

NELSON MANDELA  
UNIVERSITY

ANNUAL  
FINANCIAL  
STATEMENTS

2023



# NELSON MANDELA UNIVERSITY

## CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2023

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<b>CONTENTS</b>	<b>Page</b>
General information	2
Council's statement of responsibility for the consolidated financial statements	3
Financial overview of the 2023 financial year	4 - 8
Auditor's report	9 - 15
Consolidated statement of financial position	16
Consolidated statement of comprehensive income	17-18
Consolidated statement of changes in funds	19
Consolidated statement of cash flows	20
Notes to the financial statements	21 - 78

## GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Higher Education
Registered office	Nelson Mandela University South Campus Summerstrand Port Elizabeth 6001
Business address	Nelson Mandela University South Campus Summerstrand Port Elizabeth 6001
Postal address	PO Box 77000 Nelson Mandela University Port Elizabeth 6031
Auditors	SNG Grant Thornton Chestnut House, Palm Square Business Park Bonza Bay Road East London 5201
Public Benefit Organisation Number	PBO 18/11/7/211
Income Tax reference number	9023043145

## **COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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The Council is responsible for the preparation, integrity and fair presentation of the consolidated financial statements of the Nelson Mandela University. The financial statements, presented on pages 16 to 78, have been prepared in accordance with International Financial Reporting Standards and as required by the Minister of Education in terms of section 41 of the Higher Education Act (No. 101 of 1997), as amended. The financial statements include amounts based on judgements and estimates made by Management.

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

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

The financial statements have been audited by the independent audit firm, SizweNtsalubaGobodo Grant Thornton Inc, 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 16 - 78 were approved by the Council of the Nelson Mandela University on 20 June 2024 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 2023 FINANCIAL YEAR**

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### **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 2023 covers all activities of the university, which include audited results of the Nelson Mandela University Trust, companies and other partnerships where the university exercises control. The activities of the Trust are governed by the provisions of the Trust deed and an independent board of trustees. These consolidated financial statements provide a complete and comprehensive overview of the operations and financial position of the university.

### **Budgeting Process**

South African public universities construct their integrated budgets with the same revenue streams, though in different proportions. The revenue side of such an integrated budget comprises the following primary income streams: Government subsidy/Block Grant; Student fees; Third income streams.

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

These committees allocate funds, informed by Vision 2030, strategic plans and Council's performance objectives. A three-year Annual Performance Plan (APP), cash flow and reserves accumulation, contributes to the strategic approach to financial planning and resource stewardship.

### **Higher Education and Training Environment**

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

The block grant subsidy's growth, however, has fallen behind inflation for a few years, with a decline in absolute terms. It is important to note that the decline in block grant subsidy is not primarily due to government's fiscal difficulties, but due to the Department of Higher Education and Training's (DHET) increase of the NSFAS budget within the total post-school education budget. The decline (relative to inflation) of the block grant subsidy to universities has meant that the second income stream has become an ever more important source of funding to ensure the financial sustainability of universities, increasing cost to access university education.

The capping of fee increases, providing debt relief concessions to academically deserving students in financial need, stagnant block grant subsidies for operational costs, changing cost structures together with the effect of a constrained economy, have all impacted the financial sustainability of institutions.

It is apparent from the latest Ministerial Statement on University Funding, as well as the National Assembly Department of Higher Education and Training Budget Vote Presentation 2024 by the Minister of Higher Education, Science, and Innovation, that the already constrained budget has been reprioritised to cater for the additional funding required for NSFAS First Time Entering students. This together with capping of fees, mean that the most significant streams of funding will be limited, which requires careful consideration around resource allocation. As the university is still heavily reliant on fees and subsidy, a Sustainability, and Institutional Viability Task Team (SIVTT) has been implemented to contribute to the sustainability of the university.

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

**Overview of 2023 financial position**



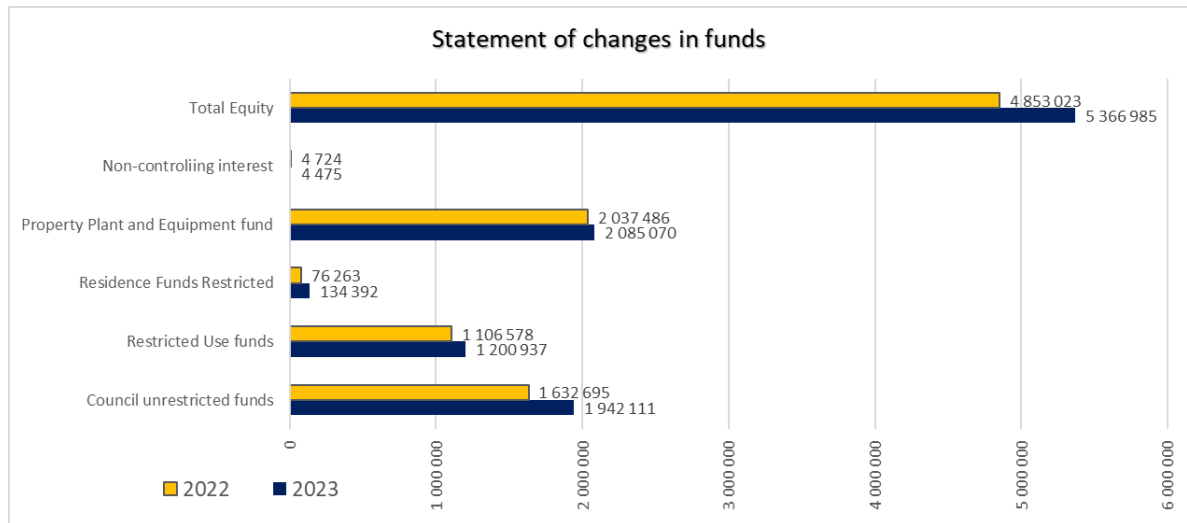
The University once again posted a positive set of financial results during the year under review. The consolidated statement of comprehensive income reflects a consolidated surplus of R413 million (2022: R425 million) before other comprehensive income, of which Council controlled operations amounted to R259 million (2022: R349 million) or 8% reserve accumulation, achieving Councils' performance indicator of 5% to 10%. Council controlled operations encompass the main recurrent operating activities that provide and support learning and teaching.

Student accommodation surplus amounted to R60 million (2022: R14 million) and the Trust R112 million (2022: R106 million). Specifically funded activities (restricted) realised a net deficit of R18 million (2022: R44 million deficit).

The consolidated surplus before other comprehensive income and finance income amounts to R22 million (2022: R172 million), of which Council controlled operations amounted to a deficit of R108 million (2022: R117 million surplus).

The re-measurements of post-retirement obligations and revaluation of investments to market value disclosed under other comprehensive income has increased Total Comprehensive Income for the year by R76 million (2022: R44 million).

The consolidated statement of financial position reflects an increase in total assets of R736 million with equity funds increasing by R509 million and total liabilities by R227 million. Retirement benefit obligations decreased by R5 million and now amounts to R67 million. The liquidity position is sound as indicated by the liquidity ratio.



The consolidated statement of changes in funds indicates that Restricted use funds amounts to R1 201 million (2022: R1 106 million), Residence funds amounts to R134 million (2022: R76 million), while Council unrestricted funds amounts to R1 942 million (2022: R1 632 million) of which the General Reserve amounts to R1 551 million (2022: R1 209 million).

## **Financial Indicators**

<b>Financial Indicators</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Council controlled: - State support income (State appropriations /total recurrent income)	43,89%	48,16%	52,33%	52,28%	49,09%	48,15%	47,89%	47,57%	44,68%
Council controlled: - Own funding as % income (Other income/total recurrent income)	56,11%	51,84%	47,66%	47,71%	50,91%	51,84%	52,11%	52,43%	55,32%
Council controlled: - Staff cost as % total recurrent expenses - Total Staff costs (Council controlled - AFS)/Recurrent expenditure (council controlled)	59,87%	66,00%	65,15%	61,56%	60,69%	60,87%	63,77%	59,00%	58,62%
Council controlled: - Staff cost as % total recurrent income - Total Staff costs (Council controlled - AFS)/Recurrent income (council controlled). The expected normal standard for total personnel cost as a percentage of total revenue is between 58% and 63%	54,84%	57,69%	56,77%	57,71%	54,34%	53,71%	56,69%	56,96%	54,56%
Council controlled: - Staff cost (Academic incl. Foundation Programme and Professional Administrative and Support Staff and as a % of net tuition fees and operational subsidy). Council Benchmark 65 %	63,94%	58,03%	57,79%	59,82%	58,14%	59,38%	60,53%	65,24%	63,46%
Council controlled: - Net surplus as % including finance income. The DHET expected normal standard is a surplus. Council benchmark of between 5% and 10 % from council-controlled operations.	8,42%	12,59%	12,87%	6,25%	10,47%	11,76%	11,12%	3,47%	6,92%
Council controlled: - Net surplus as % excluding finance income	-3,52%	4,21%	7,56%	0,11%	3,01%	5,12%	4,25%	-3,37%	1,27%
Student debt ratio: - Student Debtors before provision for doubtful debt/Total Tuition & Other Fees.	28,87%	28,92%	33,02%	42,22%	24,34%	22,35%	17,64%	21,81%	12,17%
Short Term Liquidity ratio (current assets/current liabilities). Expected normal standard is > 2:1	3,51%	4,12	5,13	6,91	8,99	10,23	8,28	7,31	8,36
Sustainability ratio (Council-controlled reserves only) (Council-controlled reserves / annual recurrent expenditure on Council-controlled expenditure) Council has in 2020 set this target at 1.00 as for reserves to equal the annual cost of recurrent expenditure	0,69	0,68	0,63	0,55	0,55	0,62	0,46	0,26	0,18
Sustainability ratio (Total reserves) Total reserves / annual recurrent expenditure	1,90	2,00	1,91	1,61	1,60	1,63	1,29	1,08	1,19
Post-retirement Liabilities (balance sheet)	R 67m	R72m	R75m	R62m	R69m	R68m	R61m	R35m	R23m

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

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

The Sustainability and Institutional Viability Task Team (SIVTT) will focus on three key areas being academic optimisation, improved efficiencies and strategy aligned resource mobilisation and budgeting as to contribute to Vision 2030 and financial sustainability of the university. This work aims to achieve 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 while enhancing digital transformation.

The University will confront these challenges by means of its strategic approach to financial planning and management.



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

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



**D MacLean**  
**Chairperson: Finance & Facilities Committee**



**M R Monaghan**  
**Executive Director: Finance**

## **Independent Auditor's Report**

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To the Minister of Higher Education, Science and Innovation 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 the Nelson Mandela University and its subsidiaries (the group)] set out on pages 16 to 78, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, statement of changes in funds, and statement of cash flows for the year then ended, as well as notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, 1997 (Act no.101 of 1997).

#### **Basis for opinion**

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

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

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 Consolidated Financial Statements**

The Council, which constitutes the accounting authority, 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, 1997 (Act no.101 of 1997), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

**Report on the audit of the annual performance report**

**Introduction and scope**

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

We selected the following objectives presented in the annual performance report for the year ended 31 December 2023. We selected objectives that measures the University’s performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Pages in the annual performance report
Strategic Focus Area 1 – Liberate Human Potential humanising, Innovative lifelong learning experience	79 – 93
Strategic Focus Area 2 – Pursue impactful, pioneering research, Innovation and internationalisation.	93 – 99

We evaluated the reported performance information for the selected strategic focus area’s against the criteria developed from the performance management and reporting framework, as defined in the general notice. When annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the University’s planning and delivery on its mandate and objectives. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the University’s mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

Victor Sekese [Chief Executive]  
A comprehensive list of all Directors is available at the company offices or registered office.

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We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

**Strategic Focus Area – Pursue impactful, pioneering research, Innovation and internationalisation.**

**Consistency**

The key performance indicator target as per the annual performance plan is not consistent with the key performance indicator Target reported in the annual performance report for these indicators

- **Performance indicator 10:** Weighted graduate outputs per permanent academic staff member
- **Performance indicator 11:** Weighted research outputs per permanent academic staff member

**Changes not approved**

The targets included in the approved annual performance plan were changed without the necessary approval.

**Performance Indicator 10: Weighted graduate outputs per permanent academic staff member**

KPI	2023 targets as per APP		Revised targets as per APR	
	Teaching output	Weighted teaching output	Teaching output	Weighted teaching output
UG Certificates and Diploma (1 year)	549	274.5	659	330
UG Diplomas (3 years)	1805	1805	2158	2158
UG Bachelor's Degrees (3 years)	1566	1566	1740	1740
UG Bachelor's Degrees (4 years/ more)	1010	1515	1514	1514
UG Advanced Diplomas (1 Year)	1107	553.5	990	495

KPI	2023 targets as per APP		Revised targets as per APR	
	Teaching output	Weighted teaching output	Teaching output	Weighted teaching output
PG Certificate in Education (1 Year)	144	72	116	58
Honours Degree/PG Diploma (1 Year)	935	467.5	870	435
Non-Research Masters Degree and diplomas	283.563	141.781	94	47

**Performance Indicator 11: Weighted research outputs per permanent academic staff member**

KPI	2023 targets as per APP	Revised targets as per APR
Research Publication Units	565	570
Master's Research Units	265	219
Doctoral (Weighted)	264	270
Total Weight Research Output Units	1094	1059
Permanent Academic staff	704	723
Weighted research output units per permanent academic staff member	1.6	1.5

**Other matter**

We draw attention to the matter below:

**Achievement of planned targets**

The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement's. This information should be considered in the context of the material findings on the reported performance information.

Report on the audit of compliance with legislation

**Material misstatements**

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of strategic focus area one and two. Management subsequently corrected all the misstatements for strategic focus area one. Material misstatement on strategic focus area two could not be corrected.

**Report on the audit of compliance with legislation Introduction and scope**

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with legislation relating to financial matters, financial management and other relevant matters. The Council is responsible for the University's compliance with legislation.

We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the University, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

We did not identify material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**Other information**

The accounting authority 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 performance report that have been specifically reported in this auditor’s report.

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

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

We have nothing to report in this regard.

**Internal Control deficiencies**

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

The matter reported below is limited to the significant internal control deficiencies that resulted in [the findings on the annual performance report strategic focus area two. A change to planned target was not approved by Council.

**Other reports**

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

**Agreed-upon procedure engagements**

Engagement name	Period End	Firm performing the engagement	Status	Expected date of issuing report
Financial data-DHET	31-Dec-23	SNG Grant Thornton	In progress	30 June 2024
Clinical Training	31-Dec-23	SNG Grant Thornton	In progress	31 July 2024
Hemis Audit	31-Dec-23	SNG Grant Thornton	In progress	31 July 2024
Research Articles	31-Dec-23	SNG Grant Thornton	Completed	The report has been issued.



Agnes Dire  
SizweNtsalubaGobodo Grant Thornton Inc.  
Director  
Registered Auditor  
30 June 2024

Building 4, Summit Place  
221 Garstfontein Road,  
Menlyn, 0081

## **Annexure – Auditor’s responsibility for the audit**

The annexure includes the following:

- the auditor’s responsibility for the audit
- the selected legislative requirements for compliance testing.

### **Auditor’s responsibility for the audit**

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

## **Financial statements**

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

- identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nelson Mandela University’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council, which constitutes the accounting authority
- conclude on the appropriateness of the accounting authority’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 relating to events or conditions that may cast significant doubt on the ability of the Nelson Mandela University and its subsidiaries 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 our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause the Nelson Mandela University and its Subsidiaries to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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**

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them 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.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements The selected legislative requirements are as follows:

<b>Legislation</b>	<b>Sections or regulations</b>
<b>Public Audit Act 25 of 2004 ( PAA)</b>	<b>Annual Financial statements</b> <ul style="list-style-type: none"> <li>•PAA 14(2)(b)</li> <li>•RRPHEI 7(4)(b)(xii)</li> <li>•HE Act 41(1)(b)(ii)</li> </ul>
<b>Regulations for Reporting by Public Higher Education Institutions</b>	
<b>Higher Education Act 101 of 1997</b>	
<b>Higher Education Act 101 of 1997</b>	<b>Asset Management</b> <ul style="list-style-type: none"> <li>•HE Act 20(5)</li> <li>•HE Act 40(3)(a)(i)</li> <li>•HE Act 40(3)(a)(ii)</li> <li>•HE Act 40(3)(a)(iii)</li> </ul>
<b>Prevention and Combating of Corrup Activities Act 12 of 2004</b>	<b>Consequence Management</b> <ul style="list-style-type: none"> <li>•PRECCA 34(1)</li> </ul>
<b>Regulations for Reporting by Public Higher Education Institutions</b>	<b>Strategic Planning</b> <ul style="list-style-type: none"> <li>•RRPHEI 4(1)</li> <li>•RRPHEI 4(2)</li> <li>•RRPHEI 5(1)</li> <li>•RRPHEI 5(2)(a)</li> <li>•RRPHEI 5(2)(d)</li> <li>•RRPHEI 5(2)(g)</li> <li>•RRPHEI 5(2)(m)</li> <li>•RRPHEI 6(2)</li> <li>•RRPHEI 6(2)(d)</li> <li>•RRPHEI 6(2)</li> <li>•RRPHEI 6(3)</li> </ul>

Victor Sekese [Chief Executive]  
 A comprehensive list of all Directors is available at the company offices or registered office.

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**NELSON MANDELA UNIVERSITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2023**

	Notes	2023 R'000	*Restated 2022 R'000	*Restated 2021 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
		4 207 449	4 036 714	3 047 237
Property, plant and equipment	2	2 193 346	2 188 379	2 019 602
Intangible assets	3	1 534	1 860	2 221
Long term investments	4	242 281	213 147	227 284
Other financial assets	6.1	1 770 288	1 633 327*	798 130*
<b>Current assets</b>				
		3 943 058	3 377 653	3 763 341
Inventories	5	4 118	3 308	3 304
Trade and other receivables	7	379 589	324 005*	382 397*
Other financial assets	6.1	3 426 107	2 928 026*	3 247 558*
Cash and cash equivalents	6.2	133 122	122 314	130 007
Deferred tax		122	-	-
Current tax receivable		-	-	75
<b>Total assets</b>		<u>8 150 507</u>	<u>7 414 366</u>	<u>6 810 578</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity funds</b>				
		5 366 985	4 857 746	4 390 518
<b>Equity funds attributable to owners of the parent</b>				
Property, plant and equipment fund		2 085 070	2 037 486	1 872 431
Restricted use funds		1 335 329	1 182 841	1 082 858
Residence restricted funds		134 392	76 263	56 025
Other restricted funds		1 200 937	1 106 578	1 026 833
Council unrestricted funds		1 942 111	1 632 695	1 435 229
Non-controlling interest		4 475	4 724	-
<b>Non-current liabilities</b>				
		1 660 304	1 728 011	1 685 258
Deferred income	8	1 149 796	1 198 511	1 218 291
Interest-bearing borrowings	9	308 287	324 883	262 701
Retirement benefit obligations	10	67 478	72 350	74 535
Accumulated leave liability	11	128 807	126 231	121 941
Long service award accrual	13	5 936	6 036	7 320
Deferred tax		-	-	471
<b>Current liabilities</b>				
		1 123 217	828 609	734 802
Deferred income	8	13 650	14 590	14 621
Current portion of borrowings	9	22 341	22 188	13 230
Accumulated leave liability	11	2 573	2 631	2 478
Accounts payable and accrued liabilities	12	1 083 493	785 193	703 199
Long service award accrual	13	1 126	1 512	1 274
Current tax payable		34	2 495	-
<b>Total equity and liabilities</b>		<u>8 150 507</u>	<u>7 414 366</u>	<u>6 810 578</u>

- Restated – these figures have been restated for years 2022 and 2021. Refer note 30.

**NELSON MANDELA UNIVERSITY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2023

Notes	2023						2022
	Council controlled unrestricted	Specifically funded activities restricted	NMU Trust restricted	SUB-TOTAL	Residence Restricted	TOTAL	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>TOTAL INCOME</b>	<b>3 081 297</b>	<b>265 801</b>	<b>112 478</b>	<b>3 459 577</b>	<b>258 338</b>	<b>3 717 915</b>	<b>3 483 362</b>
RECURRENT ITEMS	3 080 768	237 913	112 478	3 431 159	258 338	3 689 497	3 484 166
State appropriations	1 352 111	30 018	-	1 382 129	20	1 382 149	1 635 217
Tuition and other fee income	1 045 133	-	-	1 045 133	258 319	1 303 452	1 186 394
Income from contracts for research	74 898	94 277	-	169 174	-	169 174	172 035
Sales of goods and services	101 107	7 641	-	108 748	-	108 748	75 080
Private gifts and grants	139 622	89 630	105 609	334 861	-	334 861	162 060
<b>TOTAL REVENUE</b>	<b>2 712 872</b>	<b>221 565</b>	<b>105 609</b>	<b>3 040 045</b>	<b>258 338</b>	<b>3 298 384</b>	<b>3 230 786</b>
Finance income	367 896	16 348	6 869	391 113	-	391 113	253 379
NON-RECURRENT ITEMS	530	27 888	-	28 418	-	28 418	(804)
Profit/(Loss) on disposal of PPE	530	(88)	-	442	-	442	(804)
Other	-	27 976	-	27 976	-	27 976	-
<b>TOTAL EXPENDITURE</b>	<b>2 821 879</b>	<b>284 166</b>	<b>918</b>	<b>3 106 963</b>	<b>197 949</b>	<b>3 304 912</b>	<b>3 058 496</b>
Personnel costs	1 689 431	83 273	-	1 772 704	61 711	1 834 415	1 724 666
Academic professional	782 217	41 236	-	823 452	-	823 452	771 014
Other personnel	905 182	42 038	-	947 219	61 711	1 008 931	950 255
Accumulated leave	2 518	-	-	2 518	-	2 518	4 443
Long service award	(486)	-	-	(486)	-	(486)	(1 047)
Other operating expenses (Exclude compensation, depreciation, amortisation & debt service)	920 747	200 893	918	1 122 557	96 106	1 218 663	1 198 079
Impairment loss	119 196	-	-	119 196	-	119 196	28 434
Depreciation	90 616	-	-	90 616	12 337	102 953	92 829
Amortisation	326	-	-	326	-	326	326
Finance costs	1 564	-	-	1 564	27 795	29 359	14 162
<b>NET SURPLUS/(DEFICIT) BEFORE TAXATION</b>	<b>259 418</b>	<b>(18 365)</b>	<b>111 560</b>	<b>352 613</b>	<b>60 389</b>	<b>413 003</b>	<b>424 866</b>
Taxation	(113)	-	-	(113)	(344)	(457)	(2 175)
<b>NET SURPLUS/(DEFICIT)</b>	<b>259 305</b>	<b>(18 365)</b>	<b>111 560</b>	<b>352 501</b>	<b>60 045</b>	<b>412 546</b>	<b>422 691</b>
<b>Net surplus/(Deficit) for the year attributable to:</b>							
Non-controlling interest	249	-	-	249	-	249	21
Owners of the parent	259 057	(18 365)	111 560	352 252	60 045	412 297	422 670
	<b>259 305</b>	<b>(18 365)</b>	<b>111 560</b>	<b>352 501</b>	<b>60 045</b>	<b>412 546</b>	<b>422 691</b>

**NELSON MANDELA UNIVERSITY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**  
for the year ended 31 December 2023

Notes	2023						2022
	Council controlled unrestricted	Specifically funded activities restricted	NMU Trust restricted	SUB-TOTAL	Residence Restricted	TOTAL	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>OTHER COMPREHENSIVE INCOME</b>							
Items that will not be reclassified subsequently to surplus or deficit:							
Remeasurements – Retirement healthcare obligation	37 919	-	-	37 919	-	37 919	30 311
Remeasurements – pension fund obligation	13 073	-	-	13 073	-	13 073	10 479
Revaluation of investments at year end <b>27.1</b>	-	-	25 109	25 109	-	25 109	2 736
	<u>50 993</u>	<u>-</u>	<u>25 109</u>	<u>76 102</u>	<u>-</u>	<u>76 102</u>	<u>43 527</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>310 298</b>	<b>(18 365)</b>	<b>136 669</b>	<b>428 602</b>	<b>60 045</b>	<b>488 648</b>	<b>466 217</b>
<b>Comprehensive income for the year attributable to:</b>							
Non-controlling interest	249	-	-	249	-	249	21
Owners of the parent	310 049	(18 365)	136 669	428 354	60 045	488 399	466 196
	<u>310 298</u>	<u>(18 365)</u>	<u>136 669</u>	<u>428 602</u>	<u>60 045</u>	<u>488 648</u>	<u>466 217</u>

**NELSON MANDELA UNIVERSITY**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS**  
For the year ended 31 December 2023

Description	Unrestricted			Restricted			Restricted Funds Sub-total	Residence Funds Restricted	Property, Plant and Equipment Fund R'000	Total Contributable to Parent Company R'000	Non-Controlling Interest* R'000	Total R'000
	General Reserve Fund	Accumulated Fund	Council Funds Subtotal	Contract/Private Funds	NMU Trust/Restricted Funds	Other Restricted Funds						
	R'000	R'000	R'000	R'000	R'000	R'000						
<b>Balance at 1 January 2023</b>	1 209 582	423 112	1 632 694	30 447	222 883	853 246	1 106 578	76 263	2 037 486	4 853 022	4 724	4 857 746
Recognition of Non-Controlling Interest	-	249	249	-	-	-	-	-	-	249	(249)	-
Net surplus	371 824	(112 519)	259 305	(18 365)	111 560	-	93 195	60 045	-	412 546	-	412 546
Other comprehensive income	-	50 993	50 993	-	25 109	-	25 109	-	-	76 102	-	76 102
Other additions	1 868	29 675	31 542	146 234	-	-	146 234	4 513	25 453	207 742	-	207 742
Funds utilised	-	(24 358)	(24 358)	(144 534)	(278)	-	(144 813)	(17 980)	-	(187 150)	-	(187 150)
Net transfers (to)/from other funds	(31 596)	23 282	(8 314)	62 498	(113 336)	25 472	(25 366)	11 550	22 131	-	-	-
<b>Balance at 31 December 2023</b>	<b>1 551 678</b>	<b>390 433</b>	<b>1 942 111</b>	<b>76 280</b>	<b>245 938</b>	<b>878 718</b>	<b>1 200 937</b>	<b>134 392</b>	<b>2 085 070</b>	<b>5 362 510</b>	<b>4 475</b>	<b>5 366 985</b>
<b>Balance at 1 January 2022</b>	956 049	479 179	1 435 229	14 721	220 299	791 813	1 026 833	56 025	1 872 431	4 390 517	-	4 390 517
Recognition of Non-Controlling Interest*	-	(4 745)	(4 745)	-	-	-	-	-	-	(4 745)	4 745	-
Net surplus	276 854	69 580	346 434	(43 616)	103 085	-	59 469	16 810	-	422 712	(21)	422 691
Other comprehensive income	-	40 791	40 791	-	2 736	-	2 736	-	-	43 527	-	43 527
Other additions	333	23 222	23 555	138 034	-	-	138 034	4 352	10 945	176 888	-	176 888
Funds utilised	-	(35 358)	(35 358)	(136 959)	(168)	-	(137 126)	966	(4 358)	(175 876)	-	(175 876)
Net transfers (to)/from other funds	(23 655)	(149 556)	(173 210)	58 267	(103 069)	61 435	16 633	(1 890)	158 467	-	-	-
<b>Balance at 31 December 2022</b>	<b>1 209 582</b>	<b>423 112</b>	<b>1 632 694</b>	<b>30 447</b>	<b>222 883</b>	<b>853 246</b>	<b>1 106 578</b>	<b>76 263</b>	<b>2 037 486</b>	<b>4 853 022</b>	<b>4 724</b>	<b>4 857 746</b>

Refer Note 28 Statement of Equity movements.

\* This is a recognition of the Non-controlling interest relating to Rubious Mountain Properties (Pty) Ltd, in which the university has a 75% holding, which was previously not recognised in prior years due to the amount being insignificant. The minority shareholder was not prejudiced by this non-disclosure.

**NELSON MANDELA UNIVERSITY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2023

	Notes	2023 R'000	2022 R'000
<b>Cash flow from operating activities</b>			
Cash generated by operations	23.1	419 425	456 436
Interest income - short term		297 723	158 145
Taxation paid	24	<u>(3 040)</u>	<u>(76)</u>
Net cash inflow from operating activities		<u>714 108</u>	<u>614 505</u>
<b>Cash flow from investing activities</b>			
Interest income		361	2 576
Dividend income	16	2 687	3 894
Purchase of property, plant and equipment	23.2	(112 838)	(267 378)
Interest paid capitalised to property, plant and equipment	23.2	(4 282)	(10 270)
Proceeds on disposal of property, plant and equipment		643	648
Purchase of investments		(548 660)	(426 900)
Purchase of Trust* investment portfolio		(1 145)	(18 211)
Proceeds on Trust* investment portfolio		9 117	36 466
Redemptions/release of capital to bank		<u>(3 382)</u>	<u>-</u>
Net cash outflow from investing activities		<u>(657 498)</u>	<u>(679 176)</u>
<b>Cash flow from financing activities</b>			
Interest paid on borrowings and lease liabilities	26	(29 359)	(14 162)
Repayment of borrowings and lease liabilities	23.3	(16 443)	(6 860)
Cash received borrowings	23.3	-	78 000
Net cash (outflow)/inflow from financing activities		<u>(45 802)</u>	<u>56 978</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>			
		10 808	(7 694)
Cash and cash equivalents at beginning of year		122 314	130 007
Cash and cash equivalents at end of year	6.2	<u>133 122</u>	<u>122 314</u>

\* Purchase of investment portfolio at cost and proceeds on disposal of investment portfolio at cost relate to investment in the Trust which is a subsidiary of the Nelson Mandela University

## 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.

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

### 1.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Nelson Mandela University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are valuation of employee benefits, impairment of receivables and valuation of certain investments. The details relating to specific critical accounting estimates are disclosed in the following notes:

- Property, plant and equipment (Note 2)
- Long-term investments (Note 4)
- Trade and other receivables (Note 7)
- Retirement benefit obligations (Note 10)
- Accumulated leave liability (note 11)
- Long service award accrual (Note 13)

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

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

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

- The new standards and pronouncements approved but not yet effective have been assessed by the Nelson Mandela University and the impact is expected not to be significant. Only the specific standards that are applicable to the group have been listed below.

Amendments to IAS 1	Classification of liabilities as current or non-current	1 Jan 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current — Deferral of Effective Date	1 Jan 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 Jan 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 Jan 2024
IFRS S2 – Climate-related Disclosures	IFRS S2 – Climate-related Disclosures	1Jan 2024

**1. Accounting policies (continued)**

**1.1 Basis of preparation (continued)**

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

The following new standards that were approved and effective from 1 January 2023 have been applied by the Nelson Mandela University:

- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of accounting policies
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of accounting estimates

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

**1.2 Basis of Consolidation**

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

All financial activities of the Nelson Mandela University have been included in these financial statements. Also included are the financial activities of the Nelson Mandela University Trust, Rubious Mountain Properties (Pty) Ltd, Innovolve (Pty) Ltd and its subsidiaries and the Nelson Mandela University Investment Company (Pty) Ltd. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests is accounted for based on their respective ownership interests.

**1.3 Revenue recognition**

*1.3.1 State appropriations: Subsidy and grant income*

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

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

*1.3.2 Revenue from contracts with customers*

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

**1. Accounting policies (continued)**

**1.3 Revenue recognition (continued)**

*1.3.2 Revenue from contracts with customers (continued)*

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

<b>Revenue Type</b>	<b>Recognition</b>	<b>Transfer of control</b>	<b>Measurement</b>	<b>Duration of contract</b>	<b>Price determination</b>
Tuition and Residence Fees	applicable to one academic and financial year and are recognised in that year	Over time	Fair value	12 months	Regulated by the Department of Higher Education
Sales of goods and services (includes sales of books and promotional items, analytical work done by University departments such as testing)	upon delivery of the services or goods	Goods transferred at a point in time when delivered to students. Services transferred over time	Fair value	normally 30 days from date of invoice	Sales – market related services – as per agreed terms and conditions
Contracts for research	generally upon signature date of contract or as deliverables or milestones are met.	Over time	Fair value	contractual periods can exceed a 12-month period	As per agreed terms and conditions
Private gifts and grants (includes funding received from donors with no conditions attached)	measuring progress towards completion of that performance obligation by using the input method, making use of measurements of resources consumed, labour hours expended and costs incurred	Over time	Fair value	can exceed a 12 month period	None – determined as received



**1. Accounting policies (continued)**

**1.3 Revenue recognition (continued)**

*1.3.2.1 Non-cash consideration*

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

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

*1.3.2 Interest income*

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

*1.3.3 Dividend income*

Dividends are recognised when the Nelson Mandela University's right to receive a dividend is established.

*1.3.4 Private gifts and grants*

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

**1.4 Segment Information and Reserve Funds**

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

*1.4.1. Council unrestricted funds*

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

*1.4.2. Restricted use funds*

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

*1.4.3. Property, plant and equipment funds*

These funds are designated funds for the specific purpose of fixed asset purchases.

*1.4.4 Residence funds*

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

## **1. Accounting policies (continued)**

### **1.4 Segment Information and Reserve Funds (continued)**

#### **1.4.5 Restricted income**

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

### **1.5 Financial Instruments - initial recognition and subsequent measurement**

#### **1.5.1 Financial assets**

##### **1.5.1.1 Initial recognition and measurement**

Financial assets, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

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

##### **1.5.1.2 Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)

##### **1.5.1.3 Financial assets at amortised cost (debt instruments)**

The Nelson Mandela University measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Nelson Mandela University's financial assets at amortised cost includes trade and other receivables, fixed deposits, gilts and bonds.

##### **1.5.1.4 Financial assets at fair value through profit and loss**

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

**1. Accounting policies (continued)**

**1.5.1 Financial assets (continued)**

*1.5.1.4 Financial assets at fair value through profit and loss (continued)*

These assets are included as long-term investments under non-current assets unless there is an intention to dispose of the investment within 12 months of the reporting date.

Mandated external investment managers carry out the investment of the Group's pool of funds, with the objective of long-term growth in the value of the investments.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*1.5.1.5 Impairment of financial assets*

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

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

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

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

*1.5.1.6 Write off policy*

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

Actual bad debts are written off in the year following that in which they are identified, after approval by the Finance and Facilities Committee.

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

*1.5.1.7.1. Cash and cash equivalents*

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

**1. Accounting policies (continued)**

**1.5.1 Financial assets (continued)**

*1.5.1.7.2. Trade receivables*

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

The Nelson Mandela University's exposure to credit risk from external debtors, is mainly attributable to non-payment of the outstanding debt.

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

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

*1.5.1.7.3. Other receivables and External Debtors*

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

*1.5.1.7.4. Other financial assets - Investments*

The Nelson Mandela University's exposure to credit risk, from investments arises from default of the counter party.

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

**1.6.1 Financial liabilities**

*1.6.1.1 Initial recognition and measurement*

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

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

*1.6.1.2 Subsequent measurement*

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

*1.6.1.3 Financial liabilities at amortised cost*

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

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

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

## **1. Accounting policies (continued)**

### **1.7 Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Nelson Mandela University and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss during the financial period in which they are incurred.

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

Buildings, Infrastructure, Sports facilities	10 to 50 years
Furniture and equipment including art collection	5 to 20 years
Motor Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

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

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

### **1.8 Impairment of property, plant and equipment and intangible assets**

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

### **1.9 Inventories**

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

**1. Accounting policies (continued)**

**1.10 Employee benefits**

*1.10.1 Accumulated annual leave*

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

*1.10.2 Retirement benefit obligations – pensions*

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

The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Nelson Mandela University pays fixed contributions into a separate entity. The Nelson Mandela University has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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

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

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

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

*1.10.3 Retirement benefit obligations – medical benefits*

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

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

**1. Accounting policies (continued)**

**1.10 Employee benefits (continued)**

**1.10.3 Retirement benefit obligations – medical benefits (continued)**

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

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

Any plan assets are valued at current market value.

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

**1.10.4 Long service awards**

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

**1.11 Leases**

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

**1.11.1 As a Lessee**

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

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

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term except where ownership transfers.

**1. Accounting policies (continued)**

**1.11 Leases (continued)**

**1.11.1 As a Lessee (continued)**

The estimated average useful lives are:

Right of Use Assets - Infrastructure 25 to 50 years

The Nelson Mandela University uses the incremental borrowing rate as the discount rate.

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

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

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

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

The Nelson Mandela University right of use assets is included in property, plant and equipment and right of use liability is recognised in interest-bearing borrowings.

**1.12 Intangible assets**

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated average useful lives are:

Externally purchased computer software 3 to 5 years



**1. Accounting policies (continued)**

***1.13 Borrowing costs***

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

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

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

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

**2. Property, plant and equipment**

	Land, Buildings, Infrastructure and Sport Facilities	Assets under Construction	Right of use of assets Infrastructure	Computer Equipment	Furniture and Equipment	Motor Vehicles	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Year ended 31 December 2023</b>							
Opening net book value	1 320 314	616 694	22 562	60 777	157 403	10 631	2 188 379
Additions	-	21 097	-	44 807	46 979	4 236	117 119
Transfers	507 012	(507 012)	-	-	-	-	-
Disposals	-	-	-	(130)	(7)	(64)	(201)
Depreciation charge	(48 025)	-	(835)	(1 270)	(59 351)	(2 470)	(111 951)
Closing net book value	1 779 301	130 779	21 727	104 184	145 024	12 333	2 193 346
<b>At 31 December 2023</b>							
Cost	2 276 398	130 779	25 069	312 599	748 314	55 750	3 548 909
Accumulated depreciation	(497 096)	-	(3 342)	(208 415)	(603 291)	(43 418)	(1 355 562)
Net book value	1 779 301	130 779	21 727	104 184	145 024	12 333	2 193 346
<b>Year ended 31 December 2022</b>							
Opening net book value	1 273 143	522 791	23 397	58 929	134 589	6 755	2 019 602
Additions	-	177 244	-	24 993	63 262	8 064	273 563
Transfers	83 341	(83 341)	-	-	-	-	-
Disposals	(34)	-	-	(141)	(1 277)	-	(1 452)
Depreciation charge	(36 136)	-	(835)	(23 004)	(39 171)	(4 188)	(103 334)
Closing net book value	1 320 314	616 694	22 562	60 777	157 403	10 631	2 188 379
<b>At 31 December 2022</b>							
Cost	1 769 385	616 694	25 069	267 922	701 342	51 578	3 431 990
Accumulated depreciation	(449 071)	-	(2 507)	(207 145)	(543 940)	(40 948)	(1 243 611)
Net book value	1 320 314	616 694	22 562	60 777	157 403	10 631	2 188 379

**2. Property, plant and equipment (continued)**

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

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Total depreciation charge	111 951	103 334
Depreciation on library books	4 653	4 085
Less: Release from deferred income	<u>(13 650)</u>	<u>(14 590)</u>
Statement of comprehensive income	<u>102 953</u>	<u>92 829</u>

Land and land improvements with a net carrying value of R353.5 million (2022: R122.7 million) is included as part of land and buildings, infrastructure and sport facilities.

Included in profit or loss is insurance proceeds received from the University insurers for property, plant and equipment lost or damaged which amounts to R2.0 million (2022: R2.3 million).

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

Right of use of assets infrastructure include lease assets with carrying value of R21.7 million (2022: R22.6 million), secured under right of use obligation of R18.7 million (2022: R20.7 million) in note 9 to the financial statements.

**Change in estimates:**

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

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

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

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

The assessment resulted in a decrease in depreciation expense for 2023 of R65 million (2022: R66 million) which includes buildings.

The Nelson Mandela University has zero value property, plant and equipment items with a cost of R14.7 million (2022: R6 million).

**3. Intangible Assets**

<b>Year ended 31 December 2023</b>	<b>R'000</b>
Opening net book value	1 860
Additions	-
Disposals	-
Amortisation	<u>(326)</u>
Closing net book value	<u>1 534</u>
 <b>At 31 December 2023</b>	
Cost	2 850
Accumulated amortisation	<u>(1 316)</u>
Carrying amount	<u>1 534</u>
 <b>Year ended 31 December 2022</b>	<b>R'000</b>
Opening net book value	2 221
Additions	-
Disposals	(35)
Amortisation	<u>(326)</u>
Closing net book value	<u>1 860</u>
 <b>At 31 December 2022</b>	
Cost	4 245
Accumulated amortisation	<u>(2 385)</u>
Carrying amount	<u>1 860</u>

Intangible assets comprise of externally purchased computer software.

**4. Long-term investment**

The long-term investments belong to the Nelson Mandela University Trust which is 100% owned by the Nelson Mandela University.

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Long-term investments		
Balance as at 1 January	213 147	227 284
Purchases of investments	1 145	18 211
Disposed investments at cost	(9 117)	(36 466)
Other movements*	11 997	1 383
Fair value gains/(losses) recognised in P&L	25 109	2 735
Balance as at 31 December	<u>242 281</u>	<u>213 147</u>

Other movements\* relate to interest and dividends capitalised and transfers in/out.

The underlying financial assets include the following:	<b>Notes</b>	<b>R'000</b>	<b>R'000</b>
Listed shares	<b>20</b>	81 683	78 133
Foreign investments	<b>20</b>	90 318	74 325
Gilts and bonds	<b>20</b>	26 654	27 631
Fixed deposits	<b>20</b>	23 075	13 936
Unit Trusts	<b>20</b>	20 551	19 124
		<u>242 281</u>	<u>213 147</u>

The fair value of the investments is based on the closing market values and other appropriate valuation methodologies as at 31 December 2023.

The valuations are performed by independent fund managers who manage the Trust's investments under agreed mandates.

**5. Inventories**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Consumables	3 313	2 616
Goods for resale	805	692
	<u>4 118</u>	<u>3 308</u>

An amount of R0.8 million (2022: R0.8 million) is included as purchases in other operating expenses in the consolidated statement of comprehensive income.

**6. Other financial assets and cash and cash equivalents**

**6.1 Other financial assets**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Other financial assets	5 196 395	4 561 353
Non-current investments held on fixed deposits at bank	1 750 000	1 600 000
Non-current investments – interest receivable	20 288	33 327
	1 770 288	1 633 327
Other financial assets – current investments held on fixed deposit at banks	3 194 460	2 795 800
Other financial assets – interest receivable	231 647	132 226
	3 426 107	2 928 026
Investments at beginning of the year	4 561 353	4 045 688
Purchase of investments	3 231 460	3 487 000
Maturity of investments	(2 809 282)	(3 127 217)
Accrued Interest	218 608	160 423
Cash received on call account	(5 744)	(4 541)
Investments at the end of the year	<u>5 196 395</u>	<u>4 561 353</u>

Investments totalling R1.75 million which were invested on fixed deposits mature in 2025 between January and July and have therefore been classified as non-current assets under other financial assets in 2023.

The average effective interest rate on fixed deposits was 8.616% (2022: 6.500%).

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

	<b>2023</b> <b>R'000</b>
F1+(zaf)(Fitch)	1 008 696
F1+(zaf)(Fitch)	554 951
F1+(zaf)(Fitch)	1 161 402
AA+(zaf) (Standard and Poor's)	109 110
F1+(zaf) (Fitch)	1 175 159
F1+(zaf) (Fitch)	1 187 076
	<u>5 196 395</u>
	<b>2022</b> <b>R'000</b>
A1+(ZA) (Standard and Poor's)	929 625
zaA-2 (Standard and Poor's)	927 105
zaA-1+ (Standard and Poor's)	1 031 822
AA+(zaf) (Standard and Poor's)	105 666
F1+(zaf) (Fitch)	1 137 105
F1+(zaf) (Fitch)	430 030
	<u>4 561 353</u>

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

**6.2 Cash and cash equivalents**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Cash at bank and in hand at amortised cost	<u>133 122</u>	<u>122 314</u>

The current other financial assets of R3.194 million (2022: R2.795 million) and cash and cash equivalents of R133 million (2022: R122 million) includes R1.552 million (2022: R1.209 million) which is included in the general reserve in Statement of Changes in Funds.

Nelson Mandela University issued guarantees to the following parties:

Proscience Laboratory Solutions amounting to R1 954 794. The expiry date is 31 January 2030. Standard Bank undertook to pay Proscience Laboratory Solutions the sum of R1 954 794. The bank will pay on demand upon satisfaction of the performance conditions. Proscience Laboratory Solutions has not yet delivered in terms of the performance guarantee. Therefore, no payment has been made by Standard Bank. The guarantee will remain until expiry or until Proscience performs in terms of the guarantee or it is cancelled.

The Nelson Mandela University places cash and cash equivalents with reputable financial institutions to limit credit risk.

**6.3 National Credit Rating, Long-term outlook**

	<b>2023</b>	<b>2022</b>	
	<b>R'000</b>	<b>R'000</b>	
The credit quality of these institutions are as follows:			
AA+(zaf)(Standard and Poor's)	21 833	16 663	BB- (Standard and Poor's)
AA+(zaf)(Standard and Poor's)	102 229	98 771	BB-(Standard and Poor's)
AA+(zaf)(Standard and Poor's)	8 386	2 045	BB (Standard and Poor's)
AA+(zaf)(Standard and Poor's)	574	4 739	AA+(zaf)(Standard and Poor's)
	<u>133 021</u>	<u>122 218</u>	
Cash and Cash Equivalents	6.2 133 122	122 314	
Petty cash	<u>(100)</u>	<u>(96)</u>	
	<u>133 021</u>	<u>122 218</u>	

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.

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

**7. Trade and other receivables**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Student debtors	376 291	343 073
Less: Provision for impairment	(221 086)	(146 700)
	<u>155 205</u>	<u>196 374</u>
External debtors	63 963	38 038
NSFAS loan receivable*	36 358	36 358
Less: Provision for impairment	(49 335)	(42 783)
	<u>50 986</u>	<u>31 613</u>
NSFAS receivable***	147 668	52 668
Other receivables	25 730	43 351
	<u>379 589</u>	<u>324 005</u>

**NSFAS loan receivable\*** - relates to loan funding for students selected by the university, prefunded by the university and collected and administered via NSFAS.

The university no longer provides loan funding since NSFAS changed to a full bursary scheme.

**NSFAS receivable\*\*\*** - relates to funding receivable from NSFAS for NSFAS funded students that the university has funded, but not yet received funding for from NSFAS

Overdue student debts bear interest at market related rates.

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

**Student debtors**

Student debtors are deemed impaired and credit losses are provided for if the students do not register for the next academic year and did not successfully complete their degrees. Students are generally not allowed to register for the next academic year if they still have outstanding debt. However, at a Council meeting in November 2015, it was decided that the Nelson Mandela University would identify academically deserving but financially needy students and assist them with various forms of financial assistance. Qualifying students were categorised as either Zero EFC (no financial means to contribute) or Missing Middle (limited financial means to contribute). The outstanding debt of these cohorts as at 31 December 2023 is NIL (2022: NIL). Student debt in respect of students who have completed their degrees is not considered to be impaired based on historical evidence that they settle their debt in full in order to secure their degree certificates.

The Nelson Mandela University uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various student segments that have similar loss patterns (i.e. missing middle students, NSFAS students, student type and rating). The provision matrix is initially based on the Nelson Mandela University's historical observed default rates. Credit quality of student debtors is managed by the Nelson Mandela University with reference to the last year of registration of the particular student. The impairment provision is based on the previous experience of the actual collections made in January and February each year prior to registration. The expected collection percentage for 2023 was increased to take into account the January and February 2024 collections. 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 student's actual default in the future.



**7. Trade, other receivables (continued)**

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

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Student debtors considered to be fully performing	155 205	196 374
Student debtors not considered to be fully performing	221 086	146 700
Students last registered in current year	77 433	77 475
Students last registered in prior year	64 332	48 199
Students last registered two or more years ago	79 322	21 026
	376 291	343 073

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

The age analysis for outstanding student fees for 31 December 2023, all of which are due, is as follows:

<b>31 December</b>	<b>2020</b> <b>R'000</b>	<b>2021</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>	<b>2023</b> <b>R'000</b>	<b>TOTAL</b> <b>R'000</b>
Gross student fees receivable	23 739	59 426	75 635	432 621	591 421
NSFAS close out adjustment	-	-	-	(211 385)	(211 385)
Gross student fees to be written off	9 316	30 597	279	-	-
	14 423	28 828	75 357	221 236	380 037
Expected collection	(960)	(2 883)	(11 303)	(143 804)	(158 950)
<b>Provision for expected loss</b>	<b>13 463</b>	<b>25 946</b>	<b>64 053</b>	<b>77 433</b>	<b>221 086</b>
Expected collection rate	6%	7%	10%	15%	65%

The expected collection rate is determined by considering the following information:

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

The age analysis for outstanding student fees for 31 December 2022, all of which are due, is as follows:

<b>31 December</b>	<b>2019</b> <b>R'000</b>	<b>2020</b> <b>R'000</b>	<b>2021</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>	<b>TOTAL</b> <b>R'000</b>
Gross student fees receivable	17 639	45 188	64 265	110 678	237 770
Gross student fees to be written off	8 347	29 497	-	-	37 844
	9 292	15 691	64 265	110 678	199 926
Expected collection	(818)	(3 138)	(16 066)	(33 203)	(53 226)
<b>Provision for expected loss</b>	<b>8 474</b>	<b>12 552</b>	<b>48 199</b>	<b>77 475</b>	<b>146 700</b>
Expected collection rate	10%	20%	25%	30%	38%

**7. Trade and other receivables (continued)**

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

The movement in the impairment provision was as follows:

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance at 1 January	146 700	140 185
Additional impairment	112 282	33 868
Receivables written off during the year	<u>(37 895)</u>	<u>(27 353)</u>
Closing balance at 31 December	<u>221 086</u>	<u>146 700</u>

Student receivables are written off when there is no expectation of recovery, when all available recovery processes have been exhausted for collection and students are no longer registered at the Nelson Mandela University.

*External debtors and other receivables*

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

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

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance at 1 January	42 783	48 708
Release of impairment	6 671	(5 432)
Receivables written off during the year	<u>(119)</u>	<u>(493)</u>
Closing balance at 31 December	<u>49 335</u>	<u>42 783</u>

Included in the amount of R42.8 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 the impairment losses line item in the statement of comprehensive income. External debtors and other receivables are written off when there is no expectation of recovery.

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

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

**8. Deferred income**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
As at 1 January	1 213 101	1 232 912
Net (decrease)/increase in deferred income	(49 655)	(19 810)
Grants received (including capital infrastructure)	9 800	12 975
Realised in comprehensive income	(45 805)	(18 195)
Release relating to depreciation	(13 650)	(14 590)
As at 31 December	1 163 446	1 213 101
Deferred income is presented as follows:		
Current liability	13 650	14 590
Non-current liability	1 149 796	1 198 511
	1 163 446	1 213 101

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

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Capital project funding	1 104 606	1 076 179
Cumulative transfer/offset against depreciation	(148 136)	(134 486)
	956 470	941 693
Unspent grant funds	206 976	271 408
	1 163 446	1 213 101

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

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

9. Interest-bearing borrowings

	2023 R'000	2022 R'000
<b>Current portion of long-term loans</b>		
Bank borrowings	14 920	15 138
Right of use liability	2 330	1 950
Government loans	11	21
Rubious Mountain Properties (Pty) Ltd: shareholder's loan	5 080	5 080
	<u>22 341</u>	<u>22 188</u>
<b>Non-current</b>		
Bank borrowings	291 873	306 128
Right of use liability	16 414	18 744
Government loans	-	11
	<u>308 287</u>	<u>324 883</u>
<b>Total borrowings</b>	<u>330 628</u>	<u>347 071</u>
Interest rates:		
- bank borrowings (linked to prime lending rate)	9.43% -	6.22% -
	10.68%	7.18%
- right of use liability	8.26%	8.26%

Maturity of interest-bearing borrowings:

<b>2023</b>	Right of use liability R'000	Other borrowings R'000	Total R'000
Amount due within 1 year	3 724	51 782	55 506
Between 1 and 2 years	3 943	46 347	50 290
Between 3 and 5 years	13 328	137 034	150 362
Over 5 years	2 418	311 606	314 024
	<u>23 413</u>	<u>546 769</u>	<u>570 182</u>
Less: Interest payable	(4 669)	(234 885)	(239 554)
	<u>18 744</u>	<u>311 884</u>	<u>330 628</u>
<b>2022</b>	Right of use liability R'000	Other borrowings R'000	Total R'000
Amount due within 1 year	3 513	44 128	47 641
Between 1 and 2 years	3 724	48 972	52 696
Between 3 and 5 years	12 570	129 810	142 380
Over 5 years	7 119	334 880	341 999
	<u>26 926</u>	<u>557 791</u>	<u>584 717</u>
Less: Interest payable	(6 232)	(231 415)	(237 647)
	<u>20 694</u>	<u>326 377</u>	<u>347 071</u>

Other borrowings

Included in other borrowings are two residence loan facilities. The first loan bears interest at 1.07% below the prime rate per annum and is unsecured. The capital and interest is repaid bi-annually over the remaining period of the loan. The final repayment is on 30 March 2029.

**9. Interest-bearing borrowings (continued)**

In 2021, the Nelson Mandela University entered into a second loan agreement for the Nelson Mandela University's 2000 bed residence project for R303 million. The final drawdown was in April 2022 of R78 million. R4.3 million interest paid has been capitalised as borrowing costs as it is directly attributable to the construction of a qualifying asset. (A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.) Capital repayments commenced on 30 November 2022, thereafter the capital and interest amounts of the loan facility are repaid monthly over the remaining period of the loan, with the final loan repayment on 30 May 2036. The loan bears interest at 1.28% below the prime rate per annum and is unsecured.

The shareholder's loan bears interest at a fixed rate of 12.0% (2022: 12.0%) per annum and is unsecured. There are not specific terms of repayment.

*Right of use liability*

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

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

- a. Repayment is on a monthly basis. Annual repayment for 2023 is R3.5 million (2022: R3.3 million)
- b. The incremental borrowing rate is 8.26%
- c. The final repayment is 30 June 2029

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

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

**10. Retirement benefit obligations**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Post-retirement medical benefits	64 259	64 923
Present value of medical benefit liability	497 072	489 276
Fair value of plan asset	(432 813)	(424 353)
Pension scheme liabilities	3 220	7 428
Present value of pension benefit liability	2 571 067	2 416 315
Fair value of plan assets	(2 773 917)	(2 625 860)
Surplus not recognised	206 069	216 973
	67 478	72 350

**10. Retirement benefit obligations (continued)**

**10.1 Post-retirement medical benefits**

The Nelson Mandela University provides post-retirement medical benefits to certain qualifying employees in the form of continued medical aid fund contributions. Prior to 2009 this obligation was unfunded. In 2009 Council approved the allocation of R217 400 000 to be invested in an insurance policy, to fund this obligation. The investment is specifically designated to fund the post-retirement medical benefit obligations. The defined benefit liability and asset in respect of this obligation are valued by independent actuaries annually with the latest valuation performed at 31 December 2023.

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Present value of medical benefit obligations	<u>497 072</u>	<u>489 276</u>
Movement in the liability recognised in the statement of financial position:		
Contractual liability as at 1 January	489 276	486 042
Movement in liability - Statement of comprehensive income	7 796	3 234
Service cost	4 282	4 869
Interest cost	59 507	47 716
Benefit payments	(30 281)	(27 714)
Remeasurements (other comprehensive income)		
Gain in financial assumptions	(18 797)	(10 667)
Gain due to changes in experience	(6 915)	(10 970)
Contractual liability as at 31 December	<u>497 072</u>	<u>489 276</u>
Plan asset as at 1 January	424 353	421 568
Movement in asset - Statement of comprehensive income	8 460	2 785
Expected return on plan asset		
- Current service costs	4 282	-
- Investment return	23 906	21 825
- Policy charges	(1 655)	(1 409)
Contributions paid – pensioners	(30 281)	(27 714)
Actuarial gain	12 207	10 083
Plan asset as at 31 December	<u>432 813</u>	<u>424 353</u>
The plan asset comprises two parts:		
- The guaranteed portfolio	193 044	183 596
- The growth portfolio	239 769	240 757
Plan asset as at 31 December	<u>432 813</u>	<u>424 353</u>
The actuarial gain of R12.207 million in plan assets occurred as a result of a combination of the following factors:		
Subsidy (benefit) payments	(30 281)	(27 714)
Valuation adjustment	18 074	19 040
Actuarial (loss)/gain as at 31 December	<u>(12 207)</u>	<u>(8 674)</u>

**10. Retirement benefit obligations (continued)**

**10.1 Post-retirement medical benefits (continued)**

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 2023 (2022: nil) as there were no amendments to the plan for the current period.

Contributions made by pensioners to the plan were as follows:

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Member contributions – Pensioners (Monthly)	2 480	2 247
Employer contributions – University (Monthly)	2 844	2 589

<i>Membership data (number of members)</i>	<b>2023</b>	<b>2022</b>
Active members (in service)	272	299
Continuation members	549	536

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

Discount rate	12.60%	12.49%
Medical aid inflation rate	8.74%	9.04%
Net discount rate	3.54%	3.16%
Continuation of membership	95%	95%

*Mortality rate*

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables, which was rated downwards 2 years with an annual compound mortality improvement of 1% from 31 December 2006.

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

*Rate of Discount*

IAS 19 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government. Where there is no deep market in government with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 29 December 2023 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

**10. Retirement benefit obligations (continued)**

**10.1 Post-retirement medical benefits (continued)**

*Medical Aid Inflation*

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

We have assumed that medical aid contribution increases would out-strip general inflation by 1,5% per annum over the foreseeable future.

*Sensitivity Analysis*

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the University will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in the Medical Aid inflation
- 1% increase/decrease in the discount rate
- various increases/decreases in the average retirement age
- 10% decrease in membership continuation

<b>Assumption</b>	<b>Change</b>	<b>New Liability</b>	<b>% Change</b>
		<b>R'000</b>	
Medical aid inflation	1% Increase	549 562	11.2%
Medical aid inflation	1% Decrease	451 678	-9.6%
Discount rate	1% Increase	455 438	-8.8%
Discount rate	1% Decrease	545 750	10.4%
Post employment mortality	20% Increase	465 296	-6.4%
Post employment mortality	20% Decrease	536 154	7.9%
Average/expected retirement age	1 Year Decrease	508 601	2.5%
Continuation of membership at retirement	10% Decrease	480 152	-3.4%

**Expected contributions 2024**

Expected contribution for benefits paid in relation to accrued liability is expected to be R34.13 million (2023: R31.07 million).

The average expected remaining working lifetime of eligible employees is 4.3 years.

**Financial risk factors**

The below financial risk factors relate to both post-retirement medical benefits and pension schemes.

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

a) Investment risk

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



**10. Retirement benefit obligations (continued)**

**10.1 Post-retirement medical benefits (continued)**

**Financial risk factors (continued)**

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 Post Retirement Medical Aid guarantee relating to the plan asset has been valued separately by Old Mutual and the value of the guarantee at 31 December 2023 per Old Mutual is R446 million.

The 2023 value for the guarantee as per IAS 19 per the actuarial valuation is R433 million.

**10.2 Pension schemes**

	<b>Nelson Mandela University Retirement Fund (NMURF)</b>	<b>National Tertiary Retirement Fund (NTRF)</b>	<b>TOTAL</b>	
	<b>2023 R'000</b>	<b>2023 R'000</b>	<b>2023 R'000</b>	<b>2022 R'000</b>
Balance at end of the year				
Present value of funded and unfunded obligations	(1 755 618)	(815 449)	(2 571 067)	(2 416 315)
Fair value of plan assets	1 961 688	812 229	2 773 917	2 625 860
Funded status	206 069	(3 220)	202 850	209 546
Surplus not recognised	(206 069)	-	(206 069)	(216 973)
Liability at reporting date	<u>(0)</u>	<u>(3 220)</u>	<u>(3 220)</u>	<u>(7 428)</u>

**Nelson Mandela University Retirement Fund**

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

**National Tertiary Retirement Fund (NTRF)**

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

**10. Retirement benefit obligations (continued)**

**10.1 Post-retirement medical benefits (continued)**

**National Tertiary Retirement Fund (NTRF) (continued)**

The major categories of the plan assets are as follows:

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
NMURF assets as at 31 December		
Cash	26 138	29 249
Investments	1 887 314	1 711 459
Accounts receivable	9	138
Contributions receivable	14 906	13 882
Pension policies	33 321	35 627
	<u>1 961 688</u>	<u>1 790 355</u>
NTRF assets as at 31 December		
Share account	232 685	326 201
Pension account	562 932	492 853
Reserve account	16 612	16 451
	<u>812 229</u>	<u>835 505</u>

The NTRF assets are invested with various asset managers and banks. The Nelson Mandela University's (NMU) share of the Fund's total assets were determined proportionately using the known NTRF: NMU liabilities. Therefore, the nature of the asset and the risk that the assets are exposed to cannot be determined.

**10. Retirement benefit obligations (continued)**

**10.2 Pension schemes (continued)**

	NMURF 2023 R'000	NMURF 2022 R'000	NTRF 2023 R'000	NTRF 2022 R'000
<i>Movement in defined benefit obligation</i>				
Beginning of the year	1 573 382	1 477 022	842 933	776 453
Current service cost	6 644	6 760	9 155	8 621
Interest cost	165 076	141 185	91 087	76 326
Member contributions	-	-	2 996	2 815
Remeasurements	79 963	(15 248)	(78 380)	24 549
Benefits paid	-	-	(50 469)	(44 072)
*Risk premiums	(69 447)	(36 336)	(1 872)	(1 759)
End of the year	<u>1 755 618</u>	<u>1 573 382</u>	<u>815 449</u>	<u>842 933</u>
<i>Movement in fair value of plan assets</i>				
Beginning of the year	1 790 355	1 724 173	835 505	766 392
Contributions received	6 329	6 420	8 987	8 444
Expected return on plan asset	184 530	163 380	85 385	71 471
*Risk premiums	(69 447)	(36 336)	(1 872)	(1 759)
Benefits paid	-	-	(50 469)	(44 072)
Remeasurements	49 921	(67 283)	(65 307)	35 029
End of the year	<u>1 961 688</u>	<u>1 790 355</u>	<u>812 229</u>	<u>835 505</u>
<i>Net (asset)/liability</i>	(206 069)	(216 973)	3 220	7 428
<i>Surplus not recognised</i>	<u>206 069</u>	<u>216 973</u>	-	-
<i>Net pension fund liability</i>	<u>-</u>	<u>-</u>	<u>3220</u>	<u>7 428</u>
<i>The amount recognised in profit or loss</i>				
Current service costs	6 644	6 760	9 155	8 621
Interest costs	165 076	141 185	91 087	76 326
**Expected return on plan assets	(184 530)	(163 380)	(85 385)	(71 471)
	<u>(12 809)</u>	<u>(15 435)</u>	<u>14 857</u>	<u>13 476</u>

\*Risk premiums are paid for risk benefits, namely death and capital disability, which are both approved pension fund benefits. This is the estimated outflow derived from the insurers' risk rates and pensionable salaries.

\*\*Expected return on plan assets: The expected return on plan assets is the return expected on the assets, per fund, in the following year calculated prospectively. It is the return expected on the assets at the start of the year but also on the principal cash flows affecting those assets during the year, namely the contributions coming in and the benefits going out. It is assumed that they occur halfway through the year.

**10. Retirement benefit obligations (continued)**

**10.2 Pension schemes (continued)**

The NMURF obligation actuarial loss of R79.963 million is made up as follows:

	<b>R'000</b>
Change in financial assumptions	(392)
Change in members and details	106 140
Change in return on plan assets	<u>(25 785)</u>
Total actuarial loss	<u><u>79 963</u></u>

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

The NTRF obligation actuarial gain of R78.380 million is made up as follows:

	<b>R'000</b>
Change in financial assumptions	(46)
Change in demographic assumptions	(46)
Change in members and details	(85 881)
Change in return on plan assets	7 593
Total actuarial gain	<u><u>(78 380)</u></u>

The NMURF plan asset actuarial gain of R49.921 million is made up as follows:

	<b>R'000</b>
Change in members and details	179 969
Change in return on plan assets	<u>(130 048)</u>
Total actuarial gain	<u><u>49 921</u></u>

The NTRF plan asset actuarial loss of R65.307 million is made up as follows:

	<b>R'000</b>
Change in members and details	(86 102)
Change in return on plan assets	20 796
Total actuarial loss	<u><u>(65 307)</u></u>

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

**10. Retirement benefit obligations (continued)**

**10.2 Pension schemes (continued)**

The defined benefit and defined contribution cost for the year ending 31 December 2023 is as follows:

	NMURF		NTRF		Total R'000
	DB R'000	DC R'000	DB R'000	DC R'000	
<b>A Components of Income Statement Pension Expense</b>					
Service Cost	6 644	175 573	9 155	18 076	209 448
Interest Cost on Defined Benefit Obligation	165 076	-	91 087	-	256 163
Interest Income on Assets	(184 530)	-	(85 385)	-	(269 915)
Expense / (Income) recognised in Profit and Loss	(12 809)	175 573	14 857	18 076	195 696
<b>B Expected Contributions, Benefit Payments and Risk Premiums</b>					
Member Contributions	-	-	2 996	-	2 996
Company Contributions	6 329	175 573	5 991	18 076	205 970
Risk Premiums	(69 447)	-	(1 872)	-	(71 319)
Benefit Payments	-	-	(50 469)	-	(50 469)

DB – Defined Benefit

DC – Defined Contribution

There is no past service cost for 2023 as no amendments were made in the policy.

NMURF is non-contributory as it is all employer contributions.

NTRF contributions by employees is R2.99 million and R5.99 million by the Nelson Mandela University.

The defined benefit and defined contribution cost for the year ending 31 December 2022 is as follows:

	NMURF		NTRF		Total R'000
	DB R'000	DC R'000	DB R'000	DC R'000	
<b>A Components of Income Statement Pension Expense</b>					
Service Cost	6 760	162 673	8 621	11 578	189 631
Interest Cost on Defined Benefit Obligation	141 185	-	76 326	-	217 511
Interest Income on Assets	(163 380)	-	(71 471)	-	(234 851)
Expense / (Income) recognised in Profit and Loss	(15 435)	162 673	13 476	11 578	172 291
<b>B Expected Contributions, Benefit Payments and Risk Premiums</b>					
Member Contributions	-	-	2 815	-	2 815
Company Contributions	6 420	162 673	5 629	11 578	186 301
Risk Premiums	(36 336)	-	(1 759)	-	(38 095)
Benefit Payments	-	-	(44 072)	-	(44 072)

There is no past service cost for 2022 as no amendments were made in the policy.

NMURF is non-contributory as it is all employer contributions.

NTRF contributions by employees is R2.8 million and R5.6 million by the Nelson Mandela University.

**10. Retirement benefit obligations (continued)**

**10.2 Pension schemes (continued)**

*Membership data (number of members)*

	<b>2023</b>	<b>2022</b>
NMURF		
Active members (in service)	2 229	2 239
Continuation members	27	34
NTRF		
Active members (in service)	175	200
Continuation members	201	193

*The principal assumptions used for accounting purposes were as follows:*

	<b>2023 Both Funds</b>	<b>2022 Both Funds</b>
General inflation rate (CPI)	5.24%	5.41%
Discount rate	10.61%	10.49%
Salary inflation	6.74%	6.91%
Effective net discount rate after retirement	6.00%	6.00%

*Mortality rate*

The standard mortality tables utilised to perform the valuation for 2022 and 2023 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: 10.61%*

IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these 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 10.61% 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 2023. This rate does not reflect any adjustment for taxation.

*CPI Inflation Rate: 5.24%*

The expected inflation assumption of 5.24% was obtained from the differential between market yields on index-linked consistent with the estimated term of the liabilities (4.62%) and those of nominal bonds (10.61%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

## 10. Retirement benefit obligations (continued)

### 10.2 Pension schemes (continued)

- **IAS19 Liability**  
The value of guarantee as calculated by ARCH actuarial Consulting in the most recent IAS19 valuation as at 31 December 2023.
- **OM mortality basis**  
This is a difference quantified between the mortality tables used in the IAS19 valuation (PA(90) rated down 2 years with an improvement of 1% p.a. since 2006) and the underlying mortality tables used in the Insurer's value which have been determined by Old Mutual internally as intellectual property.
- **Replace flat discount rate (9.53%) with yield curve adjusted for credit spread and capital charge**  
This is the estimated difference in values due to the IAS19 valuation calculating future cashflows on a flat discount rate for the remaining lifetime of members and the alternative methodology adopted by Old Mutual of using a yield curve at appropriate durations to calculate future cashflows and the discount thereof. There is a further difference in that IAS19 values do not include insurance costs whereas Old Mutual (appropriately valuing its exposure) has adjusted to include credit spread and the cost of the insurance solution into the future.
- **Admin fee**  
The accounting standard IAS19 does not require any expenses or costs to be included in the reported value as explained above, therefore the administration fee that is included in the Insurer's value contributes to a difference in values.
- **Data differences**  
This miscellaneous item quantifies any smaller strains or gains on the asset due to data differences in the member schedule and any other item not full analysed.

*Salary Increase Rate: 6.74%*

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 10.61%.

**10. Retirement benefit obligations (continued)**

**10.2 Pension schemes (continued)**

However, for the purpose of projecting Members' Shares to retirement, for comparison with the old defined benefit pension, a realistic Expected Return on Assets of 12.23% 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:

<b>Assumption</b>	<b>Change</b>	<b>New Liability R'000</b>	<b>% Change</b>
Discount rate	1% Increase	2 569	-0.1%
Discount rate	1% Decrease	2 573	0.1%
Salary inflation	1% Increase	2 572	0.1%
Salary inflation	1% Decrease	2 570	0.0%
Investment return	1% Increase	2 570	-0.1%
Investment return	1% Decrease	2 573	0.1%
Post-retirement mortality table	1 Year decrease	2 588	0.6%

The average expected remaining working lifetime of the DB members of NMURF and NTRF is 6.1 and 2.7 years respectively. This changes to 19.2 and 5.8 years when the DC members are included.

Expected contributions to the defined benefit pension fund for the year ended 31 December 2024 are R9.6 million.

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

The Fund is subject to the Pension Funds Act (No.24 of 1956). In terms of the Pension Funds Act, an actuarial valuation of the Fund must be performed at least once every 3 years. The last such valuation was performed as at 31 December 2021. The next valuation will be done at 31 December 2024. If the Fund was found to be in a deficit position (a financially unsound position), a special scheme designed to restore the solvency of the Fund within an acceptable period would have to be lodged with the Registrar of Pension Funds. Such a scheme, could in certain circumstances, impose minimum funding requirements on the Nelson Mandela University. There is no such minimum funding requirement as the Fund is currently not in a deficit. 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.



**11. Accumulated leave liability**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Opening balance	128 862	124 418
Additional provisions	10 586	12 969
Utilised during year	<u>(8 067)</u>	<u>(8 526)</u>
Closing balance	<u>131 380</u>	<u>128 862</u>
Current portion of liability	2 573	2 631
Non-current portion of liability	<u>128 807</u>	<u>126 231</u>
Total accumulated leave liability	<u>131 380</u>	<u>128 862</u>

**12. Accounts payable and accrued liabilities**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Student debtors		
Active students	232 421	228 349
Non-active students*	61 416	58 310
Payable to NSFAS	<u>315 261</u>	<u>382 153</u>
	609 097	668 812
Trade creditors	39 217	41 514
Accruals	7 500	5 778
Payroll related accruals	52 776	49 121
Other payables	<u>374 902</u>	<u>19 968</u>
	<u>1 083 493</u>	<u>785 193</u>

\*Deposits in respect of non-active students

**Categorisation of Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are categorized as follows in accordance with IFRS 9:

Financial instruments	1 030 717	736 072
Non-financial instruments	<u>52 776</u>	<u>49 121</u>
	<u>1 083 493</u>	<u>785 193</u>

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

**13. Long service award accrual**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Current portion of accrual	1 126	1 512
Non-current portion of accrual	5 936	6 036
Total long service award accrual	<u>7 062</u>	<u>7 547</u>
Significant assumptions		
Prime lending rate	11.75%	10.50%
Expected retirement age (years)	65	65

**2023**

<b>Assumption</b>	<b>Change</b>	<b>New Liability</b>	<b>%(Change)</b>
Interest rate increase	1% increase	7 663	12.75%
Interest rate decrease	1% decrease	6 461	10.75%

**2022**

<b>Assumption</b>	<b>Change</b>	<b>New Liability</b>	<b>%(Change)</b>
Interest rate increase	1% increase	8 266	11.50%
Interest rate decrease	1% decrease	6 829	9.50%

**14. State appropriations**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Subsidy – operations	1 299 795	1 297 379
Subsidy – foundation programme and ad hoc grants	73 347	343 558
Specific grant – upgrading of facilities	9 800	4 200
Total State appropriations received	<u>1 382 942</u>	<u>1 645 137</u>
Grants transferred to deferred income	<u>(793)</u>	<u>(9 920)</u>
Recognised as income	<u>1 382 149</u>	<u>1 635 217</u>

The Nelson Mandela University received state appropriations and grants for general purposes from the Department of Higher Education and Training for R1 364 million in 2023 (2022: R1 330 million). State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates.

The Nelson Mandela University received a specific grant for the upgrading of the Nelson Mandela Universities facilities from the Department of Higher Education and Training for R9.8 million in 2023 (2022: R4.2 million).

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

**15. Private gifts and grants**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Received in cash	333 349	160 564
Received in kind	1 513	1 496
Recognised as income	<u>334 861</u>	<u>162 060</u>

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

**16. Finance income**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Interest income – Innovolve	139	70
Interest income on short-term bank deposits	384 105	246 910
Interest income on amortised cost investments	4 182	2 505
Dividend income on investments held at the end of the reporting period	2 687	3 894
Total interest and dividends	<u>391 113</u>	<u>253 379</u>

**17. Personnel costs**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Academic professional	823 452	771 014
Other personnel	1 008 931	950 255
Leave pay	2 518	4 443
Long service award	(486)	(1 047)
	<u>1 834 415</u>	<u>1 724 666</u>

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

	<b>2023</b>	<b>2022</b>
Full time	2 484	2 479
Part time	1 130	1 161
	<u>3 614</u>	<u>3 640</u>

**18. Other operating expenses**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
The following items have been charged in arriving at operating profit:		
Supplies and services	416 909	599 067
Repairs and maintenance	154 899	84 937
IT related costs	68 159	67 438
Municipal charges	125 112	84 794
Library material and online educational resources	38 009	34 809
Travel and subsistence	60 414	44 888
Staff and Student related expenses	78 028	47 793
Workshop presentations	27 469	15 615
Catering	11 821	7 525
Insurance	10 367	8 387
Fixed property cost – rental	116	15
Bursaries	197 773	195 245
Cost of services outsourced	29 587	7 565
Security	8 219	1 832
Cleaning	7 022	2 208
Other	14 346	3 526
	<b>1 218 663</b>	<b>1 198 079</b>

Supplies and Services relate to operational costs incurred in carrying out the activities of the Nelson Mandela University

Other cost of services outsourced includes information technology, portfolio management fees, ground maintenance and catering.

Included in supplies and services is total payments made relating to short term leases amount to R450k (2022: R468k).

**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

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**19. Remuneration – information not included in this set**

The following disclosures relate to compensation paid to senior management (post level 1 to 4) as executives of the institution (including acting positions) for the year ended 31 December 2023. Remuneration is based on the cost of employment to the institution comprising flexible remuneration package. There is no remuneration for other services.

<b>Basic salary</b>	<b>Employment benefits</b>	<b>Once-off payments</b>	<b>Total Cost</b>
<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>



**NELSON MANDELA UNIVERSITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)**

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**19. Remuneration (continued) – information not included in this set**

The following disclosures relate to compensation paid to senior management (post level 1 to 4) as executives of the institution (including acting positions) for the year ended 31 December 2022. Remuneration is based on the cost of employment to the institution comprising flexible remuneration package. There is no remuneration for other services.

<b>Basic salary</b>	<b>Employment benefits</b>	<b>Once-off payments</b>	<b>Total Cost</b>
<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>

NELSON MANDELA UNIVERSITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2023 (continued)

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19. Remuneration (continued) – **information not included in this set**

Basic salary R'000	Employment benefits R'000	Once-off payments R'000	Total Cost R'000
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19. Remuneration (continued) – information not included in this set

	2023 R'000	2022 R'000
<b>Compensation of key management</b>		
Short-term Employee benefits	64 579	58 574
Post-employment pension and medical benefits	5 574	7 202
Total compensation paid to key management personnel	<u>70 153</u>	<u>65 776</u>

**Number of members**

Chair of Council	1
Chairs of Committees	6
Members of Council	29

Attendance fees and reimbursed expenses paid to Council and Committee Members amounted to R450 955 (2022: R280 377) and R582 679 (2022: R510 438) respectively.

**31 December 2023**

Honorarium	Other reimburse- ments	Total
R	R	R

_____	_____	_____
=====	=====	=====

19. Remuneration (continued) – **information not included in this set**

31 December 2022

Honorary	Other	Total
	reimburse-	
R	ments	R
	R	R
_____	_____	_____
=====	=====	=====

**20. Financial instruments by category**

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

	Notes	2023 R'000	2022 R'000
<b>Assets – fair value through profit or loss</b>			
		242 281	213 147
Listed shares	4 Level 1	81 683	78 133
Foreign investments	4 Level 2	90 318	74 325
Fixed deposits	4 Level 2	23 075	13 936
Gilts and bonds	4 Level 2	26 654	27 630
Unit Trusts	4 Level 1	20 551	19 124
<b>Assets – amortised cost</b>			
		5 714 181	5 007 673
NSFAS* receivable	7	147 668	52 668
Other receivables	7	30 806	43 351
Student debtors after provision	7	155 205	196 374
External debtors after provision	7	50 986	31 613
Other financial assets	6.1	5 196 395	4 561 353
Cash and cash equivalents	6.2	133 122	122 314
		<u>5 956 462</u>	<u>5 220 820</u>
<b>Liabilities Amortised Cost</b>			
		1 342 601	1 062 450
Interest-bearing borrowings excluding right of use liability	9 Level 2	311 884	326 377
Accounts payable and accrued liabilities (exclude payroll liabilities)	12	1 030 717	736 072

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

The fair value assessments of the investments are done on an annual basis. Financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Nelson Mandela University is the closing current bid price at year-end. These instruments are included in Level 1.

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

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).

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 for the remaining financial instruments.

The effects of non-observable inputs are not significant for foreign investments and Gilts and Bonds.

## 21. Financial risk management

### Financial risk factors

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

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

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

(a) Market risk

(i) Foreign currency risk

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

The only area where the Nelson Mandela University is exposed to foreign currency risk at the reporting date is in respect of the non-current investments managed by the Nelson Mandela University Trust, which include foreign investments, which are exposed to the US dollar. The impact of a 5% increase/decrease on profit/loss and equity in exchange rates in the USA dollar with all other variables held constant on the valuation of the foreign investments at reporting date would be R4.516 million (2022: R3.716 million) higher/lower.

(ii) Price risk

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

The impact of an increase/decrease in the FTSW/JSW CPI index by 10% with all other variables held constant the market value of the listed equities would have been R8.168 million (2022: R7.813 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.

The impact of a 1% increase and a 1% decrease on profit/loss and equity for foreign currency and price risk is as follows:

<b>P/L and Equity impact</b>	<b>Profit for the year</b>	<b>+1%</b>	<b>-1%</b>	<b>Equity</b>	<b>+1%</b>	<b>-1%</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
31 Dec 2023	104 272	105 314	103 229	245 938	248 397	243 478
31 Dec 2022	97 152	98 124	96 181	222 883	225 112	220 654

**21. Financial risk management (continued)**

**Financial risk factors (continued)**

(iii) Interest rate risk

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

The impact of a 1% increase/decrease in the interest rate with all other variables held constant on the profit/loss and equity of the Nelson Mandela University would be R47.81 million (2022: R41.97 million) increase/decrease.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

	<b>Between 1 and 2 years R'000</b>	<b>Between 3 and 5 years R'000</b>	<b>Over 5 years R'000</b>
<b>At 31 December 2023</b>			
Interest-bearing borrowings	46 347	137 034	311 606
Accounts payable and accrued liabilities	1 030 717	-	-
	<u>1 077 064</u>	<u>137 034</u>	<u>311 606</u>
<b>At 31 December 2022</b>			
Interest-bearing borrowings	77 963	129 810	334 880
Accounts payable and accrued liabilities	736 072	-	-
	<u>814 035</u>	<u>129 810</u>	<u>334 880</u>

**21. Financial risk management (continued)**

**Financial risk factors (continued)**

(d) Capital risk management

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

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

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Current investments	3 426 107	2 928 026
Cash and cash equivalents	<u>133 122</u>	<u>122 314</u>
<b>Total</b>	<b>3 559 228</b>	<b>3 050 340</b>
Current liabilities	<u>1 123 217</u>	<u>828 609</u>
<b>Total</b>	<b>1 123 217</b>	<b>828 609</b>
<b>Net position</b>	<b><u>2 436 011</u></b>	<b><u>2 221 730</u></b>

**22. Capital Commitments**

	<b>2023</b> <b>R'000</b>	<b>2022</b> <b>R'000</b>
Capital expenditure in respect of building maintenance and upgrades (including Infrastructure and Efficiency Grant funding (IEG)/infrastructure projects) contracted for at reporting date	<u>1 141</u>	<u>5 315</u>

Council has approved further capital development projects to the value of R358 million (2022: R357 million) which had not yet been contracted for at year end.

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

**23. Notes to the cash flow statement**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>23.1 Cash generated from operations</b>		
Reconciliation of net surplus to cash generated from operations:		
Net surplus	413 003	427 602
Adjusted for:		
Donations in kind	(2 063)	(1 496)
Depreciation	102 953	92 829
Amortisation	326	326
Loss or (profit) on disposal of fixed assets	(442)	804
Revaluation of investments at year end	-	(2 736)
Interest income	(388 426)	(249 485)
Accumulated leave adjustment	2 518	12 969
Expected credit loss	119 196	589
Dividend income	(2 687)	(3 894)
Finance costs	29 359	14 162
Long service Award accrual	(486)	(1 047)
Deferred income realised in OCI	(45 805)	-
Interest received on outstanding debt	(10 854)	-
Settlement discount	(56)	-
Working capital changes		
- Decrease/(Increase) in inventories	(810)	(4)
- Decrease/(Increase) in trade, other receivables	(94 685)	57 802
- Increase in accounts payable and accrued liabilities	298 830	81 659
- Decrease/(Increase) in accumulated leave liability	(59)	(8 526)
- Decrease/(Increase) in long service award accrual	(386)	-
- Decrease in deferred income	-	(3 725)
- Movement in post-retirement medical benefits	-	38 605
Cash generated by operations	<u>419 425</u>	<u>456 436</u>

**23.2 Cash flow from investing activities**

The purchase of Property, Plant & Equipment comprises R318 million of which R28 million was purchased with government funding and the remainder comprises purchases with own funds and is made up as follows:

	Notes	<b>2023</b>	<b>2022</b>
		<b>R'000</b>	<b>R'000</b>
Purchase of Property, Plant & Equipment (Additions)	2	117 119	273 563
Library books (not classified as Property, Plant & Equipment) from 2023		-	4 085
Interest paid capitalised to Property, Plant & Equipment	26	(4 282)	(10 270)
		<u>112 838</u>	<u>267 378</u>

**23.3 Reconciliation of changes in liabilities arising from financing activities**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance	347 071	275 931
	(16 443)	(6 860)
Interest on lease liabilities	1 564	1 705
Interest on loans	32 077	22 727
Repayment of Interest-Bearing Borrowings	(48 890)	(29 910)
Repayment of lease liabilities	(1 194)	(1 382)
Loans received	-	78 000
Closing balance (note 9)	<u>330 628</u>	<u>347 071</u>

**24. Taxation**

The Nelson Mandela University is exempt from income tax in terms of section 10 (1) (cA) (i) of the Income Tax Act, and consequently also from the provision for any deferred taxation.

Other comprehensive income (OCI) relating to the Nelson Mandela University is therefore also exempt from taxation. However, some of the subsidiaries of the Nelson Mandela University are not exempt from Income Tax.

The taxation relates to Rubious Mountain (Pty) Ltd, a 75% subsidiary of the Nelson Mandela University as well as Luiz Stroud & Associates Inc and Du Randt and Grefell Inc.

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>Deferred tax asset</b>		
<b>Reconciliation of deferred tax asset/(liability)</b>		
At beginning of year	-	(471)
<b>Recognised in profit or loss:</b>		
Movement in temporary differences on investment property	131	-
Movement in temporary differences on provisions and section 23M interest	-	436
Change in tax rate from 28% to 27% effect	-	35
At end of year	<u>131</u>	<u>-</u>
<b>Major components of the tax expense</b>		
	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>Current taxation</b>		
South African normal tax-year	<u>457</u>	<u>2 175</u>
	457	2 175
<b>Reconciliation of the tax expense</b>		
Tax at the applicable tax rate of 27% (2022: 27%)	<u>457</u>	<u>2 175</u>
	457	2 175
<b>Calculation of taxation paid per cashflow</b>		
Opening balance	2 495	396
Charged to Income Statement	457	2 175
Deferred tax balance	122	-
Current tax payable balance	<u>(34)</u>	<u>(2 495)</u>
	<u>3 040</u>	<u>76</u>



**25. Revenue from contracts with customers**

**Disaggregated revenue information**

Included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2023 is the disaggregation of the Nelson Mandela University's revenue from contracts with customers as set out below:

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>Type of goods or service</b>		
Tuition and other fee income	1 303 452	1 186 394
Income from contracts for research	169 174	172 035
Sales of goods and services	108 748	75 080
Private gifts and grants	334 861	162 060
Total revenue from contracts with customers	<u>1 916 235</u>	<u>1 595 569</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	108 748	75 080
Services transferred over time	<u>1 807 487</u>	<u>1 520 489</u>
Total revenue from contracts with customers	<u>1 916 235</u>	<u>1 595 569</u>

**Performance obligations**

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

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

Residence fees (included under sales of goods and services) are delivered over time in a 12 month period and the delivery of this service coincides with the financial year of the Nelson Mandela University.

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

**26. Finance Costs**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
Interest on lease liabilities	1 564	1 705
Interest on loans	<u>32 077</u>	<u>22 727</u>
	33 641	24 432
Less: amounts included in the cost of qualifying assets	<u>(4 282)</u>	<u>(10 270)</u>
	<u>29 359</u>	<u>14 162</u>

**27. Interest in other Entities and related parties**

<b>Entity</b>	<b>Relationship</b>	<b>Ownership held by Nelson Mandela University</b>	<b>Financial Results</b>	<b>Principal Activities</b>
Nelson Mandela University Trust	The Nelson Mandela University is the sole beneficiary	100%	27.1	Hold, control and administer Educational Funds as contemplated in sections 10(1)(CA) and 18A(1)(c)(ii) of the Income Tax Act
Nelson Mandela University Investment Company (Pty) Ltd	The Nelson Mandela University Trust is the sole shareholder	100%	27.2	Investment Holding company, with interests in Property Development
Rubious Mountain Properties (Pty) Ltd	The Nelson Mandela University is a majority shareholder of the company	75%	27.3	Property rental company
Innovolve (Pty) Ltd	The Nelson Mandela University is the sole shareholder	100%	27.4	Commercialisation of specific technologies and intellectual property development
African Floralush IP (Pty) Ltd	The Nelson Mandela University is a minority shareholder of the company	22%	Dormant associate	This is the IP holding company for the manufacturing of long-life roses and foliage (Iluba).
African Floralush (Pty) Ltd	The Nelson Mandela University is a minority shareholder of the company	4%	Dormant associate	This is the operating company for the manufacturing of long-life roses and foliage (Iluba)
Mantacor (Pty) Ltd	Innovolve is a majority shareholder of the company	70%	Dormant subsidiary	This is the company that will be used to commercialise the Weldcore project.

There have been no changes to ownership during the year under review.

Services and goods exchanged between the parties are based on normal commercial terms and conditions. Executive management are also deemed related parties of the Nelson Mandela University. Refer to note 19 for a list of all executive members and their remuneration during the financial year. During the financial year, none of the parties listed above had any material interest in any agreement of note with the Nelson Mandela University or its affiliates, which could have lead to a conflict of interest. Transactions between the Nelson Mandela University and its subsidiaries have been eliminated on consolidation and are not disclosed.

**27. Interest in other Entities (continued)**

**27.1 Nelson Mandela University Trust**

<b>Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Assets		
Investments	242 280 701	213 147 331
Bank and cash balances	1 273 745	6 368 643
Other financial assets	22 752 002	12 742 114
Total assets	<u>266 306 448</u>	<u>232 258 088</u>
Funds and Liabilities		
Capital and reserves	245 937 769	222 882 997
Other financial liabilities	20 368 680	9 375 092
Total funds and liabilities	<u>266 306 448</u>	<u>232 252 088</u>
<b>Statement of Comprehensive Income</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Income		
Donations	105 608 973	97 126 498
Investment income	6 869 168	6 399 387
	<u>112 478 141</u>	<u>103 525 885</u>
Operating expenses	(8 206 505)	(6 373 706)
Net surplus for the year	104 271 636	97 152 179
Other comprehensive income – Revaluation of investments to market value at year end	25 109 193	2 735 367
Total comprehensive income for the year	<u>129 380 829</u>	<u>99 887 546</u>

**27.2 Nelson Mandela University Investment Company (Pty) Ltd**

<b>Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Assets		
Trade and Other Receivables	5 828 929	182 842
Total Assets	<u>5 828 929</u>	<u>182 842</u>
Equity	(17 115 243)	(12 602 687)
Liabilities	22 944 172	12 785 529
Total Equity and Liabilities	<u>5 828 929</u>	<u>182 842</u>
<b>Statement of Comprehensive Income</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Operating expenses	4 512 556	3 730 249
Loss for the year	<u>4 512 556</u>	<u>3 730 249</u>

**27. Interest in other Entities (continued)**

**27.3 Rubious Mountain Properties (Pty) Ltd**

<b>Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Assets		
Investments	30 275 000	30 275 000
Trade and other receivables	-	1 440 259
Total assets	<u>30 275 000</u>	<u>31 715 259</u>
Equity and Liabilities		
Share capital	100	100
Retained income	7 434 444	7 227 010
Deferred Tax	813 022	944 025
Loans from shareholders	20 999 900	20 999 900
Trade and other payables	993 120	49 335
Current tax payable	34 413	2 494 889
Total Equity and Liabilities	<u>30 275 000</u>	<u>31 715 259</u>
<b>Statement of Comprehensive Income</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Revenue	4 538 170	4 353 238
Operating expenses	<u>(2 908 616)</u>	<u>(1 630 115)</u>
Operating profit	1 629 554	2 723 123
Finance Costs	(1 078 102)	(2 519 988)
Gain on revaluation of property	-	4 175 000
Profit before taxation	551 452	4 378 135
Taxation	<u>(344 018)</u>	<u>(3 110 151)</u>
Profit for the year	<u>207 435</u>	<u>1 267 984</u>

**27. Interest in other Entities (continued)**

**27.4 Innovolve (Pty) Ltd**

<b>Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Assets		
Investments	424	424
Trade and other receivables	74 160	5 160
Cash and cash equivalents	2 589 027	2 053 630
Total Assets	<u>2 663 611</u>	<u>2 059 214</u>
Equity and Liabilities		
Share capital	100	100
Retained income	2 108 398	1 529 423
Trade and other payables	54 689	29 267
Loans from group companies	500 424	500 424
Total Equity and Liabilities	<u>2 663 611</u>	<u>2 059 214</u>
<b>Statement of Comprehensive Income</b>	<b>2023</b>	<b>2022</b>
Figures in Rand		
Revenue	549 384	2 400
Finance Income	139 457	70 171
Operating expenses	(109 866)	(90 285)
Profit/(Loss) for the year before taxation	<u>578 974</u>	<u>(17 714)</u>

**28. Statement of Equity Movements – 2023**

	<b>Council Unrestricted Funds R'000</b>	<b>Restricted Use and Residence Funds R'000</b>	<b>Property, Plant and Equipment Fund R'000</b>	<b>Total R'000</b>
Movement between funds	(48 700)	26 339	26 489	4 128
Loan repayments, redemptions & lease liability	(82)	-	16 443	16 361
Purchase of library books capitalised	-	-	4 651	4 651
Subsidiary adjustments	4 823	(14 257)	-	(9 434)
Restricted Bursaries	-	2 597	-	2 597
Trust Distribution, Management Fee and Interest	42 451	(40 541)	-	1 910
Remeasurements of post retirement medical benefits (net)	379	-	-	379
	<u>(1 129)</u>	<u>(25 862)</u>	<u>47 583</u>	<u>20 592</u>

**28. Statement of Equity Movements (continued)**

**Statement of Equity Movements – 2022**

	<b>Council Unrestricted Funds R'000</b>	<b>Restricted Use and Residence Funds R'000</b>	<b>Property, Plant and Equipment Fund R'000</b>	<b>Total R'000</b>
Movement between funds	(220 984)	60 248	154 109	(6 626)
Loan repayments, redemptions & lease liability	(1 273)	-	6 860	5 587
Purchase of library books capitalised	-	-	4 086	4 086
Subsidiary adjustments	1 820	(2 791)	-	(972)
Restricted Bursaries	-	(1 419)	-	(1 419)
Trust Distribution, Management Fee and Interest	35 068	(35 068)	-	-
Remeasurements of post retirement medical benefits (net)	356	-	-	356
	<u>(185 013)</u>	<u>20 969</u>	<u>165 055</u>	<u>1 011</u>

**29. Going concern**

The Nelson Mandela University considers itself a going concern as evidenced by financial outcomes of the 2023 financial year. There is however, still significant economic uncertainty and existing macroeconomic factors that impact on the financial sustainability of the Nelson Mandela University.

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

Sustainability & Institutional Viability Task Team has been tasked to work on the sustainability of the university, with focus areas that include academic optimisation, improved efficiencies and strategy-aligned budgeting and resources mobilisation. This work looks 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. This was in response to the need to strategically consider and plan for the sustainability and institutional viability of Mandela University.

Council 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 on the Nelson Mandela University's ability to continue as a going concern

**30. Prior period restatement**

The prior period restatement relates to the recognition of the interest receivable as a separate asset; i.e. the IFRS 9 principles relating to financial assets classified and measured at amortised cost were not correctly applied - resulting in the incorrect measurement and presentation of the other financial assets and receivable balances.

**30. Prior period restatement (continued)**

The University recorded interest still to be received on fixed term deposit investment maturities under Note 7 as trade and other receivables. Upon further investigation it was confirmed that this should be capitalised to other financial assets as per IFRS 9.

Interest on other financial assets was reclassified from trade and other receivables (note 7) to other financial assets and cash and cash equivalents (note 6) as per IFRS 9 requirements below. The amortised cost of a financial asset is defined in IFRS 9 as “the amount at which the financial asset is measured at initial recognition minus the principal payments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount”.

The effect of the prior period restatement on the consolidated statement of financial position is summarised below.

**Consolidated Statement of Financial Position 31 December 2022**

	Previous reported R'000	Adjustment R'000	Restated R'000
<b>Non-current assets</b>			
Other financial assets	1 600 000	33 327	1 633 327
<b>Current assets</b>			
Other financial assets	2 795 800	132 226	2 928 026
Trade and other receivables	489 558	(165 553)	324 005
	<b>4 885 358</b>	<b>0</b>	<b>4 885 358</b>

**Consolidated Statement of Financial Position 31 December 2021**

	Previous reported R'000	Adjustment R'000	Restated R'000
<b>Non-current assets</b>			
Other financial assets	793 000	5 130	798 130
<b>Current assets</b>			
Other financial assets	3 175 900	71 658	3 247 558
Trade and other receivables	459 185	(76 788)	382 397
	<b>4 428 085</b>	<b>0</b>	<b>4 428 085</b>

**31. Events after the reporting period**

During the May 2023 salary negotiations, the National Education, Health and Allied Workers Union (NEHAWU) rejected the salary increase offer made by the Nelson Mandela University. In June 2023, NEHAWU lodged the dispute with The Commission for Conciliation, Mediation and Arbitration (CCMA). CCMA unsuccessfully conciliated the dispute and as a result NEHAWU members embarked on a strike. In March 2024, a settlement agreement was signed between the Nelson Mandela University and NEHAWU.

The signature date is considered to be the obligating event giving rise to a legal obligation, which happened in the new year (2024). At year-end 31 December, a provision would not be recognised since a present obligation did not exist on the above basis and a reliable estimate could not be made (pending finalisation of the backdated calculation).

The total backpay for 2023 is R659 641.48, to be paid in the 2024 financial year.

There are no other events after the reporting date.