3 460	5 413	6 627
				-				
NET SURPLUS		251 005	105 969	104 185	461 160	(3 353)	457 807	364 069
OTHER COMPREHENSIVE INCOME								
Remeasurements - retirement healthcare obligation	16	(834)	-	-	(834)	-	(834)	6 547
Remeasurements - pension fund obligation	16	10 963	-	-	10 963	-	10 963	(1 895)
Revaluation of investments to market value at year end		-	-	11 654	11 654	-	11 654	(10 244)
		10 129	-	11 654	21 783	-	21 783	(5 592)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		261 134	105 969	115 839	482 943	(3 353)	479 590	358 477

NELSON MANDELA UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
For the year ended 31 December 2019

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 2019	735 702	458 817	1 194 519	34 308	164 832	468 577	667 718	12 226	1 251 019	3 125 482
Net surplus	225 184	25 822	251 005	105 969	104 185	-	210 154	(3 353)	-	457 807
Other comprehensive income	10 129	-	10 129	-	11 654	-	11 654	-	-	21 783
Other additions *	65 247	54 909	120 156	119 360	4 678	-	124 038	7 950	110 078	362 221
Funds utilised	(47 595)	(194 427)	(242 022)	(172 357)	(110 978)	-	(283 335)	(2 290)	(943)	(528 591)
Transfers – credit	79 563	102	79 665	-	-	179 391	179 391	-	53 770	312 825
Transfers – debit	(233 263)	(3 642)	(236 905)	(47 595)	-	(28 325)	(75 920)	-	-	(312 825)
Balance at 31 December 2019	834 966	341 581	1 176 547	39 685	174 371	619 643	833 699	14 533	1 413 924	3 438 704
Balance at 1 January 2018	458 636	318 685	777 321	55 591	186 275	371 636	613 501	22 329	1 235 057	2 648 210
Net surplus	224 218	31 060	255 278	16 091	96 351	-	112 443	(3 651)	-	364 069
Other comprehensive income	4 652	-	4 652	-	(10 244)	-	(10 244)	-	-	(5 592)
Other additions *	103 761	114 870	218 631	-	4 673	-	4 673	168	47 915	271 387
Funds utilised	(33 449)	-	(33 449)	(300)	(112 222)	-	(112 522)	(6 619)	-	(152 591)
Transfers – credit	163 776	3 057	166 832	-	-	162 756	162 756	-	20 079	349 668
Transfers – debit	(185 892)	(8 854)	(194 746)	(37 074)	-	(65 815)	(102 889)	-	(52 032)	(349 668)
Balance at 31 December 2018	735 702	458 817	1 194 519	34 308	164 832	468 577	667 718	12 226	1 251 019	3 125 482

***** *Internal and external loan redemptions*
Savings on funds received from DHET (2019 only)
Surplus on NSFAS funds
NSFAS receivable and payable
Trust reserve fund adjustments

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Cash flow from operating activities			
Cash generated by operations	22	330 042	219 074
Interest received - short term	15	124 537	194 273
Net cash inflow from operating activities		454 580	413 347
Cash flow from investing activities			
Interest received	15	2 732	2 565
Dividends received	15	2 762	2 843
Purchase of property, plant and equipment (own funds)		(121 973)	(30 848)
Disposal of property, plant and equipment		515	351
Purchase of short-term investments		(460 396)	(621 504)
Proceeds from investment portfolio at cost		12 059	27 722
Increase in deferred income		123 527	208 300
Net cash outflow from investing activities		(440 774)	(410 571)
Cash flow from financing activities			
Finance costs		(5 413)	(6 627)
Repayment of interest-bearing borrowings	8	(9 394)	(2 885)
Net cash outflow from financing activities		(14 807)	(9 512)
Decrease in cash and cash equivalents		(1 001)	(6 736)
Cash and cash equivalents at beginning of year		109 135	115 871
Cash and cash equivalents at end of year	5	108 134	109 135

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 (the 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 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 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 amendments to existing standards that are not yet effective and have not been early adopted by the 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 University has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material); and
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The University is currently assessing the impact of these new accounting standards and amendments. The University does not believe that the amendments to IAS 1 will have a significant impact on the financial statements.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

b) New and amended standards adopted by the University

New standards impacting the University that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the University's accounting policies are:

- IFRS 16 *Leases* (IFRS 16)

Details of the impact these two standards have had are given in the note below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the University as they are either not relevant to the University's activities or require accounting which is consistent with the University's current accounting policies.

The University adopted IFRS 16 with a transition date of 1 January 2019. The University has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the University as they are either not relevant to the University's activities or require accounting which is consistent with the University's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Transition method

The University adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The University elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the University previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.
Under IFRS 16, the University recognizes right-of-use assets and lease liabilities for most leases. However, the University has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the University accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the University:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the University has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within ‘other expenses’ in profit or loss.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the University recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the University’s consolidated financial statements.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

(c) Impact on Lessor Accounting (continued)

The University assessed all the lease agreements currently in place. The majority of lease agreements are 12 months of less or low value assets, therefore are there no impact of reclassifications on the financial statements.

1.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the University has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. De-facto control may arise in circumstances where the size of the University's voting rights relative to the size and dispersion of holdings of other shareholders gives the University the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the 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 University.

The financial activities of all units of the 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.

1.3.2 Revenue from contracts with customers
The University is in the business of providing tertiary educational service 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 University expects to be entitled in exchange for those goods or services. The University has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The University considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the University considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.2.1 Variable consideration
If the consideration in a contract includes a variable amount, the 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.

1.3.2.2 Significant financing component
Generally, the University receives short-term advances from its customers. Using the practical expedient in IFRS 15, the 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.

1.3.2.3 Non-cash consideration
The 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 University obtains control of the equipment.

The 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 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 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 University has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the 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 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 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. Accounting policies (continued)

1.3 Revenue recognition (continued)

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

1.3.6 Donations and gifts
Donations and gifts 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.

1.3.7 Rental income
Where the 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 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 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.

1.5 Reserve Funds

1.5.1. Unrestricted use funds
The unrestricted operating fund reflects the University's subsidised activities. This includes state appropriations, tuition fees and the sales and services of educational activities. The budget of the 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 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 University's fixed assets at carrying value that have been financed from its own funds.

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.

1.7 Financial assets

1.7.1 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.

1. Accounting policies (continued)

1.7 Financial assets (continued)

1.7.1 Initial recognition and measurement (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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 University has applied the practical expedient, the 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. Trade receivables that do not contain a significant financing component or for which the University has applied the practical expedient are measured at fair value as determined under IFRS 15.

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.

The University's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 University commits to purchase or sell the asset.

1.7.2 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.

1.7.3 Financial assets at amortised cost (debt instruments)

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

1.7.4 Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the 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.

1. Accounting policies (continued)

1.7 Financial assets (continued)

1.7.4 Financial assets designated at fair value through OCI (equity instruments) (continued)
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 University elected to classify irrevocably its listed shares, international assets swops, gilts, bonds and Unit Trusts in non-current investments under this category.

1.7.5 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 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 University has transferred substantially all the risks and rewards of the asset, or (b) the University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the University has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the University continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the University also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the University has retained.

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 University could be required to repay.

1.7.6 Impairment of financial assets
The 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 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.

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 those credit exposures 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).

The 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. Accounting policies (continued)

1.7 Financial assets (continued)

1.7.6 Impairment of financial assets (continued)
The University may also consider a financial asset to be in default when internal or external information indicates that the University is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the University.

1.8 Financial liabilities

1.8.1 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.

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 University's financial liabilities include accounts payable and accrued liabilities, interest bearing borrowings, and derivative financial instruments.

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

1.8.2.1 Financial liabilities at amortised cost
This is the category most relevant to the University. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

1.8.3 De-recognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 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.

1. Accounting policies (continued)

1.10 Property, plant and equipment (continued)

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 University and the cost of the item can be measured reliably. The carrying amount of any 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 or valued amounts to their residual values over their estimated useful lives. The estimated useful lives are:

Buildings	50 years
Infrastructure	25 to 50 years
Sports facilities	10 years
Furniture and equipment	5 to 20 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years
Art collection	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.

For all assets, residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. 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

1.11 Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses 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. Non-financial assets that were affected by an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12 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.

1.13 Cash and cash equivalents

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

1. Accounting policies (continued)

1.14 Employee benefits

1.14.1 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.

1.14.2 Retirement benefit obligations – pensions

The University operates a combination of defined contribution and defined benefit plans, as follows:

- National Tertiary Retirement Fund
- Nelson Mandela University Retirement Fund

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 University pays fixed contributions into a separate entity. The University has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

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 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 income, 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.

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.

1.14.3 Retirement benefit obligations – medical benefits

The 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 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 prescribed by IAS19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

1. Accounting policies (continued)

1.14 Employee benefits (continued)

1.14.3 Retirement benefit obligations – medical benefits (continued)
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 as required by IAS19.

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

1.14.4 Termination benefits
Termination benefits are payable when employment is terminated by the institution before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The institution recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.14.5 Other employee benefits
The University provides for other significant employee benefits, for example, long service awards. Management estimates the value of the University's obligations in this regard at each reporting date. These estimates take account of the existing policies and contractual obligations and the likelihood of employees remaining in service to actually receive the benefits.

1.15 Fair value measurement

The University measures financial instruments such as investment, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The University uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. Accounting policies (continued)

1.15 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the University determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investments in note 3 of the financial statements.

For the purpose of fair value disclosures, the University has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 3 of the financial statements.

1.16 Cash flow statement

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

2. Property, plant and equipment

	Land, Buildings, Infrastructure and Sport Facilities	Computer Equipment	Furniture and Equipment	Motor Vehicles	Library Books	Total
Year ended 31 December 2019						
Opening net book amount	1 330 861	23 432	171 560	6 406	-	1 532 259
Additions	92 681	10 204	13 257	2 357	5 061	123 560
Disposals	-	(399)	(214)	-	-	(613)
Depreciation charge	(33 293)	2 316	(19 013)	793	(5 061)	(54 258)
Closing net book value	1 390 249	35 553	165 590	9 556	-	1 600 948
At 31 December 2019						
Cost	1 748 864	196 537	563 506	33 308	229 390	2 771 605
Accumulated depreciation	(358 615)	(160 984)	(397 916)	(23 752)	(229 390)	(1 170 657)
Net book value	1 390 249	35 553	165 590	9 556	-	1 600 948
Year ended 31 December 2018						
Opening net book amount	1 327 628	22 393	150 030	23 232	-	1 523 283
Additions	33 440	10 075	17 053	420	5 342	66 330
Disposals	-	(20)	-	(34)	-	(54)
Depreciation charge	(30 207)	(9 016)	4 477	(17 212)	(5 342)	(57 300)
Closing net book value	1 330 861	23 432	171 560	6 406	-	1 532 259
At 31 December 2018						
Cost	1 655 239	166 921	555 845	32 564	224 639	2 635 208
Accumulated depreciation	(324 378)	(143 489)	(384 285)	(26 158)	(224 639)	(1 102 949)
Net book value	1 330 861	23 432	171 560	6 406	-	1 532 259

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 7 of these financial statements. The impact of the government grant on the annual depreciation charge is as follows:

	2019 R'000	2018 R'000
Total depreciation charge	54 258	57 300
Less: Release from deferred income	(9 182)	(9 182)
Statement of comprehensive income	45 076	48 117

Included in the closing net book value of land and buildings above is Capital Work in Progress of R278 million (2018: R194 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 buildings include a property owned by its subsidiary company, Rubious Mountain Properties (Pty) Ltd. The property is used for student accommodation. This is the subsidiary's sole asset and has a carrying value in these consolidated annual financial statements of R27.6 million (2018: R27.6 million).

Land and land improvements with a net carrying value of R14.2 million (2018: R14.5 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 R1.59 million (2018: R1.53 million).

A register of land and buildings is available for inspection at the University's main campus. The 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 the Servest lease assets with carrying value of R4.2 million (2018: R5.4 million), secured under finance lease obligation of R4.2 million (2018: R5.4 million) in note 8 to the financial statements.

3. Investments

	2019 R'000	2018 R'000
At market value:		
Listed shares	78 950	82 272
International asset swaps	53 729	60 661
Gilts and bonds	19 293	9 650
Fixed deposits	15 215	9 530
Cash on call	7 795	13 042
Unit Trusts	9 321	10 152
	184 304	185 307
At cost:		
Listed shares	59 034	60 504
International asset swaps	26 997	31 021
Gilts and bonds	19 165	9 550
Fixed deposits	15 215	9 530
Cash on call	7 795	13 042
Unit Trusts	10 000	10 000
	138 206	133 647

These investments comprise a portfolio managed by the NMU Trust with a fair value of R184 million (2018: R185 million).

With the exception of the international asset swaps managed by the NMU Trust, all the investments of the 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).

- Inputs, for fair value measurements from the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3. Investments (continued)

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

2019	Level 1 R'000	Level 2 R'000	Total balance R'000
Assets			
Fair value through other comprehensive income			
Listed shares	78 950	-	78 950
International asset swaps	-	53 729	53 729
Gilts and bonds	-	19 293	19 293
Unit Trusts	9 321	-	9 321
Total	88 271	73 022	161 294
Amortised Cost			
Fixed deposits	15 215	-	15 215
Cash on call	7 795	-	7 795
Total	23 011	-	23 011
Total assets	111 282	73 022	184 304
2018			
Assets			
Fair value through other comprehensive income			
Listed shares	82 272	-	82 272
International asset swaps	-	60 661	60 661
Gilts and bonds	-	9 650	9 650
Unit Trusts	10 152	-	10 152
Total	92 424	70 311	162 735
Amortised Cost			
Fixed deposits	9 530	-	9 530
Cash on call	13 042	-	13 042
Total	22 572	-	22 572
Total assets	114 996	70 311	185 307

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing 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 University is the closing current bid price at year-end. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of investments disclosed under level 2 is determined by portfolio managers based on current market indicators.

3. Investments (continued)

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. Inventories	2019 R'000	2018 R'000
Consumables	2 452	2 633
Goods for resale	723	847
	3 175	3 480

An amount of R0.9 million is recognised in the consolidated statement of comprehensive income as purchases.

5. Short-term investments and cash and cash equivalents	2019 R'000	2018 R'000

5.1 Short-term investments

Short-term investments	3 020 900	2 560 504

The average effective interest rate on short-term bank deposits was 8.204% (2018: 8.233%).

The short-term investments of the University are spread amongst the 5 of the 'A' rated banks in South Africa and Sanlam. The credit quality of these institutions are as follows:

	2019 R'000
za.A-1+ (Standard and Poors)	2 180 900
za.A+ (Standard and Poors)	100 000
B (Fitch)	740 000
	3 020 900

	2018 R'000
za.A-1 (Standard and Poors)	390 000
za.AA+ (Standard and Poors)	1 380 000
za.AA- (Standard and Poors)	100 000
AA (ZAF) (Fitch)	690 504
	2 560 504

5.2 Cash at bank and in hand	**2019 R'000**	**2018 R'000**
Cash at bank and in hand	108 134	109 135
For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	108 134	109 135

The total short term investments and cash and cash equivalents of R3 129 million (2018: R2 670 million) includes R835 million (2018: R736 million) which is included in the general reserve and is unrestricted funding.

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 South African Post Office amounting to R160 000.
- South African Revenue Services amounting to R2 000.
- South African Police Services amounting to R669 450.
- The South African Post Office amounting to R50 000.

The 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.

5.3 National Credit Rating, Long term outlook	**2019 R'000**	**2018 R'000**	
The credit quality of these institutions are as follows:			
za.AA+ (Standard and Poors)	8 845	12 204	za.AA+ (Standard and Poors)
AA (Fitch)	98 453	96 032	AA (Fitch)
za.AA+ (Standard and Poors)	724	784	za.AA+ (Standard and Poors)
	108 022	109 020	

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.

6. Trade, other receivables and contract assets	**2019 R'000**	**2018 R'000**
Student debtors	217 399	188 139
Less: Provision for impairment	(85 639)	(72 958)
	131 760	115 181
External debtors	49 929	51 692
Less: Provision for impairment	(49 837)	(37 369)
	93	14 323
Interest receivable	112 937	119 698
NSFAS* receivable	67 112	61 203
NSFAS* loan receivable	36 529	36 358
Other receivables	20 629	17 032
	369 061	363 794

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

Contract assets as at 31 December 2019 comprises student debtors and external debtors of R131 853 (2018: R129 503) net of credit losses of R135 475 (2018: R110 327).

Overdue student debts bear interest at market related rates.

The University's historical experience in collection of these receivables falls within the recorded allowances. 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 University would identify academically deserving but financially needy students and assist them with various forms of financial assistance. Qualifying students were categorized 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 2019 of R26.9 million (2018: R14 million) has been fully provided for in the provision for impairment. 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.

The University uses a provision matrix to calculate ECLs for trade receivables and contract assets. 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 University's historical observed default rates. Credit quality of student debtors is managed by the University with reference to the last year of registration of the particular student. The impairment provision is based on the 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.

6. Trade, other receivables and contract assets (continued)

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

	2019 R'000	2018 R'000
Student debtors considered to be fully performing	131 760	115 181
Student debtors not considered to be fully performing	85 639	72 958
Students last registered in current year	41 936	44 525
Students last registered in prior year	26 573	15 266
Students last registered two or more years ago	17 129	13 167
	217 399	188 139

The movement in the impairment provision was as follows:

	2019 R'000	2018 R'000
Opening balance at 1 January	72 958	54 672
Additional/ (release of) impairment	25 310	28 308
Receivables written off during the year	(12 629)	(10 022)
Closing balance at 31 December	85 639	72 958

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 has been exhausted for collection and students are no longer registered at the University.

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 University in accordance with relevant agreements. These debtors have a limited history of default. 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:

	2019 R'000	2018 R'000
Opening balance at 1 January	37 369	6 728
Additional/ (release of) impairment	12 652	36 799
Receivables written off during the year	(184)	(6 158)
Closing balance at 31 December	49 837	37 369

Included in the impairment amount of R49.8 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, other receivables and contract assets approximate their carrying amounts as the nature of the balances are short term.

7. Deferred income and contract liabilities	**2019 R'000**	**2018 R'000**
As at 1 January	1 138 844	930 547
Net increase in deferred income	123 527	208 300
Grants received (including capital infrastructure)	145 532	232 938
Realised in comprehensive income	(11 703)	(14 336)
Release relating to depreciation	(9 182)	(9 182)
Release relating to donations income	(1 120)	(1 120)
As at 31 December	1 262 371	1 138 844

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

	2019 R'000	**2018 R'000**
Capital project funding	734 725	1 182 003
Cumulative transfer/offset against depreciation	(92 146)	(82 965)
Cumulative transfer/offset against donations income	(5 600)	(4 480)
	636 979	1 094 559
Unspent grant funds	625 393	44 284
	1 262 371	1 138 844

Included in the above deferred income is the following contract liabilities:

	2019 R'000	**2018 R'000**
As at 1 January	148 779	133 512
Net increase in deferred income	51 182	15 267
Private grant received	52 302	16 387
Release relating to donation	(1 120)	(1 120)
As at 31 December	199 961	148 779

Deferred income includes building and infrastructure upgrade funding received from the Department of Higher Education and Training Funds for years 2013 to 2019. Included in these projects are Student Residences, Medical School and Ocean Sciences.

These funds are recognised as income over the depreciable life of the assets capitalised. This release is offset against the depreciation charge relevant to these assets. Where funds have been utilised to defray related expenses which do not qualify for capitalisation, income is recognised as the expenditure is incurred.

The deferred income also includes donations of a capital nature as follows:
Recycling Economic Development Initiative of South Africa provided Nelson Mandela University with the right of use of equipment for 5 years ending 2019.

7. Deferred income and contract liabilities (continued)

These donations have specific conditions attached and the donations income has therefore been deferred and is realised over the term of the agreement. Unfulfilled conditions regarding government grants relates to infrastructure work in progress disclosed under note 2 which will be completed over time, exceeding a 12 month period.

8. Interest-bearing borrowings	**2019 R'000**	**2018 R'000**
Current portion of long-term loans		
Bank borrowings	4 738	8 133
Finance leases	4 165	1 246
Government loans	16	14
Rubious Mountain Properties (Pty) Ltd: Minority shareholder's loan	5 080	5 080
	13 999	14 473
Non-current		
Bank borrowings	26 633	31 372
Finance leases	-	4 165
Government loans	68	84
	26 701	35 621
Total borrowings at floating rates	40 700	50 094
Interest rates:		
- bank borrowings	8.93%	9.18%
- finance leases	13.58%	10.05%
- prime lending rate	10.00%	10.25%
Maturity of non-current interest-bearing borrowings:		
Between 1 and 2 years	23 538	32 589
Between 2 and 5 years	14 707	15 721
Over 5 years	17 247	21 998
	55 493	70 308
Less: Interest payable	(14 792)	(20 214)
	40 700	50 094

The 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 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 the 30 March 2029 and the Standard Bank business school loan final repayment is on the 31 January 2020. The minority shareholder's loan bear interest at 12% (2018: 9.5%) per annum and is unsecured. There are no specific terms of repayment.

A finance lease of R4.2 million is unsecured from Servest. The lease expires on 31 December 2020, with a final lease payment of R2.7 million payable in order to secure ownership of the leased assets. The lease currently bears interest at 13.58% p.a. Finance lease assets with a carrying value of R4.2 million is included in note 2 of the financial statements. There are no restrictions on the lease and it will terminate upon expiry.

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant as interest rates are market related.

9. **Retirement benefit obligations**	**2019 R'000**	**2018 R'000**
Post-retirement medical benefits	55 792	52 229
Present value of medical benefit liability	515 447	487 329
Fair value of plan asset	(459 655)	(435 100)
Pension scheme liabilities	13 230	16 032
Present value of pension benefit liability	1 867 721	1 675 894
Fair value of plan assets	(2 036 697)	(1 784 173)
Surplus not recognised	182 206	124 311
	69 022	68 261

9.1 Post-retirement medical benefits

The 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 2019.

	2019 R'000	**2018 R'000**
Present value of medical benefit obligations	515 447	487 329
Movement in the liability recognised in the statement of financial position:		
Contractual liability as at 1 January	487 329	468 302
Increase in liability - Statement of comprehensive income	28 117	19 027
Service cost	6 303	6 661
Interest cost	47 824	45 109
Benefit payments	(25 873)	(23 680)
Remeasurements (other comprehensive income)		
Gains in financial assumptions	(44 133)	(37 261)
Loss due to changes in experience	43 996	28 198
Contractual liability as at 31 December	515 447	487 329
Plan asset as at 1 January	435 100	414 447
Increase in asset - Statement of comprehensive income	24 555	20 653
Expected return on plan asset	42 980	40 188
Contributions paid – pensioners	(25 873)	(23 680)
Adjusted plan balance	2 116	-
Actuarial gain	(971)	(2 516)
Contributions received	6 303	6 661
Plan asset as at 31 December	459 655	435 100

9. Retirement benefit obligations (continued)

9.1 Post-retirement medical benefits (continued)

The actuarial gain of R0.971 million in plan assets occurred as a result of a combination of the following factors:

	R'000
Market value as at 31 December 2018	-
Prefunding contributions	358
Less: Fund payments	-
Plus: Return on fund assets net	(1 329)
Market value as at 31 December 2019	(971)

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 2019 as there were no amendments to the plan for the current period.

Contributions made by pensioners to the plan were as follows:

	2019 R'000	2018 R'000
Member contributions – Pensioners	1 826	1 649
Employer contributions – University	2 156	1 983

	2019	2018
Membership data		
Active members (in service)	356	397
Continuation members	542	511

In estimating the unfunded liability for post-employment medical care, the following assumptions are made:

Discount rate	10.50%
Health care cost inflation	7.90%
Net discount rate	2.60%
Continuation of membership	95%

Mortality rate

The standard mortality tables used to perform the valuation for 2019 was SA 85-90 lite (pre-retirement) and PA 90 ultimate (post-retirement), adjusted down by two years of age (post-employment).

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

9. Retirement benefit obligations (continued)

9.1 Post-retirement medical benefits (continued)

Economic Assumptions

Unless stated otherwise, the economic assumptions used in this valuation are based on a standard set of IAS19 economic assumptions determined using the best estimate approach agreed to by the actuaries and reviewed on a regular basis to ensure that they are market-related.

The economic assumptions used in this valuation was based on market information as at end December 2019. The economic assumptions were set based on the duration of the liability as at 31 December 2018. At that date, the duration of the liability was 13.3 years; and therefore a duration of 13 years was used to set the economic assumptions.

Rate of Discount

The rate used to discount post-employment benefit obligations was determined by reference to market yields on high quality corporate bonds. In countries where there was no deep market in such bonds, the market yields on government bonds was used. In the opinion of the actuaries, South Africa does not have a deep market in high quality corporate bonds and as such they have set their recommended assumption with reference to the Nominal Bond Curve, as compiled by the Johannesburg Stock Exchange of South
Africa and obtained from I-Net Bridge. This converts into an effective yield of 10.50% per annum as at 31 December 2019.

Consumer Price Index Inflation

While not used explicitly in the valuation, the actuaries have assumed the underlying future rate of consumer price index inflation (CPI inflation) to be 5.90% per annum.

This assumption has been based on the relationship between the nominal bond curve and the real bond yield. The actuaries calculated the difference between the current Nominal and Real Bond yields, and adjusted for an inflation risk premium which was assumed to be 0.50%.

Salary Inflation and Income at Retirement

Income at retirement is relevant to the extent that contribution tables are based on income. The actuaries assumed that an individual member's income would increase by 7.40% per annum, based on the underlying assumption that individual remuneration increases including merit and promotional increases would exceed CPI inflation by an average of 1.50% per annum over the long term. We assumed that income at retirement would be 75% of final salary. We further assumed that members would remain in the same relative income band during retirement, i.e. we assumed that increases in a member's income during retirement would be in line with increases in the limits of the member's income band immediately following retirement.

9. Retirement benefit obligations (continued)

9.1 Post-retirement medical benefits (continued)

Healthcare Cost Inflation

The actuaries have assumed that the current contribution tables of the medical schemes would continue to apply in the future, with allowance for inflationary increases of 7.90% per annum. The actuaries also assumed that healthcare cost inflation exceeds CPI inflation by an average of 2.00% per annum over the long term.

- CPI inflation is measured by Statistics South Africa, and reflects increases in the average Consumer Price Index each year. [Source: Statistics South Africa]
- Medical Care and Health Expense Inflation is measured by Statistics South Africa and is based on that component of the Consumer Price Index, which relates to medical products and medical services. [Source: Statistics South Africa, Table E]
- Medical Schemes' Contribution Inflation is calculated for all medical schemes providing annual financial returns to the Registrar of Medical Schemes. Percentage increases are based on the average contribution per principal member per month. [Source: Registrar's Annual Reports]

The annualised compound rates of increase for the eighteen year period from 2000 to 2018 are given below:

CPI Inflation	5.7%
Medical Care and Health Expense Inflation	7.3%
Registered Medical Schemes Contribution Inflation	7.6%

While the assumed rate of healthcare cost inflation is higher on average, in both real and absolute terms, than the increases experienced in the past, it is considered to be a reasonable estimate over the long-term future.

The valuation basis is required to be realistic in terms of the accounting standard.

A healthcare cost representing a significant proportion of average remuneration would be considered unacceptable, while a proportion too low may be unrealistic.

Based on current industry data, a starting proportion of 15% of average remuneration is assumed at the start of the first year. The proportion is monitored over a period of 40 years. The actuaries assumed that average remuneration inflation would equal CPI inflation.

9. Retirement benefit obligations (continued)

9.1 Post-retirement medical benefits (continued)

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	580 443	12.6%
Healthcare inflation	1% Decrease	461 251	-10.5%
Discount rate	1% Increase	460 994	-10.6%
Discount rate	1% Decrease	581 765	12.9%
Average/expected retirement age	1 Year Increase	505 045	-2.0%
Average/expected retirement age	1 Year Decrease	525 728	2.0%
Continuation of membership at retirement	10% Increase	497 149	-3.5%

Expected contributions 2020

Expected contribution for benefits paid in relation to accrued liability is expected to be R28.81 million (2019: R25.87 million).

The average expected remaining working lifetime of eligible employees is 7.02 years.

Financial risk factors for plan assets

The plan exposes the 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.

9. Retirement benefit obligations (continued)

9.2 Pension schemes

	NMU Pension Fund 2019 R'000	National Tertiary Retirement Fund 2019 R'000	2019 R'000	2018 R'000
Balance at end of the year				
Present value of funded and unfunded obligations	(1 112 872)	(754 849)	(1 867 721)	(1 675 894)
Fair value of plan assets	1 295 078	741 619	2 036 697	1 784 173
Funded status	182 206	(13 230)	168 976	108 279
Surplus not recognised	(182 206)	-	(182 206)	(124 311)
Liability at reporting date	-	(13 230)	(13 230)	(16 032)

The major categories of the plan assets are as follows:

NMURF assets as at 31 December 2019

	2019 R'000	2018 R'000
Cash	897	6 051
Investments	1 242 318	1 063 606
Accounts receivable	8	3 685
Contributions receivable	11 305	10 262
Pension policies	40 550	39 239
Debt	-	1 016
	1 295 078	1 123 859

NTRF: NMU assets as at 31 December 2019

	2019 R'000	2018 R'000
Share account	287 509	299 841
Pension account	440 792	422 010
Reserve account	13 318	11 895
	741 619	733 746

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

	NMU Retirement Fund 2019 R'000	NMU Retirement Fund 2018 R'000	NTRF 2019 R'000	NTRF 2018 R'000
Movement in defined benefit obligation				
Beginning of the year	999 549	1 037 701	749 776	692 311
Current service cost	8 248	8 340	9 278	9 189
Interest cost	93 879	94 088	69 841	64 349
Member contributions	-	-	2 976	3 004
Remeasurements	22 178	(131 356)	(34 529)	17 207
Benefits paid	-	-	(41 006)	(34 782)
Risk premium	(10 981)	(9 225)	(1 488)	(1 502)
End of the year	1 112 872	999 549	754 849	749 776
Movement in fair value of plan assets				
Beginning of the year	1 123 859	1 190 647	733 745	684 847
Contributions received	7 823	8 037	8 927	9 011
Expected return on plan asset	105 406	107 902	65 007	60 859
Risk premium	(10 981)	(9 225)	(1 488)	(1 502)
Benefits paid	-	-	(41 006)	(34 782)
Remeasurements	68 972	(173 502)	(23 566)	15 312
End of the year	1 295 078	1 123 859	741 619	733 745
Net (asset)/liability	(182 206)	(124 311)	13 231	16 032
Surplus not recognised	182 206	124 311	-	-
Net pension fund liability	-	-	13 231	16 032
The amount recognised in profit or loss				
Current service costs	8 248	8 340	9 278	9 189
Interest costs	93 879	94 088	69 841	64 349
Expected return on plan assets	(105 406)	(107 902)	(65 007)	(60 859)
	(3 279)	(5 473)	14 112	12 679
The amount recognised in other comprehensive income				
Remeasurements			(10 963)	1 895

The surplus on the NMU Pension Fund (i.e. asset recognised on the statement of financial position) is restricted to zero because of the limit imposed by Paragraph 58 of IAS 19. This is due to the fund's rules, which presently do not allow the employer to access the disclosed surplus.

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

The NMURF obligation actuarial loss of R22.2 million is made up as follows:

	R'000
Change in financial assumptions	3 877
Change in members and details	10 822
Change in return on plan assets	7 479
Total actuarial loss	22 178

The NTRF: NMU obligation actuarial gain of R34.5 million is made up as follows:

	R'000
Change in financial assumptions	1 122
Change in members and details	(37 863)
Change in return on plan assets	2 213
Total actuarial gain	(34 528)

The NMURF plan asset actuarial gain of R68.9 million is made up as follows:

	R'000
Change in members and details	11 482
Change in return on plan assets	57 490
Total actuarial gain	68 972

The NTRF: NMU plan asset actuarial loss of R23.6 million is made up as follows:

	R'000
Change in members and details	(46 553)
Change in return on plan assets	22 987
Total actuarial loss	(23 566)

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

The defined benefit cost for the fiscal year ending 31 December 2019 is as follows:

		NMURF		NTRF: NMU		Total
		DB R'000	DC R'000	DB R'000	DC R'000	R'000
A	**Components of Income Statement Pension Expense**					
	Service Cost	8 248	119 642	9 278	12 888	150 055
	Interest Cost on Defined Benefit Obligation	93 879	-	69 841	-	163 720
	Interest Income on Assets	(105 406)	-	(65 007)	-	(170 413)
	Expense / Income recognised in Profit and Loss	(3 279)	119 642	14 112	12 888	143 363
B	**Expected Contributions, Benefit Payments and Risk Premiums**					
	Member Contributions	-	-	2 976	-	2 976
	Company Contributions	7 823	119 642	5 951	12 888	146 304
	Risk Premiums	(10 981)	-	(1 488)	-	(12 469)
	Benefit Payments	-	-	(41 006)	-	(41 006)

There is no past service cost for 2019 as no amendments were made in the policy.
NMURF is non-contributory as it is all employer contributions.
NTRF: NMU contributions by employees is R2.9 million and R5.9 million for the University.

The defined benefit cost for the fiscal year ending 31 December 2018 is as follows:

		NMURF		NTRF: NMU		Total
		DB R'000	DC R'000	DB R'000	DC R'000	R'000
A	**Components of Income Statement Pension Expense**					
	Service Cost	8 340	99 068	9 189	12 466	129 064
	Interest Cost on Defined Benefit Obligation	94 088	-	64 349	-	158 437
	Interest Income on Assets	(107 902)	-	(60 859)	-	(168 761)
	Expense / Income recognised in Profit and Loss	(5 473)	99 068	12 679	12 466	118 740
B	**Expected Contributions, Benefit Payments and Risk Premiums**					
	Member Contributions	-	-	3 003	-	3 003
	Company Contributions	8 037	99 068	6 007	12 466	125 579
	Risk Premiums	(9 225)	-	(1 502)	-	(10 727)
	Benefit Payments	-	-	(34 782)	-	(34 782)

There is no past service cost for 2018 as no amendments were made in the policy.
NMURF is non-contributory as it is all employer contributions.
NTRF: NMU contributions by employees is R3 million and R6 million for the University.

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

Membership data

	2019	2018
NMURF		
Active members (in service)	2 175	2 105
Continuation members	41	44
NTRF: NMU		
Active members (in service)	229	264
Continuation members	191	189

The principal assumptions used for accounting purposes were as follows:

	2019 Both Funds	2018 Both Funds
General inflation rate (CPI)	4.40%	5.41%
Discount rate	8.82%	9.39%
Salary inflation	5.90%	6.91%
Effective net discount rate after retirement	6.00%	6.00%

Mortality rate

The standard mortality tables utilised to perform the valuation for 2018 and 2019 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: 8.82%

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 8.82% 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 2019. This rate does not reflect any adjustment for taxation.

CPI Inflation Rate: 4.40%

The expected inflation assumption of 4.40% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.76%) and those of nominal bonds (8.82%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: (8.82-0.50%-3.76%)/1.0376.

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

Salary Increase Rate: 5.90%

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 8.82%.

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 10.45% 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	1 863	-4.61%
Discount rate	1% Decrease	1 875	6.85%
Salary inflation	1% Increase	1 872	3.87%
Salary inflation	1% Decrease	1 866	-2.06%
Investment return	1% Increase	1 864	-4.04%
Investment return	1% Decrease	1 873	5.69%
Post-retirement mortality table	1 Year decrease	1 883	15.38%

The average expected remaining working-lifetime of the members of NMURF and NMU: NTRF is 7.2 and 3.2 years respectively.

Expected contributions to the defined benefit pension fund for the year ended 31 December 2020 are R13.3 million.

9. Retirement benefit obligations (continued)

9.2 Pension schemes (continued)

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 2014. 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 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.

Financial risk factors
The plan exposes the 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.

The following abbreviations are applicable to note 9:

NMU – Nelson Mandela University
NMURF – Nelson Mandela University Retirement Fund
NTRF – National Tertiary Retirement Fund
DB – Defined Benefit
DC – Defined Contribution

10. Accumulated leave liability	**2019 R'000**	**2018 R'000**
Opening balance	87 049	84 230
Additional provisions	14 540	8 509
Utilised during year	(6 464)	(5 655)
Closing balance	95 125	87 049
Current portion of liability	1 786	2 057
Non-current portion of liability	93 339	84 992
Total accumulated leave liability	95 125	87 049

Employee entitlements to accumulated leave are recognised when they accrue to employees.

11. Accounts payable, accrued liabilities and contract liabilities	2019 R'000	2018 R'000
Student debtors		
Active students	167 877	102 552
Non-active students	42 258	32 950
Payable to NSFAS*	47 196	39 790
	257 331	175 292
Trade creditors	26 756	37 617
Accruals	5 362	6 697
Payroll related accruals	49 536	44 772
Other payables	34 660	15 978
	373 645	280 356

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

Contract liabilities as at 31 December 2019 comprises of active and non-active students of R210 136 (2018: R135 502).

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 effects of discounting is not material.

12. Long service award accrual	2019 R'000	2018 R'000
Current portion of accrual	949	753
Non-current portion of accrual	6 006	3 640
Total long service award accrual	6 955	4 393

13. State appropriations	2019 R'000	2018 R'000
Subsidy – operations	1 155 292	1 021 101
Subsidy – foundation programme and ad hoc grants	10 054	9 929
Specific grant – upgrading of facilities	145 532	232 938
Total State appropriations received	1 310 878	1 263 968
Grants transferred to deferred income	(133 829)	(218 602)
Recognised as income	1 177 049	1 045 366

14. Private gifts and grants	2019 R'000	2018 R'000
Received in cash	496 129	393 523
Received in kind	464	1 809
Received in kind (of a capital nature)	-	-
Grants transferred to deferred income (note 7)	1 120	1 120
Recognised as income	497 713	396 452

Private gifts and grants received in kind represent assets and services received by the University for no consideration. These donations in kind are recognised at fair value when received as set out in accounting policy 1.3.7 and note 7.

15. Finance income

	2019 R'000	2018 R'000
Interest received		
Interest income on short-term bank deposits	237 475	194 273
Interest income on amortised cost investments	2 732	2 565
Dividends received	2 762	2 843
Total interest and dividends	242 969	199 681

16. Personnel costs

	2019 R'000	2018 R'000
Academic professional	629 790	566 017
Other personnel	772 029	701 208
Leave pay accrual	8 078	2 820
Long service award accrual	2 562	14
	1 412 458	1 270 059
Remeasurements of post-retirement medical benefits	834	(6 547)
Remeasurements of post-retirement pension benefits	(10 963)	1 895
	1 402 330	1 265 407

Average number of persons employed by the University during the year

	2019	2018
Full time	2 473	2 460
Part time	989	878
	3 462	3 338

17. Other operating expenses

	2019 R'000	2018 R'000
The following items have been charged in arriving at operating profit:		
Supplies and services	853 765	747 798
Fixed property cost – rental	5 481	7 328
Bursaries	173 114	144 226
Cost of services outsourced	7 566	10 297
Security	1 498	1 448
Cleaning	3 127	3 645
Ground maintenance	1 938	74
Other	1 002	5 130
Bad debts*	33 693	66 588
	1 073 618	976 237

*Bad debts indicated in note 17 above, includes an amount of R16.2 million to be written off for 2019.

18. Remuneration

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 R103 250 (2018: R78 300) and R456 998 (2018: R406 408) respectively.

19. Financial instruments by category

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

	Category	2019 R'000	2018 R'000
Assets			
Investments	Fair value through OCI	161 294	162 734
Investments	Amortised cost	23 011	22 573
Trade and other receivables	Fair value through P&L	237 208	234 291
Short term investments	Amortised cost	3 020 900	2 560 504
Cash and cash equivalents	Amortised cost	108 134	109 135
		3 550 546	3 089 237
Liabilities			
Interest-bearing borrowings	Amortised cost	36 535	41 718
Accounts payable and accrued liabilities	Amortised cost	113 973	100 082
		150 508	141 800

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

20. Financial risk management

Financial risk factors

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

The Finance and Facilities Committee annually review and approve institutions authorized to provide investment services, taking into account the credit quality of the institutions. Refer to note 5.1 for the credit quality of the institutions in which the University held short-term investments as at 31 December 2019. The Senior Director Finance is delegated the day-to-day responsibilities for establishing and maintaining internal control systems and written procedures for the operation of the investment policy. A quarterly report is submitted to the Finance and Facilities Committee of Council for monitoring and review.

(a) Market risk

(i) Foreign exchange risk

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

The only area where the University is exposed to foreign exchange 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 R2.686 million (2018: R3.033 million) higher/lower.

(ii) Price risk

The University is exposed to equity securities price risk because of investments held by the University and classified as fair value through other comprehensive income or amortised cost. The University is not exposed to commodity price risk. To manage its price risk arising from investments in equity shares, the 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.

At 31 December 2019, if the FTSW/JSW CPI index increased/decreased by 10% with all other variables held constant and all the University's equity instruments moved according to the historical correlation with the index, the market value of the listed equities would have been R7.895 million (2018: R8.227 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 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 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 University would be R31.05 million (2018: R30.89 million) increase/decrease.

20. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

Potential concentrations of credit risk consist mainly of short-term cash, cash equivalent investments, trade receivables and other receivables. The University places cash and cash equivalents with reputable financial institutions. The maximum exposure approximates the carrying amounts.

Receivables comprise outstanding student fees, student loans and a number of customers, dispersed across different industries and geographical areas. The 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 University no longer provides loan funding to students. The student loans outstanding at year-end have been appropriately assessed.

Where considered appropriate, credit evaluations are performed on the financial condition of customers other than students.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability through an adequate amount of committed credit facilities and the ability to close out market positions. Council, through the Finance Committee, and management of the University monitor the University's liquidity on an ongoing basis, and excess cash is invested in accordance with the Investment Policy of the University.

The table below analyses the 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	**Between 2 and 5 years**	**Over 5 years**
	R	**R**	**R**
At 31 December 2019			
Interest-bearing borrowings	17 981	14 707	17 247
Accounts payable and accrued liabilities	324 110	-	-
	342 091	14 707	17 247
At 31 December 2018			
Interest-bearing borrowings	24 213	15 721	21 998
Accounts payable and accrued liabilities	235 584	-	-
	259 797	15 721	21 998

20. Financial risk management (continued)

Financial risk factors (continued)

(d) Capital risk management
The University's objectives when managing capital are to safeguard the ability of the University to continue as a going concern and meet its stated objectives. These objectives are met through careful consideration by the Council.

Funds comprise restricted and unrestricted funds. Restricted funds comprise funds, which are subject to specific conditions for application. Unrestricted funds are those funds that can be employed by Council at its discretion. Funds on the statement of changes in funds are structured to differentiate between restricted and unrestricted funds.

In order to maintain the capital structure, the 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 University are addressed.

	2019 R'000	2018 R'000
Current portion of short-term investments	3 020 900	2 560 504
Cash and cash equivalents	108 134	109 135
	3 129 034	2 669 639
Current liabilities	389 430	296 886
	389 430	296 886
	2 739 605	2 372 753

21. Capital Commitments

	2019 R'000	2018 R'000
Capital expenditure in respect of building maintenance and upgrades (including IOP/infrastructure projects) contracted for at reporting date	580 451	50 856

Council, the EXCO of Council and the Finance and Facilities Committee of Council have approved further capital development projects to the value of R246 million (2018: R921 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 University, designated grants from the Department of Higher Education and Training and external loans (approved by the Minister).

22. Cash generated from operations

	2019 R'000	2018 R'000
Reconciliation of net surplus to cash generated from operations:		
Net surplus	457 807	364 069
Adjusted for:		
Donations in kind	(1 584)	(2 929)
Depreciation	54 258	57 300
Disposal of fixed assets	98	(297)
Interest received	(240 207)	(159 764)
Dividends received	(2 762)	(2 843)
Finance costs	5 413	6 627
Employee benefit liability adjustments		
- accumulated leave liability	14 540	8 509
- leave payments	(6 464)	(5 691)
- long service award accrual	2 562	14
- post-retirement obligations	10 889	11 591
Working capital changes		
- (increase)/decrease in inventories	305	(647)
- increase in trade, other receivables and contract assets	(31 266)	(71 340)
- increase in accounts payable, accrued liabilities and contract liabilities	66 455	14 475
Cash generated by operations	330 042	219 074

23. Events after reporting period

A new coronavirus had been diagnosed during late December 2019 in Wuhan China and has since been spreading around the globe leaving many affected countries in its wake. The virus, named COVID-19 and subsequently declared a global pandemic by the World Health Organization ("WHO",) reached South Africa during early March 2020, with patient zero testing positive for the virus on 5 March 2020.

The virus has been spreading through South Africa since. The President of South Africa announced a national disaster and introduced Lockdown restrictions on 27 March 2020 to prevent the spread of the virus. The regulations promulgated under the National Disaster Act, 2002, directed for a Level 5 national lockdown of economic activity.

To this end, the University designated Compliance Officers to oversee the implementation of COVID-19 plans and adherence to standards of hygiene and health protocols. The University established a Coronavirus Task Team (CTT), designated to co-ordinate all activities relating to containing the spread of COVID-19 at the University. Under Level 5 only essential services worked from the University campuses. From 1 May 2020, in alignment with Level 4 regulations, only certain categories of employees returned to campuses in a phased but restricted manner using the principle of one-third of employees on campuses at any given time, to enable physical distancing in the workplace. Under Level 3, a phased, but restricted return for academic activity was allowed from 1 June 2020.

To this end, the University has developed a return-to-work plan in line with the government's coronavirus five alert levels. The plan is informed by the University's commitment to finish the 2020 Academic year.

23. Events after reporting period (continued)

The COVID-19 impact has presented the University with many challenges including material financial and sustainability risks, such as the following:

- COVID-19 impact on the financial statements (going concern assumption, useful life of assets, provision for bad debts, actuarial valuation);
- Reduction in third stream income. Donor funding for research projects may be deferred and or cancelled;
- Delays in planned infrastructure projects;
- Cash flow and additional budget implications due to COVID-19. The Department of Higher Education and Training has advised that there is a shortfall of R 176 million in subsidy payments in June and July. The balance is expected in August. The 2020 Supplementary Budget Review resulted in budget reprioritisation and downward revisions to the Higher Education and Training vote for University Education. There is a concern that the adjustments to the national budget announced by the President might impact future block grant allocations and earmarked grants to universities. The impact is uncertain at this stage and will be dealt with in budget scenarios for 2021 onwards;
- Student demands for reduction in fees (tuition & residence);
- Fee paying students' ability to meet debt commitments;
- The sectoral student-fee regulations and framework and the impact thereof on this income stream and financial sustainability;
- The downgrade of South Africa's credit rating to sub-investment grade;
- The impact of the international and SA economic situation.

The University has implemented the following mitigation plans in relation to the COVID-19 impact on its operations:

- Monitoring of subsidy, earmarked grants, bad debts & enrolment targets;
- Task team established to consider the impact of COVID-19 on the financial sustainability of the university and do modelling and scenario planning;
- Project Managers to consult with Donors and assess the impact on the project and timelines;
- Project cash flow planning and budget reprioritisation;
- Human Resources contract management;
- Infrastructure and Project colleagues to review infrastructure project plans and assess the impact of revised timelines potential penalties and COVID-19 related costs;
- Request for virements of infrastructure funding from Infrastructure and Efficiency Grant savings & interest approved by the Minister of Higher Education, Science and Innovation;
- Construction allowed to continue at COVID-19 Level 4 for Universities;
- Cash flow planning has been revised to ensure sufficient cashflow for operations;
- MANCO approved budget reprioritisation process for the virement of budgets to assist in addressing new and reprioritised needs due to COVID-19. Savings in salaries due to vacant posts, utility bill, travel costs, telephone costs, catering, general consumables, offset by increased costs in special consumables for cleaning, investment in personal protective equipment, data for staff, laptops, cell phone reimbursements, etc. The process includes budget transfers to a COVID-19 contingency fund;
- Academic and Campus Readiness Plans approved by The Minister of Higher Education, Science and Innovation;
- Extended due date for payment of fees from 30 April 2020 to 30 June 2020 and no interest to be charged for the 2-month extension;

23. Events after reporting period (continued)

- National Student Financial Aid Scheme (NSFAS) committed to continue payments during lockdown;
- National Student Financial Aid Scheme (NSFAS) policies and rules will have to be reviewed for 2021 as cost structures for most Universities would have been changed by the introduction of devices and data at scale into the learning and teaching processes.

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

24. Related parties

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

Party	Relationship
Nelson Mandela University Trust	The University is the sole beneficiary
Nelson Mandela University Investment Company (Pty) Ltd	Nelson Mandela University Trust is the sole shareholder and the University has significant control over the company
Rubious Mountain Properties (Pty) Ltd	The University is part of key management and 75% shareholder of the company
Innovolve (Pty) Ltd	The University is part of key management and sole shareholder of the company
Afrepell Technologies (Pty) Ltd	Investment in associate
African Floralush IP (Pty) Ltd	Investment in associate
African Floralush (Pty) Ltd	Investment in associate
Mantacor (Pty) Ltd	Significant influence
Du Randt & Grenfell Inc.	Significant influence
Luiz Stroud & Associates Inc.	Significant influence

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

Executive management are also deemed related parties of the University. Refer to note 18 for a list of all executive members and their remuneration during the financial year.

Transactions with related parties include payment for administrative salaries, finance cost, as well as investment income earned.

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

25. Revenue from contracts with customers

Disaggregated revenue information

Included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 is the disaggregation of the University's revenue from contracts with customers as set out below:

	2019 R'000	2018 R'000
Type of goods or service		
Tuition and other fee income	891 905	836 454
Income from contracts for research	98 467	111 793
Sales of goods and services	42 538	22 943
Private gifts and grants	1 138 003	587 569
Total revenue from contracts with customers	2 170 913	1 558 759
Timing of revenue recognition		
Goods transferred at a point in time	138 868	128 525
Services transferred over time	2 032 045	1 430 234
Total revenue from contracts with customers	2 170 913	1 558 759

Performance obligations

The vast majority of the University's contracts are for the delivery of goods or services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies.

The performance obligation is satisfied upon delivery of the goods or service and payment is generally due within 30 to 90 days from delivery.

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

Sales of goods and services performance obligation are satisfied upon delivery of the services or goods.

Private gift and grants and income from contracts for research performance obligations are satisfied over time and contractual period can exceed a 12-month period.

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.

There is no significant financing component for contracts with customers.

Contract assets net of credit losses	2019 R'000	2018 R'000
Student Debtors	131 760	115 181
External Debtors	93	14 323
	131 853	129 503

Contract liabilities	2019 R'000	2018 R'000
Active students	167 877	102 552
Non-active students	42 258	32 950
Deferred Income	199 961	148 779
	410 096	284 281