University of Zululand

Registration number: 070000202

Annual financial statements for the year ended
31 December 2016

Audited

Prepared under the supervision of
Z Mzimela (Chief Financial Officer)

University of Zululand

Annual financial statements
for the year ended 31 December 2016

Part 2

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Council's statement of responsibility for the consolidated annual financial statements

for the year ended 31 December 2016

The Council is responsible for the preparation and fair presentation of the consolidated annual financial statements of University of Zululand, comprising the consolidated statement of financial position at 31 December 2016, and the consolidated statements of comprehensive income, changes in funds and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the manner required by the Minister of Higher Education and Training in terms of the Higher Education Act (No. 101 of 1997), as amended.

The Council is also responsible for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The Council also prepared other information as required to be included in this report and is responsible for both its accuracy and consistency with the financial statements.

The Council has made an assessment of University of Zululand's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of the University of Zululand, as identified in the first paragraph, were approved by the Council on 23 June 2017 and signed by

Mr C Gamede
Chairperson of Council
Date: 23 June 2017

Professor X Mtose
Vice-Chancellor
Date: 23 June 2017

KPMG

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Independent auditor's report to the Minister of Higher Education and Training and the Council of the University of Zululand

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the University of Zululand (the group) as set out on pages 8 to 51 which comprise the consolidated statement of financial position at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in funds, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Zululand at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa.

Basis for opinion

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

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

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

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Other Information

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

Our opinion on the consolidated financial statements and the selected objectives included in our report on the audit of the performance assessment report and our report on audit of compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected objectives presented in the performance assessment report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. No material inconsistencies were identified.

Responsibilities of the council

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the council with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and here applicable, related safeguards.

Report on the audit of the performance assessment report

Introduction and scope

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

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

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We evaluated the reliability of the reported performance information for the following selected objectives presented in the performance assessment report of the university for the year ended 31 December 2016:

Objectives	Pages in the performance assessment report
Goal 1 - Improve Governance Through Enhanced Operations To Support The Academic Enterprise And Ensure Sustainability	26
SG1SO9: Develop a Financial Budgeting and Reporting System	27
Goal 2 - Create a quality teaching and learning environment as a comprehensive university	24
SG2SO4: Design and develop a cohort analysis for effective institutional planning and monitoring	31
Goal 3 - Enhance Research And Innovation	28
SG3SO2: Increase the University Research Output	28
SG3SO8: Staff retention strategies to be developed	31
Goal 4 - Enhance The Quality And Profile Of Unizulu Graduates	28
SG4SO1: Provide a supportive learning and teaching environment for Unizulu students	28
SG4SO5: Development of Academics and Enhancement of Scholarship	29
Goal 6 - Accelerate Infrastructure Development	29
SG06SO3: Configure campus security systems to ensure appropriate access to assessments	29
SG06SO09: Develop Infrastructure Master Plan for the University	30

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

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

Achievement of planned targets

Refer to the annual report on pages 30 to 32 for information on the achievement of the planned targets for the year.

Report on audit of compliance with legislation

Introduction and scope

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

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

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Internal control deficiencies

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

Other reports

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

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

"Audit template: All other NRF awards and Audit Template: Grant Deposit". The report covered the period 1 January 2016 to 31 December 2016 and was issued on 30 March 2017.

"National research foundation (NRF) THRIP Fund Grant. The report covered the period 1 January 2016 to 31 December 2016 and was issued on 15 May 2017.

"Report on Clinical grant funds. The report covered the period 1 April 2016 to 31 March 2017 and was issued 31 May 2017.

"Research output grant schedule. The report covered the period 1 January 2016 to 31 December 2016 and was issued on 31 May 2017.

"Infrastructure funding: Invoice sheet for individual project schedule. The report covered the period 1 April 2016 to 31 March 2017 and was issued on 31 May 2017.

"Teaching grant allocation. The report covered the period 1 April 2016 to 31 March 2017 and was issued on 31 May 2017.

"Foundation Commerce and science programmes. The report covered the period 1 April 2016 to 31 March 2017 and was issued on 31 May 2017.

"Research grant allocation. The report covered the period 1 April 2016 to 31 March 2017 and was issued on 31 May 2017.

"New generation of Academics programme (nGap). The report covered the period 1 April 2015 to 31 March 2016 and 1 April 2016 to 31 March 2017 as was issued on 31 March 2017.

KPMG Inc.

Paul Fay

Per Paul Fay
Chartered Accountant (SA)
Registered Auditor
Director
28 June 2017

University of Zululand

Consolidated statement of financial position
at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets		**1 687 712**	1 438 243
Property, plant and equipment	2	1 194 055	843 696
Available-for-sale investments	3	493 657	487 882
Post-retirement benefit surplus	4	-	106 665
Current assets		**1 111 046**	979 422
Inventories		4 958	2 644
Student and other receivables	6	227 050	151 254
Short-term investments	7	838 715	806 694
Cash at bank and on hand	8	40 323	18 830
Total Assets		**2 798 758**	2 417 665
Funds and liabilities			
Accumulated funds		**1 774 759**	1 506 987
Non-distributable funds:			
Property, plant and equipment (PPE) fund		647 194	646 350
Revaluation reserve		385 791	137 277
Available-for-sale financial asset reserve		98 899	109 758
Post-retirement benefits reserve		-	106 665
Restricted funds designated for specific activities:			
DHET, Trusts, and Research funds		52 876	54 705
Auxiliary student/services funds		24 972	19 220
Designated institutional reserve		27 682	27 682
Unrestricted funds:			
Accumulated Council-controlled funds		472 593	334 495
UNIZULU Foundation funds		64 752	70 835
Non-current liabilities		**806 138**	734 332
Interest-bearing borrowings	10	24 636	28 825
Post-retirement obligations	4	97 417	79 901
Deferred government grants	11	684 085	625 606
Current liabilities		**217 861**	176 346
Trade payable and accrued liabilities	12	83 225	55 663
Current portion of interest-bearing borrowings	10	4 371	2 185
Current portion of deferred government grants	11	14 505	16 555
Employee benefits	13	62 996	56 719
Student deposits		52 764	45 224
Total funds and liabilities		**2 798 758**	2 417 665

Consolidated statement of comprehensive income

for the year ended 31 December 2016

2016	Notes	Council Controlled (Unrestricted) R'000	Designated Funds (Restricted) R'000	Sub Total R'000	Auxiliary Services (Restricted) R'000	UNIZULU December 2016 Total R'000	UNIZULU Foundation December 2016 (Restricted) R'000	Consolidated Total December 2016 R'000	Consolidate Total December 2015 R'000
Income									
Recurrent items									
State appropriations - Subsidies / grants		465 449	24 164	489 613	-	489 613	-	489 613	408 224
Tuition and other fee income		317 610	-	317 610	43 836	361 446	-	361 446	345 197
Sale of goods and services		1 760	244	2 004	48 409	50 413	-	50 413	39 454
Private gifts and donations		115	46 996	47 111	-	47 111	2 217	49 328	50 111
Other income		5 717	344	6 061	11 778	17 839	-	17 839	21 102
Sub-total		**790 651**	**71 748**	**862 399**	**104 023**	**966 422**	**2 217**	**968 639**	864 088
Investment income	*14*	**52 507**	**2 894**	**55 401**	**-**	**55 401**	**4 131**	**59 532**	45 303
Total Recurrent income		**843 158**	**74 642**	**917 800**	**104 023**	**1 021 823**	**6 348**	**1 028 171**	909 391
Recurrent expenditure									
Personnel costs	*15*	(376 519)	(19 349)	(395 868)	(19 927)	(415 795)	(4 002)	(419 797)	(371 854)
Operating expenses	*16*	(271 591)	(55 744)	(327 335)	(71 896)	(399 231)	(5 689)	(404 920)	(342 425)
Capital/minor items expensed		(3 479)	(65)	(3 544)	(91)	(3 635)	(286)	(3 921)	(7 005)
Depreciation		2 227	-	2 227	(7 711)	(5 484)	(235)	(5 719)	(35 496)
Sub-total		**(649 362)**	**(75 158)**	**(724 520)**	**(99 625)**	**(824 145)**	**(10 212)**	**(834 357)**	(756 780)
Surplus/ (loss) before finance costs		**193 796**	**(516)**	**193 280**	**4 398**	**197 678**	**(3 864)**	**193 814**	152 611
Finance costs	*17*	**(2 370)**	**-**	**(2 370)**	**-**	**(2 370)**	**-**	**(2 370)**	(2 506)
Surplus/ (loss) before non-recurrent items		**191 426**	**(516)**	**190 910**	**4 398**	**195 308**	**(3 864)**	**191 444**	150 105
Non-recurrent items									
Post-retirement benefit deficit	5	**(76 033)**	-	**(76 033)**	-	**(76 033)**	-	**(76 033)**	(68 600)
Total non-recurrent items									
Net surplus/ (loss) for the year carried forward		**115 393**	**(516)**	**114 877**	**4 398**	**119 275**	**(3 864)**	**115 411**	81 505

University of Zululand

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	Notes	Council Controlled R'000	Designated Funds R'000	Sub Total R'000	Auxiliary Services R'000	UNIZULU December 2016 Total R'000	UNIZULU Foundation December 2016 R'000	Consolidated Total December 2016 R'000	Consolidate Total December 2015 R'000
Net surplus/(loss) for the year brought forward		**115 393**	**(516)**	**114 877**	**4 398**	**119 275**	**(3 864)**	**115 411**	81 505
Other comprehensive income									
Items that are or may be reclassified to profit and loss									
Net change in fair value of investments		(10 859)	-	(10 859)	-	(10 859)	(2 219)	(13 078)	29 051
Items that will never be reclassified to profit or loss									
Post-retirement benefit surplus/(deficit)	5	(84 129)	-	(84 129)	-	(84 129)	-	(84 129)	92 325
Total other comprehensive (loss)/income		(94 988)	-	(94 988)	-	(94 988)	(2 219)	(97 207)	121 376
Total comprehensive (loss)/income		20 405	(516)	19 889	4 398	24 287	(6 083)	18 204	202 881

University of Zululand

Consolidated Statement of changes in funds
for the year ended 31 December 2016

	Non Distributable Funds				Designated for Specific Activities			Unrestricted Funds		Total Funds
	Property, plant and equipment Funds (PPE) Restricted	Revaluation Reserve	Available for Sale Reserve	Post-Retirement Benefits - Reserve	DHET / Research & Trust Funds	Designated Institutional Reserve	Auxiliary / Student Services Funds	Council Controlled Accumulated Funds	UNIZULU Foundation	Total Funds
	Restricted	*Restricted*	*Restricted*	*Restricted*	*Restricted*	*Restricted*	*Restricted*	*Unrestricted Funds*	*Unrestricted Funds*	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Fund Balances at 1 January 2016	646 350	137 277	109 758	106 665	54 705	27 682	19 221	334 495	70 835	1 506 987
Net surplus/ (loss) for the year	-	-	-	-	(516)	-	4 398	115 393	(3 864)	115 411
Other comprehensive income	-	-	(10 859)	(84 129)	-	-	-	-	(2 219)	(97 207)
Revaluation	-	249 567	-	-	-	-	-	-	-	249 567
Transfers between Funds (Asset additions)	3 664	-	-	-	(3 208)	-	(456)	-	-	-
Fund movement	-	-	-	(22 536)	1 895	-	(5 902)	26 543	-	-
Funds movements (Asset depreciation)	(5 876)	-	-	-	-	-	7 711	(1 835)	-	-
Loan repayments	2 003	-	-	-	-	-	-	(2 003)	-	-
Release to Accumulated Funds	1 053	(1 053)	-	-	-	-	-	-	-	-
Fund Balances at 31 December 2016	647 194	385 791	98 899	-	52 876	27 682	24 971	472 593	64 752	1 774 759

University of Zululand

Consolidated statement of changes in funds
for the year ended 31 December 2016

	Non Distributable Funds			Designated for Specific Activities				Unrestricted Funds		Total Funds
	Property, plant and equipment Funds (PPE) Restricted	Revaluation Reserve	Available for Sale Reserve	Post-Retirement Benefits - Reserve	DHET / Research & Trust Funds	Designated Institutional Reserve	Auxiliary / Student Services Funds	Council Controlled Accumulated Funds *Unrestricted Funds*	UNIZULU Foundation *Unrestricted Funds*	Total Funds
	Restricted	*Restricted*	*Restricted*	*Restricted*	*Restricted*	*Restricted*	*Restricted*			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Fund balances at 1 January 2015	674 345	283 960	81 706	106 191	29 845	27 682	7 265	173 186	64 831	1 449 011
Net surplus/ (loss) for the year	-	-	-	-	12 847	-	18 570	45 083	5 005	81 505
Other comprehensive income	-	-	28 052	474	-	-	-	91 851	999	121 376
Devaluation	-	(144 905)		-	-	-	-	-	-	(144 905)
Transfers between funds (asset additions)	3 858	-	-	-	(529)	-	(50)	(3 279)	-	-
Fund movement	-	-	-	-	12 542	-	(6 565)	(5 977)	-	-
Funds movements (asset depreciation)	(35 496)	-	-	-	-	-	-	35 496	-	-
Loan repayments	1 865	-	-	-	-	-	-	(1 865)	-	-
Release to accumulated funds	1 778	(1 778)	-	-	-	-	-	-	-	-
Fund Balances at 31 December 2015	646 350	137 277	109 758	106 665	54 705	27 682	19 220	334 495	70 835	1 506 987

University of Zululand

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	**2016** **R'000**	2015 R'000
Cash generated by operations	*20*	**100 812**	232 718
Investment income		**59 532**	45 303
Finance costs		**(2 370)**	(2 506)
Net cash inflow operating activities		**157 974**	275 515
Cash flows from investing activities			
Purchase of property, plant and equipment		**(106 511)**	(32 917)
Purchase of investments	*3*	**(42 866)**	(42 214)
Proceeds from disposal of investments		**46 920**	35 893
Net cash outflow from investing activities		**(102 457)**	(39 238)
Cash flows outflow from financing activities			
Increase/(decrease) in interest bearing borrowing		**(2 003)**	(1 865)
Net cash outflow from financing activities		**(2 003)**	(1 865)
Net increase in cash and cash equivalents		**53 514**	234 412
Cash and cash equivalents at the beginning of the year		**825 524**	591 112
Cash and cash equivalents at the end of the year*		**879 038**	825 524

*Cash and cash equivalents consist of cash at bank and on hand and short term investments.

Notes to the consolidated financial statements
for the year ended 31 December 2016

1.1 Reporting entity

The University of Zululand (the "University") is an educational institution domiciled in the Republic of South Africa. The address of the University's registered office is Mvuzemvuze Road, KwaDlangezwa, 3886, South Africa. The consolidated financial statements of the University as at and for the year ended 31 December 2016 comprise the University and its subsidiary, the University of Zululand Foundation.

Where reference is made to the financial statements in the accounting policies, it should be interpreted as referring to the consolidated financial statements where the context requires, unless otherwise noted.

1.2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Regulations for annual reporting by Higher Education Institutions and in the manner required by the Higher Education Act (Act 101 of 1997).

The consolidated financial statements were approved by the Council on 24 June 2017.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Available-for-sale financial assets are measured at fair value.
- The defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.
- Land and buildings are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in South African Rands, which is the University's functional currency. All financial information presented in South African Rands has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.2 Basis of preparation (continued)

d) Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the following notes:
Note 4 – Measurement of defined benefit surplus: key actuarial assumptions
Note 11 – Measurement of defined benefit obligation: key actuarial assumptions

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of consolidation

i) Subsidiaries
Subsidiaries are those entities controlled by the University. An investor controls an investee when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

ii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Financial instruments

i) Non-derivative financial assets
The University initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the University becomes a party to the contractual provisions of the instrument.

The University derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the University is recognised as a separate asset or liability.

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

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

1.3 Significant accounting policies (continued)

b) Financial instruments (continued)

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the University manages such investments and makes purchase and sale decisions based on their fair value in accordance with the University's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets
If the University has the positive intent and ability to hold debt securities to maturity then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the University from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise student loans, fees and other receivables (see note 6).

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents includes cash balances and call deposits (short term investments) with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the University's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The University's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale financial asset reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit and loss.

1.3 Significant accounting policies (continued)

b) Financial instruments (continued)

Non-derivative financial liabilities
The University initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the University becomes a party to the contractual provisions of the instrument.

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

The University has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

c) Property, plant and equipment

(i) Recognition and measurement
Land and buildings are stated at fair value. These items are revalued by external, independent property valuers having appropriate recognised professional qualifications and experience in the category of property being valued. The independent valuers provide the fair value of the University's property at least once every five years using the open market value basis in continuation of existing use for land and buildings and furniture and equipment. The last valuation took place in 2016.

Any surplus on revaluation, in excess of net carrying value, is recognised as a gain in other comprehensive income and transferred to a revaluation reserve. Surpluses on revaluation are recognised as income to the extent that they reverse revaluation decreases of the same assets recognised as expenses in previous periods. Deficits on revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Other deficits are recognised as expenses.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Capital work in progress mainly relates to buildings under construction. These are transferred to buildings on completion.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Assets costing R15 000 or less are not capitalised. Library books, journals and collections are written off in the year of acquisition.

1.3 Significant accounting policies (continued)

c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)
Gains and losses on disposal of property, plant and equipment are determined by comparing the carrying value of the respective assets at disposal to the proceeds on their disposal and are accounted for in the consolidated statement of comprehensive income.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the University and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as incurred.

(iii) Depreciation
Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	10-50 years
• Furniture and equipment	5-10 years
• Computer equipment	3-10 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Leased assets

Leases in terms of which the University assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the University's statement of financial position.

Refer to accounting policy 1.3 (*k*) for lease payments.

e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Redundant and slow moving inventories are identified and written down to their estimated economic or realisable values.

1.3 Significant accounting policies (continued)

f) Impairment

(i) Non – derivative financial assets (including receivables)
A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the University on terms that the University would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The University considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the University uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the available-for-sale financial asset reserve in funds, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment allowances attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

1.3 Significant accounting policies (continued)

f) Impairment (continued)

(ii) Non-financial assets
The carrying amount of the University's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

g) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on risk-free Government bonds that have maturity dates approximating the terms of the University's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the University. An economic benefit is available to the University if it is realisable during the life of the plan, or on settlement of the plan liabilities.

1.3 Significant accounting policies (continued)

h) Employee benefits (continued)

(ii) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise acturial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, exluding interest), are recognised immediatley in other comprehensive income. The University determines the net interest expense/(income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benift plans are recognised in profit or loss.

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

(iii) Post retirement obligation

The University provides post retirement medical benefits to qualifying members of staff who retire either through age or medical grounds, by means of a defined benefit medical aid scheme. The entitlement to these benefits is based on, either the staff members' super-annuation or remaining in service to retirement age.

The anticipated cost of these benefits is assessed by qualified actuaries and contributions are made to the relevant funds over the expected service live of the staff members entitled to those funds.

(iv) Termination benefits

Termination benefits are recognised as an expense when the University is committed (without realistic possibility of withdrawal) to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the University has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(v) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the University has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee entitlements to annual leave are recognised when they accrue. An accrual is made for the estimated liability for accumulated leave as a result of services rendered up to the reporting date.

1.3 Significant accounting policies (continued)

i) Income recognition

i) State subsidy

State appropriations for general purposes are recognised as income in the financial year to which the subsidy relates.

If the funding is provided in advance of the specified requirement, (i.e. the University does not have immediate legal entitlement to it) the relevant amount is deferred and recognised in the applicable period.

ii) Special designated income

Income received for designated specific purposes arises from contracts and grants. In all cases, any such income is recognised in the consolidated statement of comprehensive income in the financial period in which the institution becomes entitled to the use of these funds.

Funds received, which the University cannot use until some specified future period or occurrence, are held in an appropriate fund until the financial period in which the funds can be used, at which time the amount is recognised as income. If the funds are returnable to their source in the absence of the event or occurrence, these funds are designated as deferred income and disclosed on the statement of financial position under current liabilities. Where funds received are not controlled by the University, or where the University is required to report to third parties regarding the usage of such funds or where the University acts as a custodian of those funds, this is not recognised as revenue and is disclosed on the consolidated statement of financial position under current liabilities.

iii) Tuition fees

Tuition fees are brought into income in the period to which they relate and at the time these are formally billed.

iv) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

j) Government grants

An unconditional government grant or subsidy is recognised in profit or loss for the year when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the University will comply with the conditions associated with the grant. Grants that compensate the University for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the University for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

1.3 Significant accounting policies (continued)

k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease
At inception of an arrangement, the University determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the University the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the University separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the University concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the University's incremental borrowing rate.

Refer to 1.3 (*d*) for leased assets.

l) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets.

m) Income tax

The University of Zululand is exempt from South African normal taxation in terms of Section 101(1)(cA)(i) of the Income Tax Act and therefore no provision has been made for taxation.

1.3 Significant accounting policies (continued)

n) Fund categories

The consolidated statement of comprehensive income is prepared on a segmented reporting basis in the manner required by the Minister of Higher Education and Training in terms of section 41 of the Higher Education Act, 1997 (Act No. 101 of 1997), as amended. Income shown as Council Controlled relates to funds over which the Council has legal control and discretionary control. Income shown as Specifically Funded Restricted relates to funds generated in terms of legally enforceable requirements by the donor or grantor. Income shown as Student Residence Restricted relates to revenue generated from student accommodation fees. Management continuously reviews the classification of the various funds and periodically reclassifies them, where deemed appropriate, for changes in the circumstances and conditions relating to them.

The consolidated statement of changes in funds is grouped according to the same criteria as the consolidated statement of comprehensive income and also includes a property, plant and equipment fund, revaluation reserve, post-retirement benefits reserve and an available for sale financial asset reserve. Funds for the acquisition of property, plant and equipment are transferred to the property, plant and equipment fund, which thereafter includes the funds representing the carrying value of the items of property, plant and equipment. The post-retirement benefits reserve includes the gains and losses on the pension fund. The available for sale financial asset reserve includes those gains and losses on investments that are not recognised in the statement of comprehensive income. These gains and losses arise as a result of movements in the difference between the cost and the fair value of the investments. The restricted funds designated for specific activities represent the unspent portion of funds received which the University has an obligation to spend in terms of a mandate. The revaluation reserve fund relates to a revaluation of property, plant and equipment. The revaluation reserve is released to accumulated funds on a systematic basis over the assets useful lives.

o) Determination of fair values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

1.3 Significant accounting policies (continued)

o) Determination of fair values (continued)

(iii) Student and other receivables

The fair value of student and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Refer to 1.2 (*d*) for accounting policy relating to significant estimates and judgements.

(v) Fair value hierarchy

When measuring the fair value of an asset or a liability, the University uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

p) Related parties

A party is related to the University if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or under common control with the University;
- The party is a member of key management personnel of the entity or it parent;
- The party is a close family member of the family or individual referred to the above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

Notes to the consolidated financial statements
for the year ended 31 December 2016

1.4 Standards and interpretations not yet effective

At the date of authorisation of the consolidated financial statements of The University of Zululand for the year ended 31 December 2016, the following standards and interpretations applicable to the University were in issue but not yet effective:

Standard/Interpretation		Effective date Periods beginning on or after
IAS 7	*Disclosure amendments*	1 January 2017
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 16	*Leases*	1 January 2019

All standards and interpretations will be adopted at their effective date.

The Administrator is of the opinion that the above amendments will not have a material impact or the University's financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2016

2 Property, plant and equipment

	Land R'000	Buildings R'000	Work in progress R'000	Furniture & Equipment R'000	Data & Computer Equipment R'000	Motor Vehicles R'000	Total R'000
As at 31 December 2016:							
Cost or Valuation	70 336	1 009 000	65 479	62 305	56 435	4 871	1 268 426
Accumulated depreciation	-	(19 084)	-	(30 523)	(20 333)	(4 431)	(74 371)
Carrying Value	70 336	989 916	65 479	31 782	36 102	440	1 194 055
Movements for the year 2016:							
Opening carrying value	52 380	749 755	11 996	19 716	9 679	170	843 696
Additions	86	27 548	53 483	5 790	19 604	-	106 511
Reclassification	8 370	(8 370)	-	-	-	-	-
Revaluation	9 500	240 067	-	-	-	-	249 567
Depreciation charge	-	(19 084)	-	6 276	6 819	270	(5 719)
Closing Carrying Value	70 336	989 916	65 479	31 782	36 102	440	1 194 055
As at 31 December 2015:							
Cost or Valuation	52 380	869 264	11 996	56 515	36 831	4 871	1 031 857
Accumulated depreciation	-	(119 509)	-	(36 799)	(27 152)	(4 701)	(188 161)
Carrying Value	52 380	749 755	11 996	19 716	9 679	170	843 696
Movements for the year 2015:							
Opening carrying value	11 075	938 658	-	22 614	18 228	605	991 180
Additions	13 680	3 271	11 996	3 591	379	-	32 917
Revaluation/(devaluation)	27 625	(172 530)	-	-	-	-	(144 905)
Depreciation charge	-	(19 644)	-	(6 489)	(8 928)	(435)	(35 496)
Closing Carrying Value	52 380	749 755	11 996	19 716	9 679	170	843 696

2 Property, plant and equipment (continued)

The carrying amount that would have been recognised had the buildings that were revalued to R 989 916 000 had the assets been carried under the cost model would be R 586 997 000.

A register of land and buildings is available for inspection at the University's business address.

The land on which the buildings on KwaDlangezwa, Empangeni and Mtunzini are situated does not belong to the University. The University has the right of use of this land from the Department of Public Works.

A new campus was erected by the University during the 2009 financial year in Richards Bay. The land on which the campus is situated belongs to the University. Land comprises erf 16855, Portion 42 (of 25) of erf 11161, Richards Bay. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the prior approval of the Minister of Higher Education and Training.

Buildings erected at KwaDlangezwa comprise the following: lecture theatres, library, administration offices, student residences, staff housing and utilities. Property, plant and equipment includes capitalised finance lease assets.

During the 2016 financial year land and buildings were revalued which resulted in a net revaluation of R249 567 000.

Independent valuator- Mills Fitchet (Natal) (Pty) Ltd
Effective date of valuation- 31 December 2016
Basis of valuation- Capitalised Income Method based on market related rentals and expenses and Depreciated Replacement Cost (DRC) approach.

Assumptions: Capitalised income Method
Capitalised income method
Market related rentals for the campus of R65/m2
Vacancy and collection loss of 5%
Operating expenses/outgoings equate to approximately +/- 29% of the effective gross annual income
Capitalisation rate of 10.5%

Assumptions: Depreciated Replacement Cost (DRC) approach
Useful life expectancy at around 100 years.

Notes to the consolidated financial statements

for the year ended 31 December 2016

3 Available-for-sale investments	2016 R'000	2015 R'000
Listed equities	**323 668**	345 655
Money market	**46 938**	15 933
International investments	**82 074**	82 074
	452 680	443 662
Held to maturity investments		
Fixed income investments	**40 977**	44 220
	493 657	487 882
Investments reconciliation		
Opening balance	**487 882**	443 932
Additions	**42 866**	42 214
Disposals	**(35 887)**	(35 893)
(Devaluation)/revaluation	**(1 204)**	37 629
Closing balance	**493 657**	487 882

Investments held by the University of Zululand Foundation are invested on a long-term basis in order to obtain reasonable growth and revenue returns.

Investments including listed equities, international investments, fixed income instruments and money market investments are stated at fair value.

Portfolio UNI 005 in listed equities has been ceded to the Development Bank of Southern Africa (DBSA) to the value of R8 040 340 (refer note 10).

4 Post-retirement obligations

These post-retirement benefit obligation exposes the University to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

	2016 R'000	2015 R'000
Pension fund (Note 4.1)	**(664)**	97 555
Provident fund (Note 4.2)	**(3 876)**	9 110
Medical aid (Note 4.3)	**(92 877)**	
	(97 417)	106 665

4.1 Pension Fund

The University's obligation towards the post-retirement pension fund benefit was actuarially calculated as at 31 December 2016 by ABSA Consultants and Actuaries and is disclosed in accordance with *International Accounting Standard 19: Employee Benefits,* as follows:-

	2016	2015
	R'000	R'000
Consolidated statement of financial position		
Present value of funded obligations	**(868 846)**	(754 578)
Fair value of plan assets (refer note 4.3)	**868 182**	852 133
Present value of net surplus	**(664)**	97 555
Consolidated statement of comprehensive income		
Service cost	**(66 286)**	(52 991)
Interest cost	**(80 044)**	(64 066)
Expected return on plan assets	**88 526**	71 059
Amount recognised in the net surplus	**(57 804)**	(45 998)
Actuarial (losses)/gains	**(5 806)**	44 692
Return on plan assets	**(61 826)**	32 141
Amount recognised in other comprehensive income	**(67 632)**	76 833
Total amount recognised in consolidated statement of comprehensive income	**(125 436)**	30 835
Reconciliation of movement in the net asset recognised in the consolidated statement of financial position		
Balance at the beginning of the year	**97 555**	106 191
Employer contributions during the year	**20 733**	14 766
Transfer to Provident Fund	**6 484**	(54 237)
Total amount recognised in consolidated statement of comprehensive income	**(125 436)**	30 835
Balance at the end of the year	**(664)**	97 555
Key Valuation Assumptions		
Discount rate	**9.75%**	10.49%
Salary increase rate	**9.43%**	10.31%
Pension increase allowance	**4.7%**	5.40%
General inflation rate	**7.43%**	8.31%
Post-retirement mortality assumptions	**PA (90) table-1 year**	PA (90) table-1 year

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit plan by the amounts shown below.

31 December 2016	Increase R'000	Decrease R'000
Discount rate (1% movement)	**(118 570)**	151 323
Salary inflation (1% movement)	**49 634**	(43 485)

The defined benefit plans are administered by the board of trustees. The board of trustees of the pension and provident funds are required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

These defined benefit plans expose the University to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

4.2 Provident fund

The University's obligation towards the post-retirement provident fund benefits was actuarially calculated as at 31 December 2016 by ABSA Consultants and Actuaries and is disclosed in accordance with IAS 19: Employee Benefits, as follows:-

	2016 R'000	2015 R'000
Consolidated statement of financial position		
Present value of funded obligations	**(140 155)**	(130 393)
Fair value of plan assets	**136 279**	139 503
Present value of net (deficit)/surplus	**(3 876)**	9 110
Consolidated Statement of Comprehensive Income		
Service cost	**(9 756)**	(10 398)
Interest cost	**(13 116)**	(10 545)
Expected return on plan assets	**14 071**	6 932
Contribution by members		-
Amount recognised in the net surplus	**(8 801)**	(14 011)
Actuarial gains	**1 712**	6 677
Return on plan assets	**(9 288)**	871
Amount recognised in other comprehensive income	**(7 576)**	7 548
Total amount recognised in the consolidated statement of comprehensive income	**(16 377)**	(6 463)
Reconciliation of movement in the net asset recognised in the consolidated statement of financial position		
Balance at the beginning of the year	**9 110**	(41 531)
Transfer from Pension Fund	**-**	54 237
Employer contributions during the year	**3 391**	2 867
Amount recognised in consolidated statement of comprehensive income	**(16 377)**	(6 463)
Balance at the end of the year	**(3 876)**	9 110

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Key Valuation Assumptions		
Discount rate	**9.75%**	10.49%
Salary inflation rate	**9.43%**	10.31%
Pension increase allowance	**4.70%**	4.83%
General inflation rate	**7.43%**	8.31%
Post-retirement mortality assumptions	**PA (90) table-1 year**	PA (90) table-1 year

Sensitivity analysis 31 December 2016	Increase R'000	Decrease R'000
Discount rate (1% movement)	**(17 036)**	21 329
Salary inflation (1% movement)	**8 409**	(7 439)

Plan assets comprise:

	Pension fund 2016 R'000	Provident fund 2016 R'000	Pension fund 2015 R'000	Provident fund 2015 R'000
Listed equities	**300 390**	**41 429**	518 012	46 176
Capital market	**182 319**	**34 070**	20 536	40 316
International investments	**178 845**	**17 171**	190 026	22 041
Money market	**157 142**	**37 068**	76 692	22 460
Property market	**49 486**	**6 541**	46 867	8 510
Total plan assets as at 31 December 2016	**868 182**	**136 279**	852 133	139 503

4.3 Medical Aid

	2016 R'000	2015 R'000
Medical aid benefits	**92 877**	79 901
	92 877	79 901

These post-retirement benefit obligation exposes the University to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

The University's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 December 2016 by C.A. Scott and is disclosed in accordance with IAS 19: Employee Benefits, as follows:-

	2016 R'000	2015 R'000
Consolidated statement of financial position		
Present value of funded obligations	**92 877**	79 901
Fair value of plan assets	**-**	-
Present value net obligations	**92 877**	79 901
Consolidated statement of comprehensive income		
Service cost	**(1 282)**	(1 537)
Interest cost	**(8 146)**	(7 054)
Total amount recognised in the net surplus	**(9 428)**	(8 591)
Actuarial (losses)/gains	**(8 921)**	7 944
Amount recognised in other comprehensive income	**(8 921)**	7 944
Total amount recognised in the consolidated statement of comprehensive income	**(18 349)**	(647)
Movement in the net liability recognised in the consolidated statement of financial position		
Opening value	79 901	83 928
Benefits paid	(5 373)	(4 674)
Total amount recognised in consolidated statement of comprehensive income	18 349	647
Closing value	92 877	79 901
Key Valuation Assumptions		
Discount Rate	**9.6%**	10.5%
Medical inflation rate	**6.9%**	7.0%
Pre-retirement mortality assumptions	**SA85-90 Light**	SA85-90 Light
Post-retirement mortality assumptions	**PA (90)**	PA (90)

Health care cost inflation

The valuation basis assumes that the health care cost inflation rate will remain constant in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

	1% increase R'000	Valuation basis R'000	1% decrease R'000
Employer's accrued liability	**10 124**	**92 877**	**(8 638)**
Employer's service and interest cost	**1 056**	**9 428**	**(905)**

Therefore, a 1% increase in the health care cost inflation assumption will result in a 10.9% increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation assumption will result in a 9.3% decrease in the accrued liability.

		2016	2015
5	**Total amount recognised in profit or loss as at 31 December 2016**	**R'000**	R'000
	Pension fund (note 4.1)	**(57 804)**	(45 998)
	Provident fund (note 4.2)	**(8 801)**	(14 011)
	Medical aid (note 4.4)	**(9 428)**	(8 591)
	Total amount recognised in other comprehensive income as at 31 December 2016	**(76 033)**	(68 600)
	Pension fund (note 4.1)	**(67 632)**	76 833
	Provident fund (note 4.2)	**(7 576)**	7 548
	Medical aid (note 4.4)	**(8 921)**	7 944
		(84 129)	92 325

6 Student and other receivables

	2016	2015
Student debtors	**348 391**	255 394
Less: allowance for impairment losses	**(129 698)**	(127 165)
Net student receivables	**218 693**	128 229
NSFAS and other bursaries receivable	**152**	1 484
Other receivables	**8 205**	21 541
	227 050	151 254

Student fee debt is non-interest bearing, and minimum payments are required on registration and on subsequent prescribed dates as published in the University's fee handbook. The portion of student debt, which is considered irrecoverable after taking into account the historical debt repayment due from NSFAS, is included in the allowance for impairment losses. The impairment takes into account the present value of future expected cash flows. The carrying amounts approximate the fair value. Movement in the allowance for impairment of student debtors were as follows:

Allowance for impairment losses	**2016 R'000**	2015 R'000
At 1 January	**127 165**	112 719
Charge for the year	**2 533**	14 446
At 31 December	**129 698**	127 165

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6 Student and other receivables (continued)

Student debtor balances	2016 Balance R'000	2016 Impairment R'000	2016 Net	2015 Balance R'000	2015 Impairment R'000	2015 Net
Past due date - 1 year	**218 693**	**-**	**218 693**	128 229	-	128 229
Past due date - 2 years	**2 533**	**(2 533)**	**-**	14 446	(14 446)	-
Past due date - 3 years and earlier	**127 165**	**(127 165)**	**-**	112 719	(112 719)	-
	348 391	**(129 698)**	**218 693**	255 394	(127 165)	128 229

	2016 R'000	2015 R'000
7 Short term investments		
Classified as available for sale	**838 715**	806 694

Interest bearing available-for-sale financial assets, earn interest at rates between 4 to 8 percent (2015: 4 to 8 percent). Short term investments consist of investments in money market, cash deposits and fixed maturity notices.

	2016 R'000	2015 R'000
8 Cash at bank and on hand	**40 323**	18 830

9 Change in estimate

During the year management undertook a detailed assessment of useful lives of all assets which were still in use as at 31 December 2016, this resulted in a decrease in depreciation of R5 719 000. The effect of the change was accounted for prospectively by adjusting the current year depreciation with the cumulative effect. The following analysis summarises the impact

	2016
Reconciliation	
Depreciation	-
Depreciation (based on the new useful lives)	**(29 198)**
Cumulative adjustment due to change in useful lives	**23 479**
Depreciation for the year	**(5 719)**

	2016 R'000	2015 R'000
10 Interest bearing borrowings		
Non-current liabilities		
Development Bank of South Africa (DBSA) loan	**24 636**	28 825
	24 636	28 825
Current liabilities		
Current portion of DBSA loan	**4 371**	2 185
	4 371	2 185

The interest bearing borrowings reflect the balance owing on loans raised to finance capital development projects. The annual cost of interest and repayments are included in the consolidated statement of comprehensive income.

All non-current loans, are repayable bi-annually and the redemption date is 30 June 2027. Fixed effective interest rates vary between 5%-11.42% (2015:5%-11.42%).

The variable effective interest rate fluctuates with changes in the prime interest rate and averaged 7.61% (2015: 7.61%) for the financial year.

The DBSA loan is secured in terms of a cession issued to the value of R8 040 340. Refer to note 3.

11 Deferred government grants

Government Grants of R35 million (2015: R125 million) were received in respect of improvements to the infrastructure of the University and other grant funding. This has been reflected as deferred income and will be recognised as income on a systematic and rational basis over the useful life of the asset.

Grant funding for items included in property, plant and equipment	2016 R'000	2015 R'000
Infrastructure grant spent*	**198 840**	204 231
Infrastructure grant	**485 245**	421 375
- Phase 2 Main infrastructure project	**473 909**	410 039
- Phase 1 Pre-2014 infrastructure	**11 336**	11 336
Other grants		
Trust Funds	**14 505**	16 555
- National Research Fund	**3 027**	3 115
- UZF CIME (Centre for Innovation)	**11 478**	13 440
Total deferred government grants	**698 590**	642 161

* To be amortised over the useful life of the asset

Analysed as:		
Non-current	**684 085**	625 606
Current	**14 505**	16 555
	698 590	642 161

Notes to the consolidated financial statements
for the year ended 31 December 2016

12 Trade payable and accrued liabilities

	2016 R'000	2015 R'000
Creditors and accruals	**62 423**	43 456
Other payables	**20 802**	12 207
	83 225	55 663

13 Employee benefits

	2016 R'000	2015 R'000
Leave pay accrual	**54 453**	50 084
Bonus accrual	**8 543**	6 635
	62 996	56 719

An accrual is made for the estimated liability for annual leave and annual bonus as a result of services rendered by professional, administrative and support staff up until the reporting date.
As the University does not have the unconditional right to defer settlement of these liabilities for at least twelve months after the reporting date the liabilities are classified as being current.

14 Investment income

	2016 R'000	2015 R'000
Income from investments	**42 140**	31 194
Dividends	**5 520**	5 531
Realised gains on sale of investments	**11 872**	8 578
	59 532	45 303

15 Personnel costs

	Academic Professional R'000	Other R'000	Total 2016 R'000	Total 2015 R'000
Salaries and wages	**222 971**	**135 333**	**358 304**	315 250
Education subsidy	**3 114**	**1 692**	**4 806**	4 584
Leave pay expense	**3 405**	**7 151**	**10 556**	15 908
Bonus expense	**20 483**	**13 989**	**34 472**	18 445
Contributions to defined contribution plan	**11 253**	**406**	**11 659**	17 667
	261 226	**158 571**	**419 797**	371 854

15 Personnel costs (continued)

	2016	2015
Average number of persons employed during the year:		
Full-time	**829**	797
Part-time	**237**	343
	1 066	1 140

16 Operating expenses

	2016 R'000	2015 R'000
Other operating expenses include:		
Auditor's remuneration:	**7 874**	9 101
Internal audit fee	**1 066**	4 784
Internal audit forensic investigation	**6 808**	4 317
External audit:	**3 758**	2 175
Current period services	**3 570**	2 175
Other audit services	**188**	-
Repair and maintenance expenditure	**40 390**	29 990
Research and development expenditure	**14 953**	13 370
Books and periodicals	**18 002**	18 073
Allowance for impairment losses-student debtors	**2 533**	14 446
Other lease rentals:	**5 681**	3 120
Motor vehicles	**4 723**	3 039
Other	**958**	81

17 Finance costs

Interest: other	**2 370**	2 506

18 Taxation

The University of Zululand is exempt from South African normal taxation in terms of Section 10(1)(cA)(i) of the Income Tax Act and therefore no liability has been recognised for taxation.

19 Commitments and contingencies

Commitment

At the reporting date, the budget for the following expenditure was approved but not recognised in the consolidated financial statements as it was not yet contracted for:

	2016 R'000	2015 R'000
19.1 Property, plant and equipment		
Per approved Capex	**66 746**	51 534
Rolled forward from 2015	**19 500**	19 500
Council funds general reserves	**86 246**	71 034
Infrastructure approved new Residence "DBSA" new loan tender UZ03/2016	**43 990**	43 990
Total commitments Council funded	**130 236**	115 024

19.2 Grants

Department of Higher Education and Training (DHET) - Infrastructure and Efficiency Funding (I&EF) and Development and Clinical Training Grant projects.

	2016 R'000	2015 R'000
Infrastructure Phase 2	**473 909**	410 039
Infrastructure Phase 1	**11 336**	11 336
Other grants	**14 505**	16 555
	499 750	437 930
Total commitments	**614 774**	552 954

Long-term loan facilities from the Development Bank of Southern Africa (DBSA) is in the process of being secured, subject to Ministerial approval, and these, together with DHET infrastructure grants approved, unexpended government grants brought forward from the previous funding cycle and internal resources, will be available to fund these commitments.

19 Commitments and contingencies (continued)

19.3 Funding Source

	2016 R'000	2015 R'000
Development Bank of Southern Africa (DBSA): new proposed borrowings	**43 990**	43 990
Department of Higher Education and Training (DHET)		
- Infrastructure and efficiency funding (I&EF) grants	**499 750**	437 930
University resources		
- Revenue account	**71 034**	71 034
Total capital commitments	**614 774**	552 954

In accordance with the requirements of the Higher Education Act, the requisite Ministerial approval, where applicable, has been and will in future continue to be obtained for all additional borrowings, as well as for the acquisition of property and the construction of major infrastructural projects that exceed the statutory thresholds within which the University Council is authorised to operate.

	2016 R'000	2015 R'000
Contingent liabilities		
The University has provided guarantees in respect of housing loans for employees amounting to:	**973**	973
The University has a bank guarantee outstanding in respect of electricity supply amounting to:	**930**	930
	1 903	1 903

		2016 R'000	2015 R'000
20	**Cash generated by operations**		
	Net surplus for the year	**115 411**	81 505
	Adjustments for:		-
	Depreciation	**5 719**	35 496
	Profit on sale of available for sale investments	**(11 874)**	(8 578)
	Non cash post retirement cost	**76 033**	68 600
	Post retirement contributions	**(29 497)**	(22 307)
	Increase in leave pay accrual	**4 369**	9 046
	Increase/(decrease) in bonus accrual	**1 908**	(217)
	Increase in post-retirement medical aid benefits and pension	**(17 516)**	-
	Investment income	**(59 532)**	(45 303)
	Finance costs	**2 370**	2 506
	Operating profit before working capital changes	**87 391**	120 748
	- Increase in receivables	**(75 796)**	(49 853)
	- (Increase)/decrease in inventories	**(2 314)**	285
	- Increase in deferred government grants	**56 429**	142 791
	- Increase in student deposits	**7 540**	1 015
	- Increase in trade payables and accrued liabilities	**27 562**	17 732
		100 812	232 718

21 Financial risk management

The University's principal financial instruments comprise available-for-sale investments, current receivables in the form of student fee debtors, other receivables; cash and short-term bank deposits; interest-bearing borrowings and trade payable. Financial instruments are measured at fair value or amounts that approximate fair value (or as disclosed in the relevant notes).

The University Council has overall responsibility for the establishment and oversight of the University's risk profile. Council has established the Audit and Risk; Finance and other committees to develop, monitor and manage the University's risk management policies on its behalf and Executive management is responsible for implementing, managing and complying with selected risk management strategies. All potential risks are identified, evaluated and managed as appropriate. Risk management policies, systems and procedures are reviewed regularly to reflect changes in market conditions, the higher education sector and in the University's operating environment. The Chairpersons of the respective committees, the Vice-Chancellor and other members of Executive management report regularly to the Council on risk management activities and results. The University, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees, students and other stakeholders understand their roles and obligations.

21 Financial risk management (continued)

The University's policies regarding insurance and risk cover are set and monitored by the Finance Committee. Likewise, decisions on the level of financial risk are taken by the Finance Committee and enforced by the University's Finance Division in terms of established limits by reference, in each case, to the particular transaction type, the monetary amounts and the counter-parties involved. Financial risks arising from the University's use of financial instruments include the following:

- Liquidity risk
- Credit risk
- Market risk

Liquidity risk

The University manages its liquidity risk by monitoring its daily cash flow to ensure that surpluses are optimally invested and that adequate cash is available to meet its day-to-day operations in the short- and medium-terms, based on rolling cash flow projections. The University adopts a diversified investment strategy with specified major financial institutions, each of which is required to be accredited by the Finance Committee, and has no significant concentration of credit risk with any single counter-party.

The timing and cyclical nature of the University's cash inflows and outflows are such that liquidity problems are unlikely to arise. Furthermore, the University has access to funds through its short-term deposits and overdraft facilities in the event that any unforeseen event occurs.

Credit risk

The University has no significant concentrations of credit risk. As a matter of policy, the University trades only with recognised, creditworthy third parties, who are subject to credit verification procedures including terms and conditions of trade specified by the University.

The University's credit risk exposure is represented primarily by the net aggregate balance of amounts receivable in respect of unpaid student fees and general receivables. Collateral measures include the withholding of examination results, denied re-admission after the first semester and the refusal to allow students in default of their financial obligations to register in the ensuing academic year unless a debt payment plan has been committed to. Debt collection procedures are applied as diligently as circumstances permit in such a way as to minimise risk.

The University provides for impairment losses in respect of student-related receivables (student fee debtors) and other receivables to the extent that these can be reliably and conservatively determined, having regard to the credit risk experience and payment history of the particular categories of debtors.

Market risk

The University is exposed to market risk on its investment portfolios. This risk is managed by selecting reputable portfolio managers who operate under defined mandates, which are designed to both limit the risk and also optimise the University's returns on these investments, having regard to the nature and purpose of the underlying funds. The performance of the respective fund managers are monitored closely by the Finance Committee and, in the case of the University Foundation, by the respective Boards of Trustees.

21 Financial risk management (continued)

Financial assets and liabilities affected by interest rate fluctuations include bank deposits and short-term investments, as well as borrowings. Deposits comprise fixed notice and call account deposits. At the reporting date, these deposits were either accessible immediately or had maturity dates not exceeding twelve months. Interest rates earned on these deposits and other investments closely approximate prevailing market rates.

The University's borrowings used to finance its operations are at both fixed and variable rates of interest depending, in each case, on the nature and duration of the respective borrowings and the specific purpose for which such borrowings are required. The level of borrowings and, consequently, the debt servicing costs are closely monitored and controlled by the Finance Committee on behalf of Council, having regard to the prevailing, and projected, interest rates and the University's capacity to service such debt from future earnings.

Financial assets	**Category**
Available-for-sale investments (*Note 3*)	
Notice deposits	Fair value through profit and loss
Listed equities	Available for sale
Fixed income investments	Available for sale
International investments	Available for sale
Students and other receivables (*Note 6*)	
Student fee debtors	Loans and Receivables
Other receivables	Loans and Receivables
Cash at bank and on hand *(Note 8)*	Loans and Receivables
Short term investments *(Note 7)*	
Short term deposits	Loans and Receivables

Financial liabilities	**Category**
Interest bearing borrowings (*Note 10*)	
Government-subsidised loans	Other financial liabilities
Finance lease liabilities	Other financial liabilities
Trade payables and accrued liabilities *(Note 12)*	
Other payables	Other financial liabilities
Student deposits	Other financial liabilities

Financial assets comprise the following:

	2016 **R'000**	2015 R'000
Available-for-sale investments	**493 657**	487 882
Student fee debtors	**218 845**	128 229
Other receivables	**8 205**	23 025
Cash at bank and on hand	**40 323**	18 830
Short term investments	**838 715**	806 694
	1 599 745	1 464 660

21 Financial risk management (continued)

Financial liabilities comprise the following:	2016 R'000	2015 R'000
Trade payable and accrued liabilities	**83 225**	55 663
Student deposits	**52 764**	45 224
Current portion of interest bearing borrowings	**4 371**	2 185
Non-current interest bearing borrowings	**24 636**	28 825
	164 996	131 897

Interest bearing available-for-sale financial assets with a carrying amount of R 169 989 000 (2015: R142 226 000), matures as follows:

RSA R203 8.25%	within the next 4 years
RSA R208 6.75%	within the next 5 years
SHP 6.5% ZAR	within the next 5 years
RSA R186 10.5%	within the next 6 years

Categories of financial incomes and expenses

Financial assets	2016 R'000	2015 R'000
Recognised in profit and loss		
Interest on financial assets	**42 140**	31 194
Dividends on available for sale financial assets	**5 520**	5 531
Other income on available for sale financial assets	**11 872**	8 578
Recognised in funds		
Net change in the fair value of available for sale financial assets	**(13 078)**	29 051
Financial liabilities		
Recognised in profit and loss		
Finance costs	**(2 370)**	(2 506)

Fair values versus carrying amounts

The carrying value of all financial instruments approximate their fair value.

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the table above.

21 Financial risk management (continued)

Available for sale financial assets

Available for sale financial assets are measured at fair value, which is calculated by reference to share exchange quoted selling prices at the close of business on the reporting date.

Held to maturity financial assets

The fair value of Held to maturity financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

The fair value of cash and cash equivalents is deemed to be the face value of such cash and equivalent financial assets.

Student fee receivables and other receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date when the effect of discounting is considered significant. Receivables that are likely to be irrecoverable are estimated and impairment losses are raised, based on a review of outstanding amounts at year-end. Actual bad debts are written off through the statement of comprehensive income during the year in which they are identified.

Credit risk

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The following financial assets in the Statement of Financial Position were exposed to credit risk:

	2016 **R'000**	2015 R'000
Student fee debtors	**218 845**	128 229
Other receivables	**8 205**	23 025
Cash and cash equivalents	**879 038**	825 524
	1 106 088	976 778

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21 Financial risk management (continued)

Market risk

(i) Interest rate risk

The University's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The University's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

	2016 R'000	2015 R'000
Fixed rate instruments		
Financial assets	**40 977**	44 220
Financial liabilities		-
	40 977	44 220
Floating rate instruments		
Financial assets	**452 680**	443 662
Financial liabilities	**29 007**	31 010
	481 687	474 672
An increase/(decrease) of 100 basis points in the prime interest rate would decrease/(increase) the value of the University's fixed rate instruments by:	**410**	442
An increase/(decrease) of 100 basis points in the prime interest rate would decrease/(increase) the value of the University's floating rate instruments by:	**4 817**	4 747

(ii) Equity price risk

Equity price risk is managed through diversification of equity and international investments across various economic sectors, thereby reducing the University's exposure to systematic market risk. Investment styles used by University's portfolio managers vary between growth, value and core orientated strategies. These are combined with investments in stable blue chip companies in order to reduce unsystematic risk.

	2016 R'000	2015 R'000
A 1% increase or decrease in the value of the JSE All Share Index would increase or decrease the value of the listed investments by:	**3 237**	3 457

21 Financial risk management (continued)

Liquidity risk

The following are the contractual, undiscounted maturities of financial liabilities, including interest payments :

	Carrying value R'000	Contractual cash flows R'000	Within 12 months R'000	1 - 2 years R'000	2 - 5 years R'000	More than 5 years R'000
31 December 2016						
Interest bearing borrowings	29 007	41 258	4 371	4 371	13 113	19 403
Other payables and accrued liabilities	83 225	83 225	83 225	-	-	-
Student deposits	52 764	52 764	52 764	-	-	-
	164 996	177 247	140 360	4 371	13 113	19 403
31 December 2015						
Interest bearing borrowings	31 010	54 371	4 371	4 371	13 113	32 516
Other payables and accrued liabilities	55 663	55 663	55 663	-	-	-
Student deposits	45 224	45 224	45 224	-	-	-
	131 897	155 258	105 258	4 371	13 113	32 516

Accounting classifications and fair values

Fair value hierarchy

The table below analysis financial instruments measured at fair value, or items for which the disclosure of fair value is required, by valuation method. Refer to the respective notes for reconciliation of the level 3 fair values.

2016	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Available for sale investments	493 657	-	-	493 657
Student and other receivables	-	-	227 050	227 050
Cash and cash equivalents	40 323	-	-	40 323
Short-term investments	838 715	-	-	838 715
Non-financial assets measured at fair value				
Land and buildings	-	-	1 060 252	1 060 252
	1 372 695	-	1 287 302	2 659 997

Notes to the consolidated financial statements
for the year ended 31 December 2016

21 Financial risk management (continued)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial liabilities				
Trade payable and accrued liabilities	-	-	**83 225**	**83 225**
Student deposits	-	-	**52 764**	**52 764**
Current portion of interest-bearing borrowing	-	-	**4 371**	**4 371**
Interest-bearing borrowings	-	-	**24 636**	**24 636**
	-	-	**164 996**	**164 996**
2015				
Financial assets				
Available for sale investments	487 882	-	-	487 882
Student and other receivables	-	-	151 254	151 254
Cash and cash equivalents	18 830	-	-	18 830
Short-term investments	806 694	-	-	806 694
Non-financial assets measured at fair value				
Land and buildings	-	-	749 755	749 755
	1 313 406	-	901 009	2 214 415
Financial liabilities				
Trade payable and accrued liabilities	-	-	55 663	55 663
Student deposits	-	-	45 224	45 224
Current portion of interest-bearing borrowing	-	-	2 185	2 185
Interest-bearing borrowings	-	-	28 825	28 825
	-	-	131 897	131 897

22 Annualised gross remuneration to Executive staff

The following disclosure relates to the compensation paid to members of the Executive management of the University for the year ended 31 December 2016 as defined in the Statute of the University. Gross remuneration, for the purpose of the Higher Education Act, is based on the cost for employment to the University and flexible remuneration packages, suitably annualised, where applicable and is inclusive of the employer's contributions to health and post-retirement benefits. Exceptional payments, if any to Executive management have been included in the annualised gross and are disclosed separately below where applicable.

Name	Designation	2016	2015
		R'000	R'000
Prof J.R Midgley (Resigned August 2015)	Deputy Vice Chancellor : Research & Innovation	-	*2 891
Prof GFD De Wet (Appointed August 2016)	Deputy Vice Chancellor : Research & Innovation	*2 240	-
Mrs N Ngqubekile-Ali (Resigned June 2015)	Executive Director : Human Resources	-	*1 680
Prof XA Mtose	Vice-Chancellor	3 147	2 942
Prof SP Songca	Deputy Vice Chancellor : Teaching & Learning	*2 223	-
Mr AJ de Wet (Resigned March 2015)	Executive Director : Finance	-	*2 940
Mr T Zulu (Resigned November 2015)	Executive Director : Finance	-	*1 490
Mrs J Naicker	Executive Director : Finance	*1 997	*1 831
Mrs N Gevers (Acting)	Executive Director : Finance	*1 706	*2 105
Prof J. Baxen (Resigned July 2016)	Deputy Vice Chancellor : Research & Innovation	-	*1 835
Dr GM Vinger (Resigned August 2015)	Registrar	-	*1 928
Mr DE Janse Van Rensburg (Appointed December 2015)	Registrar	1 953	*1 499
Prof NW Garrod (Appointed November 2015)	Deputy Vice Chancellor : Institutional Support	*3 216	*2 841
Mr NO Cele (Appointed 2016)	Executive Director : Institutional Planning	*1 971	-
Mr RT Ngcobo	Executive Director : Human Resources	1 887	-
Dr ZI Machi	Executive Director : Richards Bay Campus	-	1 654
Prof MO Ndwandwe	Executive Director : Richards Bay Campus	1 770	-
Mr O Lombaard	Executive Director : Facilities	-	1 399

Exceptional payments
During the year ended 31 December 2016, no exceptional payments in excess of R249 999 were made to the members of the executive and senior management. Exceptional payments as defined for this purpose in terms of the Higher Education Act, include special bonuses and exceptional amounts arising on the termination of employment with the University.

Notes to the consolidated financial statements
for the year ended 31 December 2016

22 Annualised gross remuneration to Executive staff (continued)

Attendance at meetings of the Council is presented below:

A total of four Council meetings were held during 2016.

Table 4: Summary of Councillors' attendance of Council meetings

COUNCIL	Meeting dates			
2016 Meetings Schedule	29-Mar	24-Jun	22-Oct	26-Nov
COMPOSITION				
Mr C. V. Gamede (Chairperson and Ministerial Appointee)	P	P	P	P
Ms P. Maphoshe (Ministerial Appointee)	P	P	AWA	P
Ms N. Caluza (Ministerial Appointee)	*	*	P	A
Mr S. B. Xulu (Ministerial Appointee)	P	P	P	P
Prof S. J. Smith (Ministerial Appointee)	*	*	P	P
Mr N. Nkwanyana (Convocation Representative)	*	*	P	P
Mr B. Makhathini (Convocation Representative)	AWA	P	#	#
Prof B. C. Dumisa (Convocation Representative)	AWA	AWA	AWA	P
Mr D. Kunji-Behari (Donor Representative)	P	P	AWA	P
Vacant (Donor Representative)				
Cllr M. G. Mhlongo (uMhlathuze Municipality Representative)	P	A	P	A
Mr E. Dube (Mkhwanazi Traditional Authority Representative)	P	P	P	P
Dr T. T. Khanyile (Council Appointee: Expertise and Experience)	P	P	P	P
Mr T. C. Ngcobo (Council Appointee: Expertise and Experience)	P	AWA	P	P
Dr S. Z. Mbokazi (Council Appointee: Expertise and Experience)	P	P	P	AWA
Prof X. Mtose (Vice-Chancellor)	P	P	P	P
Prof S. Songca (Deputy Vice-Chancellor: Teaching and Learning)	*	*	P	P
Prof G. de Wet (Deputy Vice-Chancellor: Research and Innovation)	*	*	P	P
Prof D. R. Nzima (Senate Representative)	AWA	P	P	P
Prof M.A.N. Duma (Senate Representative)	P	P	P	P
Mr S. J. Mvubu (Admin and Support Staff Representative)	P	P	A	AWA
Ms N. N. Mbatha (Academic Staff Representative)	P	AWA	#	#
Dr N. R. Ngcobo (Institutional Forum Representative)	P	P	#	#
Mr W. Mathebula (SRC Representative)	A	P	$	$
Mr E. Duze (SRC Representative)	P	P	$	$

22 Annualised gross remuneration to Executive staff (continued)

KEY WORDS
AWA = Absent with Apology
A = Absent without Apology
P = Present
* = not a Council member during the period
# = no longer Council member
$ = SRC term expired
COUNEX = Executive Committee of Council
ARCC = Audit and Risk Committee of Council
FCC = Finance Committee of Council
HRCC = Human Resources Committee of Council
PICC = Planning and Infrastructure Committee of Council

Table 5: Summary of payment to Councillors
During the year ended 31 December 2016 the following payments were made to the below mentioned Council members.

Name	Council No	Total R'000
BC Dumisa	16376	8
EJB Dube	16377	18
PN Maphoshe	16379	40
DS Kunji Behari	16415	28
SZ Mbokazi	16566	34
GI Sibiya	16416	2
CV Gamede	16417	3
MDD Gevers	16453	5

23 Related parties

Identity of related party	**Related party relationship**
University of Zululand Foundation	Subsidiary
Key management personnel Refer to note 22 for related party transactions with key management personnel.	Executive staff

Material related party transactions

	2016 R'000	2015 R'000
Grant received from the University of Zululand Foundation	**2 000**	1 000
Material related party balances		
Amount owing from the University of Zululand Foundation	**20 899**	13 448