"Think in other terms"

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

VISION

To be a world class University in science, technology, innovation, entrepreneurship and business development, spearheading industrialisation locally and beyond.

MISSION

To lead in human capital development for industrial and socio-economic transformation, with a bias towards science, technology, engineering and mathematics (STEM) based solutions.

VALUE STATEMENTS

In the delivery of value to our clients, we pursue academic excellence with integrity, honesty and ethical behaviour.

We are committed to responsible research and innovation that drives commercialisation and industrialisation.

We thrive on mutual respect, teamwork and effective partnerships.

We are driven by a passion to fulfil your dream.

MOTTO

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

Disclaimer of Opinion

We have audited the financial statements of the National University of Science and Technology ("the University"/ "NUST"), set out on pages 4 to 34, and comprising:

- The statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2018;
- The statement of financial position as at 31 December 2018;
- A summary of significant accounting policies applied by the University during the year; and
- Notes on the financial statements

In our opinion, because of the significance of the matters described in the basis for disclaimer of opinion paragraph below, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion, and accordingly we do not express an opinion on the University's financial statements.

Basis for disclaimer of opinion

Functional and presentation currency

There was no official/legal local currency in Zimbabwe during the 2018 financial year. The United States dollar was deemed by the Councilors to be the functional and presentation currency of the University.

According to the Reserve Bank of Zimbabwe ("RBZ") Act, the balances between the Bond note, RTGS System and the US$ notes were legally exchangeable at 1:1 during the year ended 31 December 2018. However, there was constrained exchangeability (i.e., the University was not readily able to exchange currencies through a legal exchange mechanism within a relatively short period of time) of the RTGS balances with foreign currencies in Zimbabwe as there was no legal foreign exchange mechanism.

The University transacts a significant amount of business in foreign currencies and had significant foreign currency denominated assets and liabilities in its statement of financial position as at 31 December 2018 as presented in Appendix 1 to the financial statements. Accordingly, the University was unable to comply with the requirements of International Accounting Standard 21 ("IAS 21") The Effects of Changes in Foreign Exchange Rates in the recognition and measurement of foreign currency denominated transactions and balances in its accounting records, as well as, the presentation and disclosure of same in its financial statements for the year ended 31 December 2018.

Three tier pricing system for similar goods and services

During the year under review, there was evidence of a three tier pricing system in Zimbabwe, namely for the US$ dollar, for the funds in the electronic transfer system ("RTGS") and the bond notes. Furthermore, there was a differential between the pricing of goods and services depending on the mode of settlement, albeit through the RTGS system, with bond notes or US dollars. However, the existence of the three tier pricing system and the difference in the pricing of similar goods and services suggests that in substance the values were not equal.

Conceptual framework for financial reporting

According to the conceptual framework for financial reporting, financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon [March 2018 Conceptual Framework paragraph 2.12].

Events after the reporting period

As disclosed in note 23 on the financial statements, subsequent to year end, on 20 February 2019, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement in which the bond notes and coins were redenominated as RTGS Dollars. At the same time, the RBZ established an interbank foreign exchange market in Zimbabwe to formalize the exchange of RTGS Dollars with United States Dollars. The opening exchange rate for the United States Dollar to the RTGS Dollar as at 23 February 2019 was 1:2.5.

As a result of the issues discussed above and the significance thereof, we were unable to determine the adjustments that might have been necessary in respect of some elements of the financial statements to satisfy ourselves concerning the fair presentation of these financial statements that have been presented in US dollars.

Material uncertainty related to going concern

We draw attention to note 24 on the financial statements dealing with going concern. The University reported an operating deficit amounting to $4 694 984 (2017: $2 163 529) for the financial year ended 31 December 2018. In addition, the University's current liabilities exceeded its current assets by $27 665 949 (2017: $23 030 699) as at 31 December 2018.

These factors indicate that a material uncertainty exists that may cast doubt on the University's ability to continue operating as a going concern.

Council's responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and the presentation and disclosure requirements of the NUST Act (Chapter 25:13), as well as, for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Council is responsible for overseeing the University's financial reporting process.

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

The Council is responsible for overseeing the University's financial reporting process. These financial statements were prepared under the supervision of Dr Fortune S Nkomo, Grad CIS (1995), the University's Bursar.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the University's financial statements in accordance with International Standards on Audit and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the University in accordance with the ethical requirements of the Institute of Chartered Accountants of Zimbabwe ("ICAZ") Code of Professional Conduct, which is consistent with International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants ("IESBA"), and have fulfilled our other responsibilities under those ethical requirements.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly drawn up so as to comply, in all material respects, with the disclosure and presentation requirements of the National University of Science and Technology Act (Chapter 25:13).

The Engagement Partner on the audit resulting in this independent auditor's report is Arthur Mubaiwa (Registered Public Auditor - Practising Certificate Number 0434).

AMG Global

AMG Global
Bulawayo

24 April 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
year ended 31 December 2018

	Note	2018 $	2017 $
INCOME			
Grants	2	30 545 371	27 534 569
Fees	3	11 052 097	10 627 226
Interest receivable	4	4 659	73 991
Other income	5	3 383 993	3 124 288
		44 986 120	**41 360 074**
EXPENDITURE			
Academic expenditure	6	26 939 587	24 254 722
Administration expenditure	7	22 320 872	18 742 385
Interest payable	8	420 645	526 496
		49 681 104	**43 523 603**
Deficit for the year		**(4 694 984)**	**(2 163 529)**
Other comprehensive income			
Revaluation surplus on property and equipment	10.1	12 868 294	-
Revaluation deficit on properties disposed to Gwanda State University	25	-	(2 099 451)
		12 868 294	**(2 099 451)**
Total comprehensive income/(loss) for the year		**8 173 310**	**(4 262 980)**

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENT OF FINANCIAL POSITION
year ended 31 December 2018

	Note	2018 $	2017 $
ASSETS			
Non-current assets			
Property, plant and equipment	10	56 630 904	42 935 136
Investments	11.2	-	715 033
		56 630 904	43 650 169
ASSETS			
Inventories	12	46 762	23 157
Accounts receivable	12	852 650	1 382 811
Short term investments	11.2	21 659	-
Cash and cash equivalents	21	110 638	706 930
		1 031 709	2 112 898
Total assets		57 662 613	45 763 067
ACCUMULATED FUNDS AND LIABILITIES			
Accumulated funds			
Non-distributable reserve		62 034 853	49 166 559
Accumulated losses		(39 721 442)	(35 026 458)
Public sector investment programme		15 751 670	15 751 670
Utilised funds		(15 751 670)	(15 751 670)
Committed funds	9	400 930	422 425
		22 714 341	14 562 526
Non-current liabilities			
Defined benefit obligation	17	4 505 297	5 565 366
Finance leases	18	231 075	258 742
Deferred income	16	1 514 242	232 836
		6 250 614	6 056 944
Current liabilities			
Accounts payable	14	12 076 723	11 279 440
Provisions	15	9 098 992	5 592 777
Defined benefit obligation	17	5 213 946	4 553 877
Finance leases	18	254 600	218 682
Bank overdraft	21	2 053 397	3 498 821
		28 697 658	25 143 597
Total accumulated funds and liabilities		57 662 613	45 763 067

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University Council Chairman

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Vice Chancellor

24 April 2019

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
year ended 31 December 2018

	Note	Accumulated losses $	Commited funds $	Public sector investment programme utilised funds $	Non-distributable reserve $	Public sector investment programme reserve $	Total $
Balances as at 31 December 2016		(32 862 929)	427 794	(15 751 670)	51 266 010	15 751 670	18 830 875
Receipts during the year		-	478 235	-	-	-	478 235
Disbursements during the year		-	(483 604)	-	-	-	(483 604)
Total comprehensive loss for the year		(2 163 529)	-	-	(2 099 451)	-	(4 262 980)
Balances as at 31 December 2017		(35 026 458)	422 425	(15 751 670)	49 166 559	15 751 670	14 562 526
Receipts during the year	9	-	376 000	-	-	-	376 000
Disbursements during the year	9	-	(397 495)	-	-	-	(397 495)
Total comprehensive income for the year		(4 694 984)	-	-	12 868 294	-	8 173 310
Balances as at 31 December 2018		(39 721 442)	400 930	(15 751 670)	62 034 853	15 751 670	22 714 341

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENT OF CASH FLOWS
year ended 31 December 2018

	Note	2018 $	2017 $
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Deficit for the year		(4 694 984)	(2 163 529)
Adjustments for:			
• Interest receivable		(4 659)	(73 991)
• Depreciation on property, plant and equipment	10	1 684 872	1 532 772
• Interest payable		420 645	526 496
• Net movement allowances for impairment losses	7	81 969	5 392
• Impairment loses on investment in subsidiary companies	7	23 041	28 529
• Armotisation of deferred income		(125 202)	(70 986)
• Loss on disposal of property, plant and equipment		53 338	-
• Loss on disposal of property, plant and equipment to Gwanda State University	25	-	584 264
• Investment written off	7	52 704	-
Net operating cash flows before reinvestment in working capital		(2 508 276)	368 947
Decrease in accounts receivable		530 161	1 199 036
Decrease/(increase) in inventories		(23 605)	7 022
Increase in account payables		797 283	1 410 275
Increase in provisions		3 506 215	873 850
Net movement in pension fund obligation		(400 000)	(131 451)
		1 901 778	3 727 679
Returns on investment and servicing of finance			
Interest receivable		4 659	(131 451)
Net cash flows from operating activities		1 906 437	(131 451)
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	20	(2 288 684)	(676 229)
Proceeds from disposal of investments		611 405	26 833
Net movement in investment in subsidiary companies		(75 745)	(28 529)
Proceeds from disposal of motor vehicles		-	23 437
		(1 753 024)	(654 488)
Net cash flows before financing activities		153 413	23 437
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in loans payable		-	(666 672)
Net movement deferred income	16	1 129 608	(234 371)
Interest payable		(420 645)	(526 496)
Net movement committed funds		(21 495)	(5 369)
Net movement in finance lease obligation		8 251	(69 730)
		695 719	(1 502 638)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		849 132	1 644 544
Cash and cash equivalents at the beginning of the year		(2 791 891	(4 436 435)
Cash and cash equivalents at the end of the year		(1 942 759)	(2 791 891)

BASIS OF PREPARATION

The financial statements of NUST have been prepared in accordance with International Financial Standards (IFRS) as issued by the International Accounting Standards Board (IASB), except for non-compliance with ***IAS 21 Effects of Changes in Exchange Rate***s which has resulted in the auditors issuing a modified audit report.

The financial statements have been prepared on a historical cost basis and are presented in US Dollars; all values are rounded off to the nearest dollar, except when otherwise indicated. The principal accounting policies of the University which are set out below are consistently applied in the preparation of NUST's financial statements.

ADOPTION OF NEW AND REVISED STANDARDS

Standards issued but not yet effective as at the reporting date

The standards listed below were issued but not yet effective as at reporting date of the University's financial statements but the University reasonably expects them to be applicable at a future date and, as such, intends to adopt them when they become effective.

The University expects that the adoption of these standards in most cases will not have a significant impact on the University's financial position and performance in the period of initial application but additional disclosures will be required. The impact of these standards on the University's financial statements on adoption in future is not known and cannot be reasonably estimated as of now.

IFRS 16 Leases

The standard was issued in January 2017 and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. Earlier application of this standard is permitted, however, adoption of this standard also requires early adoption of IFRS 15.

Standards effective from 1 January 2018

IFRS 9 Financial Instruments

The standard was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 supersedes IAS 39. The objective of this standard is to establish principles for the financial reporting of financial instruments that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. The standard was adopted in 2018.

IFRS 15 Revenue from contracts with customers

The university adopted IFRS 15: Revenue for the first time in the annual reporting period commencing 1 January 2018 and it did not result in material impact to the revenue recognition and measurement. The University assessed for any gaps on the recognition of fee income as revenue from the old standard, IAS 18 and what is expected from IFRS 15 and concluded that revenue was being recognised upon measuring progress towards complete satisfaction of the performance obligation and therefore no change in accounting treatment was identified.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in United States Dollars ("USD") which is the University's functional currency. The following considerations were made in determining the University's functional currency.

Determination of the functional currency

The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services such as settlement via Real Time Gross Settlement (RTGS), Point of sale (POS) and mobile money. In addition:

- Products and services were being priced differently during the year depending on the mode of payment with the actual USD (cash) being the cheapest alternative and RTGS the most expensive;
- The significant unavailability of the USD in cash and in nostro accounts made processing of payments to foreign suppliers and creditors extremely difficult for businesses during the year;
- New legislation in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins as currency were in effect; and
- In February 2018, the RBZ instructed banks to ring fence foreign currency deposits by foreign currency earners and subsequently effective 15 October 2018, instructed the banks to create separate accounts for depositors, namely RTGS FCA (for local receipts) and Nostro FCA (for foreign currency receipts). The exchange rate remained pegged at 1:1 between the RTGS balances and the USD and the balances in both accounts continued to be referred to as USD. However, only Nostro FCA balances were exchangeable to RTGS FCA balances and not vice versa.

As a result of these and other factors management had to make an assessment of whether the use of the United States dollar as the University's functional currency was still appropriate. In doing this management considered the following factors:
- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services:
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The United States dollar remained the primary driver for most of the factors above. Therefore management concluded that it is still the University's functional currency.

FUND ALLOCATION

Equity is divided into the following categories:

Public sector investment programme ("PSIP") reserve and utilised funds

These reserves indicate the level of funding received through the PSIP and the utilisation of those funds, respectively. The funds are utilised for acquisitions of property, plant and equipment.

Committed and restricted funds

These funds comprise of income received for specific purposes, the use of which is legally beyond the control of the Council.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Carrying amount

Land and buildings comprise mainly, lecture halls, laboratories, residences and administrative buildings and are stated at valuation. Revaluations are carried out at appropriate intervals on the basis of professional valuations.

Plant and equipment is stated at cost and/or valuation less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Property, and equipment obtained in terms of a donation or bequest are shown at fair value less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is charged at the following rates on a straight line basis:

Buildings	50 years
Other plant and equipment	3-10 years

Depreciation

Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the University will obtain ownership by the end of the lease term.

No depreciation is provided on land and work in progress. In addition, depreciation is charged to the statement of profit and loss and other comprehensive income.

Repairs and maintenance

Material improvements to buildings, plant and equipment are capitalised while maintenance and repair work is charged to the statement of profit and loss and other comprehensive income in the financial period in which they are incurred.

Depreciation rates and residual values

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

Gain and losses on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in statement of profit and loss and other comprehensive income.

Impairment

The carrying amounts of the University's assets are reviewed at each year end to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income in the year they occur.

Calculation of recoverable amount

The recoverable amount of items of equipment is the greater of the net selling price and value in use. 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.

Reversal of impairment

Any impairment losses previously recognised are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to an extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

De-recognition of PPE

PPE is de-recognised when the asset is disposed of or retired from use and/or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is included in the profit or loss in the period the PPE item is de-recognised.

FINANCIAL INSTRUMENTS

Classification

Trading instruments are those that the University principally holds for the purpose of short-term profit taking.

Originated loans and receivables are loans and receivables created by the University providing money to debtors other than those created with the intention of short-term profit taking.

Equity instruments held for trading purposes and derivative assets are mandatorily categorized as financial assets at fair value through profit and loss (“FVTPL”). The University did not hold these instruments during the year and as at the reporting date.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at fair value through other comprehensive income (“FVOCI”). In such an instance, changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

FINANCIAL INSTRUMENTS (continued)

Recognition

On initial recognition the University classifies a financial asset as measured at amortized cost or fair value. Fair value may be through other comprehensive income or through profit and loss.

Measurement

Financial instruments are measured initially at fair, including transaction costs.

Subsequent to initial recognition all trading instruments and all financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Measurement

All non-trading financial liabilities and financial assets are measured at amortised. Amortised cost is calculated on the effective interest rate of the instrument. Financial assets carried at armotised cost are assessed for impairment at each reporting date.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. The fair value of derivatives that are not exchange-traded is estimated at the amount that the University would receive or pay to terminate the contract at the statement of financial position date taking into account market conditions and the current creditworthiness of the counterparties.

Subsequent measurement financial assets at armotised cost

These assets are subsequently measured at armotised cost using the effective interest method. The armotised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Subsequent measurement financial liabilities at FVTPL

Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. The balance of the fair value movement is recorded in profit or loss.

FINANCIAL INSTRUMENTS (continued)

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available for sale assets are recognised directly in profit or loss. Gains and losses arising from a change in fair value trading instruments are recognised in the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset is derecognised when University loses control over the contractual rights that make up that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. As a consequence of the new standard, the University has revised its impairment methodology under IFRS 9 for its trade and other receivables which are carried at armotised cost. Given the nature of the University's receivables, there has not been any significant impact on the impairment losses computed based on the new model and that which would have been applied in the previous model. The ECL impairment loss allowance is an unbiased, probability - weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments. In the absence of sufficient depth of data, management apply expert judgment within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.

Impairment losses for trade receivables

In determining the ECL allowances for trade receivables, the following significant judgements and estimates were considered;

- The University's receivables were categorised into various classes depending on their nature as at 31 December 2018 and these classes included Pre-registered, Deferred, Discontinued, Floating, Graduated, Registered, Repeats, Withdrawn;
- Management determined the average PD rates of the above stated debtor categories for 2017 and 2018 taking into account the LGD and EADs;
- The PD rates were adjusted for forward looking information; and
- Based on the above adjusted PD rates the expected 12 month credit losses as at 31 December 2018 were quantified and recognised as per note 13 in these financial statements.

INVENTORIES

Inventories are shown at the lower of cost and net realisable value. The cost price is determined on the first-in-first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs. Inventories comprise consumables and study materials.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts, are included in borrowings under current liabilities.

Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

BORROWINGS

Borrowing costs comprise interest payable on borrowings and other borrowing costs. Borrowing costs are recognised in the statement of profit or loss in the period in which they accrue.

PROVISIONS

Provisions are recognised when the University has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement at the reporting date.

REVENUE

Revenue mainly comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the University's activities.

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the University and when specific criteria have been met for each of the University's activities as described below:

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity have been resolved.

REVENUE (Continued)

Tuition and other fee income

Tuition fees are recognised in the period which they related and the time which they are formally billed. The revenue is recognised as realisable and, to the extent that it is not, provision is realistically made for the estimated unrealisable amount.

Research income

Revenue is recognised in the financial period in which the University becomes entitled to the use of those funds. Funds in the possession of the University that it cannot use until some specified future period occurrence are recognised upon receipt and thereafter are held in a reserve fund until the financial period in which funds may be used.

Donations

Donations are recognised on receipt. Donations in kind are recognised at the fair value thereof.

Interest receivable

Interest income is recognised in the statement of profit and loss on a time proportion basis using the effective interest rate method.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the cost, which it is intended to compensate, are expensed.

When the grant relates to an asset it reduces the carrying amount of the asset. The grant is then recognised as income over the useful life of the depreciable asset by way of reduced depreciation charge.

When the University receives non-monetary grants, the asset and the grant are recognised at nominal amount and released to profit or loss over the expected useful live in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

When loans or similar assistance are provided by the Government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as Government grant.

LEASES

Finance leases

Leases of property, plant and equipment where the University obtains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. All other leases are classified as operating leases.

LEASES (Continued)

Finance leases

The classification is based on the substance and financial reality of the whole transaction rather than the legal form. Leases of land and buildings are analysed separately to determine whether each component is an operating or finance lease.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Any direct costs incurred in negotiating or arranging a lease is added to the cost of the asset. The discount rate used in calculating the present value of minimum lease payments is the rate implicit in the lease.

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line basis at rates considered appropriate to write off the depreciable amount over the estimated useful live. Where it is not certain that an asset will be taken over by the University at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

Finance lease payments are allocated between the lease finance cost and the capital repayment using the effective interest method. Lease finance costs are charged to operating costs as they become due.

Operating leases

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term. In negotiating a new or renewed operating lease, the lessor may provide incentives for the University to enter into the agreement, such as up-front cash payments or an initial rent-free period. These benefits are recognised as a reduction in the rental expense over the lease term on a straight-line basis as an expense in the income statement on a straight line basis over the lease term.

EMPLOYEE BENEFITS

Employee benefits are all forms of benefits given in exchange for services rendered by employees. These are classified as:

- Short-term employee benefits – benefits due to be settled within 12 months after the end of the period in which the employees rendered related services;
- Post-employment benefits are benefits payable after the completion of employment. Post-employment benefit plans are benefit plans which formal or informal arrangements are providing post-employment benefits for one or more employees. Such plans (or funds) may be either defined contribution funds or defined benefit funds; and
- Termination benefits are employee benefits payable as a result of either the University's decision to terminate an employee's employment before normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

EMPLOYEE BENEFITS (Continued)

Recognition

Short-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other benefit contributions are recognised during the period in which the employee renders the related service.

The University recognises the expected cost of bonuses when the University has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Recognition

Short-term benefits

The University's short-term employee benefits comprise remuneration in the form of salaries, wages, commissions and bonuses.

Post-employment retirement benefit funds

Retirement benefits are provided for University employees through an independently administered defined contribution fund and by the National Social Security Authority (NSSA). Payments to the defined contribution fund and to the NSSA scheme are recognised as an expense when they fall due, which is when the employee renders the service.

During the year the University contributed to the University defined contribution fund and to the NSSA scheme.

Other long-term benefits

Other long-term benefits are recognised as an expense when an obligation arises.

The University had no other long-term benefit commitments during the year.

Termination benefits

The University recognises termination benefits as a liability and an expense when, and only when, it is demonstrably committed to either:

- Terminate the employment of an employee or University of employees before the normal retirement date; or
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Termination benefits are recognised as an expense immediately.

Measurement

Short-term employee benefits

All short-term employee benefits are measured at cost.

EMPLOYEE BENEFITS (Continued)

Post-employment retirement benefit funds

The University has no liability for post-employment retirement benefit funds once the current contributions have been paid at the time the employees render service.

Termination benefits

Termination benefits are measured according to the terms of termination contract

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities in the financial statements. The estimates, including those related to provision for doubtful debts, inventory obsolescence, investments, PPE and contingent liabilities are reviewed on an ongoing basis and are based on the Councillors best knowledge of current events and actions of the University as well as historical experience and other factors that are considered to be relevant. Actual results may ultimately differ from those estimates and assumptions.

Property, plant and equipment

PPE represents a significant proportion of the asset base of the University, and as such, the estimates and assumptions made to determine their carrying amounts and related depreciation expense are critical to the University's financial position and performance

Residual values of PPE

Residual values are reassessed each year and adjustments are made where appropriate. The valuation methods adopted in this process involve significant judgement and estimation

Useful lives of PPE

The determination of the remaining estimated useful lives of PPE is deemed to be a significant area of judgement

Provision for doubtful debts

The University considers changes in the credit quality of the respective accounts receivables from the date on which credit was granted up to the end of the reporting period before determining whether to provide for a debtor as doubtful.

Inventories provisions

All obsolete, damaged and expired inventories are written off in full. Slow moving inventories and stocks with fast approaching expiry dates are provided in full where there is no realistic prospect of realising a sale before their expiry and/ or obsolescence.

1 INCORPORATION AND ACTIVITIES

The National University of Science and Technology ("NUST") is an institution of higher learning established in terms of the NUST Act of 1990 and is domiciled in Zimbabwe.

	2018 $	2017 $
2 GRANTS		
Government of Zimbabwe	30 545 371	27 334 569
ZIMDEF	-	200 000
	30 545 371	27 534 569
3 FEES		
Undergraduate conventional fees	3 418 401	3 348 908
Registration and late payment fees and fines	1 829 658	1 761 847
Postgraduate fees	2 623 623	2 265 228
Undergraduate private fees	3 180 415	3 251 243
	11 052 097	10 627 226
4 INTEREST RECEIVABLE		
Interest earned on investments	1 506	63 184
Interest on staff loans	2 102	6 231
Other interest	1 051	4 576
	4 659	73 991
5 OTHER INCOME		
Self-financing programmes	2 101 439	1 974 256
Residential income	296 974	341 121
Armotisation of deferred income (note 16)	125 202	70 986
Application fees	264 610	211 304
Donations	72 081	71 310
Short courses and consultancy	155 583	97 173
Graduation fees	166 842	149 129
Genetic Testing Centre income	68 779	37 750
Dividends received	8 439	16 923
Econet commission	10	547
Other income	124 034	153 789
	3 383 993	3 124 288

6 ACADEMIC EXPENDITURE

	2018 $	2017 $
Academic salaries	14 323 539	12 165 527
Self-financing programmes expenses	6 391 093	5 353 014
Pension and medical aid costs	4 497 864	4 161 529
Examination costs	225 842	188 879
CCE short courses	50 945	34 250
Industrial attachment	172 362	137 253
Part time lecturers' claims	147 120	404 304
Printing, stationery and consumables	234 902	252 282
Research and innovation costs	207 964	220 420
Staff development fellow academic	182 998	186 323
Staff passages and installation costs	184 838	737 280
Student costs	150 689	251 234
Travelling costs	169 431	162 427
	26 939 587	24 254 722

	2018 $	2017 $
7 ADMINISTRATION EXPENDITURE		
Academic support staff salaries and benefits	12 437 070	11 142 857
Onerous contract provision (note 15.2)	2 687 234	-
Depreciation on property, planr and equipment (note 10)	1 684 872	1 532 772
Increase in allowance for credit losses (note 13.3)	757 633	24 907
Bad debts written off	-	975 914
Loss on disposal of property and equipment GSU (note 25)	-	584 264
Loss on disposal of plant and equipment (note 10)	53 338	-
Investment written off during the year (note 11.1)	52 704	-
Net movement in allowance for impairment loss(note 11.1)	23 041	28 529
Net movement in allowance for impairment loss (note 11.2)	81 969	5 392
Internet services	925 518	1 142 018
Rent, electricity and water	538 719	517 751
Penalties and interest	7 036	(28 082)
Insurance costs	292 452	301 650
Staff development non-academic	160 105	220 693
Other staff costs	262 841	354 482
Motor vehicle expenses	297 750	210 171
Maintenance costs	210 606	121 810
Advertising and publicity	125 296	118 053
Investigation and affiliation	123 072	113 913
Graduation expenses	249 633	174 797
Telephone	122 565	152 758
Councillors' allowances	106 326	60 612
Standard development levies	-	115 023
Bank charges	173 674	145 957
Security expenses	29 735	30 026
Professional expenses	74 469	64 088
Software costs	217 742	78 841
Committee meetings	40 010	34 514
Cleaning services	57 846	38 569
Travelling	61 726	91 436
Expenses for the DNA centre	84 389	32 184
Audit fees		
- Current year charge	44 125	42 844
- Prior year under provision	(1 281)	-
Special events	25 540	19 643
Subscriptions	24 114	19 276
Training services	104 204	87 369
Protective clothing and uniforms	38 151	13 893
Recruitment and installation	56 534	14 711
Teas	328	-
Other	89 786	158 750
	22 320 872	18 742 385

8 INTEREST PAYABLE

Interest payable comprise of interest charges incurred by the University on the loan and overdraft facilities referred to in note 19 during the year.

	Opening balances $	Receipts for the year $	Expenditure for the year $	Closing balance $
9 COMMITTED FUNDS				
ICT4 AFRICA	243	-	-	243
INASP-Library	282	-	-	282
SNV RARP 11 Consultancy	3 797	-	-	3 797
Grassroots soccer-Dr Chaibva	-	5 287	(5 287)	-
NUSTESAC	1 524	4 000	(4 242)	1 282
Faculty of Industrial Technology	456	-	-	456
Grassroots soccer Zimbabwe	240	-	(240)	-
CDTE Hub	514	401	-	915
SACEMA (gender equality support)	1 800	-	-	1 800
Transformational leadership	1 838	-	-	1 838
ZIRM	2 726	-	-	2 726
Indigenous knowledge systems conference	10 195	16 560	(14 419)	12 336
ACCA	13 518	17 240	(17 104)	13 654
Development and social media	1 521	-	-	1 521
Gender main streaming	2 875	985	(3 856)	4
Quality assurance in student affairs	3 202	-	(985)	2 217
Global research	2 094	-	-	2 094
Oracle Java Programmer	160	2 070	-	2 230
Grassroots soccer Dr Ndiweni	3 982	-	-	3 982
INS - NUST short courses	4 547	-	-	4 547
W/S water sanitation-waste management	89	-	(89)	-
Records and archives training workshop	5 035	-	-	5 038
IAEA UN AGENCY	15 754	-	(3 122)	12 632
Faculty of Architect-printing services	6 102	764	(2 452)	4 414
NUST housing trust	2 500	-	-	2 500
Conflict management training collaboration	2 173	30 000	(31 307)	866
Bio chemical ecotoxicology	10 055	13 192	(11 776)	11 471
International Foundation of Science	3 456	-	-	3 456
Comp consult	12 702	11 550	(7 296)	16 956
Ipps project support	28 932	11 100	(13 511)	26 521
DVV Deutscher Volkschoch Schul Verband	11 004	-	-	11 004
Kellogg Rural Institute of Technology	40 439	-	(20 219)	20 220
The American Corner	108 330	82 305	(18 972)	171 663
NUST Career Fair	828	2 353	(1 921)	1 260
M.P.S.O.M	75	-	-	75
CTA	-	29 520	(17 451)	12 069
Information Literacy Skills	1 701	-	-	1 701
Suspense vote	-	11 190	-	11 190
RIO-SET Expo	18 001	999	(15 338)	3 662
Develop of distillation prototype	-	4 784	(718)	4 066
Carried forward	322 693	244 300	(190 305)	376 688

	Opening balances $	Receipts for the year $	Expenditure for the year $	Closing balance $
9 COMMITTED FUNDS (Continued)				
Bought forward	322 693	244 300	(190 305)	376 688
App Geophysics Exploration	723	-	-	723
Youth mobile	350	-	(350)	-
Soltrain	15 051	45 718	(42 749)	18 020
Applied humanitarian work	268	-	-	268
7th International conference-	2 540	-	(1 050)	1 490
1st Academics and tenders conference	(12 427)	-	-	(12 427)
Insurance and actuarial science	1 488	-	-	1 488
SASDIR conference	312	-	-	312
NEPAD SANBIO/BIOFISA 11F	10 050	-	(9 800)	250
SNV-FNI project	362	-	(362)	-
Enriching engineering Edu programme	54 159	45 159	(101 195)	(1 8717
5th China Water Forum	(350)		350	-
Assessment of water losses	4 773	5 906	(9 247)	1 432
Sanord conference	15 733	5 145	(13 713)	7 165
Sarord	2 500	-	-	2 500
Creative drought	-	7 576	(7 445)	131
Hinari research for life	4 200	-	(3 983)	217
Monitoring and evaluation	-	5 962	(3 714)	2 248
Promotion of sustainable livelihoods	-	6 255	(4 825)	1 430
UNESCO ALOP	-	8 000	(7 128)	872
COMESA - Leather	-	1 629	(1 629)	-
	422 425	376 000	(397 495)	400 930

10 PROPERTY, PLANT AND EQUIPMENT

		Land $	Buildings $	Capital work in progress $	Scientific and technical equipment $	Computer and office equipment $	Plant and equipment $	Furniture and fittings $	Motor vehicles $	Library books and exhibits $	Tools $	Total $
10.1	**Cost/valuation**											
	At 31 December 2016	1 766 000	38 310 358	4 878 870	718 746	2 094 414	379 408	1 181 387	1 676 891	1 633 780	51 806	52 691 660
	Additions	-	134 600	8 887	62 298	165 607	9 277	63 441	133 012	167 252	2 841	747 215
	Disposals of to GSU (note 25)	-	(2 596 448)	-	(9 250)	(46 122)	(10 593)	(90 717)	-	-	(12 209)	(2 765 339)
	Disposals	-	-	-	-	-	-	-	(37 500)	-	-	(37 500)
	At 31 December 2017	1 766 000	35 848 510	4 887 757	771 794	2 213 899	378 092	1 154 111	1 772 403	1 801 032	42 438	50 636 036
	Additions	-	232 584	1 059 772	8 647	517 769	8 073	84 681	502 140	139 449	12 569	2 565 684
	Revaluation surplus	6 361 000	6 062 015	141 130	-	-	-	-	-	304 149	-	12 868 294
	Disposals	-	-	-	-	(10 296)	-	(859)	(164 276)	-		(175 431)
	At 31 December 2018	8 127 000	42 143 109	6 088 659	780 441	2 721 372	386 165	1 237 933	2 110 267	2 244 630	55 007	65 894 583
10.2	**Depreciation**											
	At 31 December 2016	-	2 237 413	-	286 242	1 913 838	110 336	628 578	929 409	133 780	24 219	6 263 815
	Charge for the year	-	701 410	-	77 719	166 872	37 941	120 633	256 746	166 495	4 956	1 532 772
	Disposed of to GSU (note 25)	-	(29 188)	-	(2 390)	(28 400)	-	(17 406)	-	-	(4 240)	(81 624)
	Disposals	-	-	-	-	-	-	-	(14 063)	-	-	(14 063)
	At 31 December 2017	-	2 909 635	-	361 571	2 052 310	148 277	731 805	1 172 092	300 275	24 935	7 700 900
	Charge for the year	-	676 874	-	78 044	271 495	38 616	123 844	311 725	178 773	5 501	1 684 872
	Disposals	-	-	-	-	(3 542)	-	(651)	(117 900)	-	-	(122 093)
10.3	**At 31 December 2018**	-	3 586 509	-	439 615	2 320 263	186 893	854 998	1 365 917	479 048	30 436	9 263 679
	Net book amounts											
	At 31 December 2018	8 127 000	38 556 600	6 088 659	340 826	401 109	199 272	382 935	744 350	1 765 582	24 571	56 630 904
	At 31 December 2017	1 766 000	32 938 875	4 887 757	410 223	161 589	229 815	422 306	600 311	1 500 757	17 503	42 935 136
	At 31 December 2016	1 7666 000	36 072 945	4 878 870	432 504	180 576	269 072	552 809	747 482	1 5000 000	27 587	46 427 845

10.4 University buildings with a carrying amount of $4 215 000 (2017:$2 379 500) were encumbered as disclosed in note 19.2.

10.5 A register of land and buildings owned by the University is available at the University's registered address. The University is not permitted to dispose off or alienate land and buildings without the approval of the Government of Zimbabwe.

10.6 The University's properties were revalued by an independent valuer as at 31 December 2018, whilst library books and exhibitions were revalued by management as at the same date.

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

10.7 Leased assets included above comprise of certain motor vehicles, purchased in terms of financial lease agreements as disclosed in note 18. The carrying amount of the leased assets at year-end was $378 947 (2017: $348 144).

		2018 $	2017 $

11 INVESTMENTS

11.1 Investment in subsidiary companies at cost

Entity	*Shareholding*	2018 $	2017 $
NUST Technopark (Private) Limited (note 11.3)	100%	52 704	47 620
NUST Press (Private) Limited (note 11.4)	100%	342 396	271 735
		395 100	319 355
Amount written off during the year (note 11.3)		(52 704)	-
Allowance for impairment loss (note 11.3)		(342 396)	(319 355)
		-	-

11.2 Short term investments

	2018 $	2017 $
Preference shares (note 11.5)	250 000	834 572
Treasury bills (note 11.6)	26 833	53 666
Treasury bills (note 11.6)	276 833	888 238
Allowance for credit loss	(255 174)	(173 205)
	21 659	715 033

11.3 NUST Technopark (Private) Limited, a wholly owned subsidiary of the University was operating one project, the Masilela Leisure Centre. Management have terminated the Franchise agreement between the University and Ingwebu Breweries after having determined that the Project was not a going concern. Accordingly, the investment balance of $52 704 was written off in full during the year.

11.4 NUST Press (Private) Limited is also still in its startup phase and is involved in the printing of books and learning materials for both the University and third parties. An impairment loss of 100% was provided for on the amount due after management determined that the balance was unlikely to be recovered given the existing business environment.

11.5 The preference shares with a par value of $250 000 were redeemable during 2018 as has therefore been classified from non-current assets to current assets. An impairment loss of $250 000 (2017:$173 205) was recognised on the preference shares as at 31 December 2018 after management assessed that balance was unlikely to be recovered.

11 INVESTMENTS (Continued)

11.6 The treasury bills are redeemable in three annual installments of $26 833 starting on 10 April 2017. The treasury bills have a fixed coupon rate of 5% which is payable half yearly. An impairment loss of $5 174 (2017: $10 330) on the treasury bills was recognised as at 31 December 2018. The balance is expected to be recovered in full on 10 April 2019 and has been reclassified from non-current assets to current assets.

	2018 $	2017 $
12 INVENTORIES		
Consumables and stationery	46 762	23 157

13 ACCOUNTS RECEIVABLES

13.1 Analysis

	2018 $	2017 $
Students fees debtors (note 13.2)	3 050 618	3 164 492
Gwanda State University (note 13.4)	344 335	293 824
Other debtors	1 036 599	745 764
	4 431 552	4 204 080
Allowance for credit losses (note 13.3)	(3 578 902)	(2 821 269)
	852 650	1 382 811

13.2 Students fees debtors are non-interest bearing and are generally on terms of up to 60 days.

13.3 Movement in provision for doubtful debts

	2018 $	2017 $
Opening balances	2 821 269	2 796 362
Current year movement	757 633	24 907
Closing balances	3 578 902	2 821 269

The University considers any changes in the credit quality of the respective receivables from the date on which credit was granted up to the end of the reporting period before determining the impairment losses based on the Expected Lifetime Credit Losses per IFRS 9.

13.4 The amounts from GSU are in respect of expenditures funded by the University on behalf of GSU after the 4th of August 2017 when GSU's Council took over its administration. Management have assessed that the full amount is unlikely to be recovered and has therefore provided for the balance of $344 335 as at the reporting date.

14 ACCOUNTS PAYABLE

14.1 Analysis

	2018 $	2017 $
Payroll accruals (note 14.2)	6 110 327	5 780 880
Trade payables	1 063 841	1 603 761
Restricted funds (note 14.3)	1 661 988	1 437 704
Student balances for fees	2 735 793	2 049 550
Utility and other accruals	460 645	359 445
Audit fees accrual	44 129	48 000
	12 076 723	11 279 440

14.2 Payroll accruals

	2018 $	2017 $
PAYE	2 417 283	1 997 907
Accrued salaries	1 552 780	1 312 775
Staff pension	942 946	1 199 399
NSSA pension	114 318	88 824
Standard development levy	4 33 800	513 174
Provision for payroll tax penalties and interest	309 461	302 425
Other staff benefits payable	268 402	23 499
Other	71 337	342 877
	6 110 327	5 780 880

14.3 These are funds levied and collected from students in order to meet specific expenditures related to the welfare and activities of students, such as sporting, medical aid, transport and administration expenses of the Students' Representative Committee (“SRC”). Decision making rights over income earned and the related expenses rest with the SRC. Council retains an oversight role with regards to ensuring that expenditure is in accordance with the mandate of the funds and as per University's polices. The funds are analysed as follows:

	Sports levies $	Student subscriptions $	Medical aid funds $	Bus levies $	Other levies $	Total $
Opening balances	256 736	55 316	501 251	615 424	8 977	1 437 704
Receipts or billings	345 920	121 110	-	340 880	8 481	816 391
Disbursements (note 14.4)	(223 027)	(78 138)	(9 946)	(277 019)	(3 977)	(592 107)
Closing balances	379 629	98 288	491 305	679 285	13 481	1 661 988

14.4 Included in disbursements for bus and sports levies are payments amounting to $277 000 (2017: $70 980) which relates to assets which were acquired and recognised under note 10 by the University. The University has recognised these assets through realisation of income as disclosed on note 5 above.

	2018 $	2017 $
15 PROVISIONS		
Leave pay and staff passage provisions (note 15.1)	6 411 258	5 592 777
Onerous contract provision (note 15.2)	2 687 734	-
	9 098 992	5 592 777

	Leave pay $	Staff passages $	Total $
15.1 Leave pay and staff passage provisions			
15.1.1 Current year analysis			
At 31 December 2017	4 037 678	1 555 099	5 592 777
Movement during the year	782 114	36 367	818 488
At 31 December 2018	4 819 792	1 591 466	6 411 258
15.1.2 Prior year analysis			
At 31 December 2016	3 875 131	843 796	4 718 927
Movement during the year	162 547	711 303	873 850
At 31 December 2017	4 037 678	1 555 099	5 592 777

15.2 A group of architects were mandated by the Ministry of Sports and Recreation ("MSR") to prepare plans for the construction of residence halls at the University to cater for accommodation requirements during the Zone 6 sports games that took place in December 2014. The residence halls were meant to be handed over to the University at the conclusion of the games by the MSR. The architects completed their work but the residence halls were never constructed and they are now claiming a combined amount of $2 687 734 plus interest and legal costs from the University. Management refused to settle this claim on the basis that the work was requested by the MSR and not the University. The architects pursued the matter through the High Court of Zimbabwe and the matter is awaiting Pre-Trial Conference date for judgement to be passed. On the other hand, the parties have made propositions through their lawyers for the plaintiff to ask the Judge to hold handing down judgement pending an attempt to get a third party that has been roped in to develop the student hostels to pay the claim. On this understanding, the Court suspended the handing down of judgement since February 2018. The process of engaging the new investor is still at the early stages with the Memorandum of Understanding yet to be reviewed and signed by the parties. Management is of the view that given the progress of the case, it is likely that the prospects of success may be limited and have therefore proposed that the amount be recognised as an obligation of the University in the current year financial statements.

		2018 $	2017 $
16	**DEFERRED INCOME**		
	Opening balances	232 836	467 207
	Capitalisation of restricted funds	277 000	70 986
	(Utilised)/received during the year	1 129 608	(234 371)
	Amortised during the year	(125 202)	(70 986)
	Closing balances	1 514 242	232 836

These grants were received for the acquisition of certain items of property, plant and equipment as well as for operations. There were no unfulfilled conditions or contingencies attached to these funds as at year end

17 DEFINED BENEFIT OBLIGATION

17 Analysis

	2018 $	2017 $
Payable within twelve months	5 213 946	4 553 877
Payable after twelve months	4 505 297	5 565 366
	9 719 243	10 119 243

17.2 The University's defined benefit pension scheme was converted to a defined contribution scheme effective 1 April 2013. The actuarial valuation as at 7 April 2014 indicated that there was a funding deficit on the scheme amounting to $10 600 694 as at 31 March 2014. The University committed to pay $1 060 069 per annum into the fund until the deficit is extinguished.

18 FINANCE LEASE OBLIGATION

	2018 $	2017 $
Long term portion		
ZB Bank Limited (note 18.1)	110 488	258 742
FBC Bank Limited (note 18.2)	120 587	-
	231 075	258 742
Short term portion		
ZB Bank Limited (note 18.1)	183 296	218 688
FBC Bank Limited (note 18.2)	71 304	-
	254 600	218 688
	485 675	477 424

	2018 $	2017 $
18 FINANCE LEASE OBLIGATION (Continued)		
18.1 ZB Bank Limited		
Payable within one year	183 297	218 682
Payable between one and five years	110 488	258 742
Carrying amount year end	293 785	477 424

This is a liability arising from finance lease agreements in respect of motor vehicles acquired for the University's senior members of staff. The finance lease bear interest at rates ranging between 10% and 12% per annum. The finance lease liabilities are payable as follows:

	Minimum lease payment $	Unearned finance changes $	Present value of the minimum lease payments $
2018			
Less than one year	211 084	27 788	183 296
More than twelve months	120 340	9 852	110 488
	331 424	37 640	293 784
2017			
Less than one year	211 681	28 718	182 963
More than twelve months	342 118	47 657	294 461
	553799	76 375	477 424

	2018 $	2017 $
18.2 FBC Bank Limited		
Payable within one year	71 304	-
Payable between one and five years	120 587	-
Carrying amount year end	191 891	-

This is a liability arising from finance lease agreements in respect of motor vehicles acquired for the University's senior members of staff. The finance lease bear interest at rates ranging between 12% and 18% per annum. The finance lease liabilities are payable as follows:

18 FINANCE LEASE OBLIGATION (Continued)

	Minimum lease payment $	Unearned finance changes $	Present value of the minimum lease payments $
2018			
Less than one year	87 282	15 978	71 304
More than twelve months	130 313	9 726	120 587
	217 595	25 704	191 891

18 FINANCE LEASE OBLIGATION (Continued)

The University had a composite facility with FBC Bank Limited comprising of a loan account for salaries as well as a bank overdraft. The loan facility had a limit of $1 231 000 whilst the overdraft facility had a limit of $3 500 000. The loan and overdraft facilities attracted interest at a rate of 10% (2017:10.5%) per annum and are secured by a first charge over some of the University's buildings and equipment. The loan and overdraft facilities were subsequently paid off in February 2019 and the University immediately concluded a new facility with a limit of $4 731 000 on more favourable terms with ZB Bank.

	2018 $	2017 $
20 ACQUISITION OF PROPERTY AND EQUIPMENT		
Additions (note)	2 565 684	747 215
Less Capital assets acquired through restricted funds (note 16)	(277 000)	(70 986)
	2 288684	676 229

21 CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash and bank balances	110 638	706 930
Bank overdraft (note 19)	(2 053 397)	(3 498 821)
	(1 942 759)	(2 791 891)

22 FINANCIAL RISK MANAGEMENT

22.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, may affect the University's income or the value of its holdings of financial assets. Management's objective is to manage and control market risk exposures within acceptable parameters, while optimising the return on investments. The University has no portfolios that have speculative characteristics.

22.2 Currency risk

The University occasionally undertakes foreign currency denominated transactions. Management has introduced a policy which requires that all material foreign currency transactions are settled on delivery of the goods and services. At year end there were no significant outstanding balances denominated in foreign currency.

22.3 Interest rate risk

This is the risk of adverse movements in the value of future interest receipts or commitments resulting from movements in interest rates. The University's borrowings have fixed interest rates and hence exposure to interest rate risk is considered minimal as at 31 December 2018.

22.4 Credit risk

Credit risk is the risk of financial loss to the University if a client, student or counterparty to a financial asset fails to meet its contractual obligations.

The counterparties to investments, cash and cash equivalents are limited to high-credit-quality financial institutions. The University has policies that limit the amount of credit exposure to any one financial institution

Receivables comprise of outstanding student fees. The University is exposed to credit risk arising from student receivables related to outstanding fees. The risk is mitigated by requiring students to pay an initial installment in respect of tuition and accommodation fees on the date of registration, the regular monitoring of outstanding fees and the institution of debt collection action in cases of long outstanding amounts. In addition, students with outstanding balances from previous years of study are only permitted to renew their registration after either the settling of the outstanding amount or the conclusion of a formal payment arrangement. However, all amounts assessed as uncollectable were provided in full at year end.

22.5 Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquid funds to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Liquidity risk is managed by conducting cash flow forecasts on a weekly basis in order to effectively manage liquid funds. In addition, the University enjoys favourable credit ratings with local financial institutions.

23 SUBSEQUENT EVENTS

23.1 Following the announcement of the Country's Monetary Policy Statement ("MPS") on 20 February 2019 by the Reserve Bank of Zimbabwe ("RBZ") bond notes and coins were immediately denominated as "RTGS dollars" which is coming in as a new currency in the multi-currency system of the economy. The RTGS dollar will become the country's functional currency used for pricing and settlement of local transactions. In addition, the RBZ directed banks to open NOSTRO FCA accounts for their clients in which United States Dollar amounts would be deposited by willing bank clients. The Reserve Bank of Zimbabwe has established an interbank foreign exchange market in Zimbabwe to formalise the exchange of RTGS dollar with the US dollar, and other currencies.

23.2 The interbank foreign exchange rate between US dollar and RTGS dollar opened trading on 23 February 2019 at an average rate of around 1:2.5. To support pronouncements made in the MPS, the government issued, Statutory Instrument No 33 of 2019 which states that, "for accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued and expressed in United States dollars shall, on and after the effective date, be deemed to be values in RTGS dollar at a rate of one to one to the United States dollar". Hence no adjustments were made to the 2018 transactions and balances in these financial statements with regards to the Monetary Policy Statement.

23.3 The possible effects of the newly pronounced Monetary Policy Statement detailed above cannot be readily determined and have not been effected on these financial statements.

23.4 An analysis of the University's statement of financial position as at 31 December 2018 is presented in Appendix 1 reflecting the possible effects of the MPS issued by the RBZ subsequent to year end assuming that the MPS was effective as at 31 December 2018. Please note that the amounts presented in RTGS dollars at the various exchange rates stated thereon may not reflect the opening balances in RTGS dollars for future accounting periods. Column A represent the possible effects of restating foreign currency denominated assets and liabilities using the RBZ interbank exchange rate, whilst columns B and C represents the possible effects of restatement of same using the parallel market rate and the Old Mutual Implied Rate ("OMIR"), respectively.

23.5 Management were unable to present a similar analysis for the statement of profit or loss and other comprehensive income due to the lack of an appropriate exchange during the year ended 31 December 2018.

24 GOING CONCERN

The Council notes that NUST is a critical and strategic University in Zimbabwe. The University has been in operational existence since 1991 and its main source of funding has been grants from the Government of Zimbabwe ("the Government").

The Council acknowledges that while the University has been experiencing cash flow challenges owing to liquidity problems that are characteristic of the macro-economic environment in Zimbabwe, the University will continue to attract the attention and funding of the Government in future.

Accordingly, the Council has assessed that the University will be able to continue operating as a going concern for the foreseeable future and have adopted the going concern basis of accounting in the preparation of the financial statements.

25 CONTINGENT LIABILITIES

University library and service centre

The University's library and service center at the main campus have been under construction for over fifteen years. In the prior year management had initiated the process of decommissioning the contractors. There were potential liabilities that could have arisen due to security, dismantling of the equipment, movement from site and loss of profit. However, during the current year management commenced negotiations with a potential investor who was willing to fund the completion of the projects using the existing contractors. If negotiations with the potential investor are successful the costs related to the decommissioning of the projects would fall away.

No amount has been provided for in the financial statements in respect of any decommissioning costs should management decide to resume the decommissioning process.

26 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT TO GWANDA STATE UNIVERSITY

Following the appointment of the Gwanda State University Council in July 2017, the University's Council resolved to hand over property, plant and equipment with a total carrying amount of $2 683 715 to the GSU Council on 4 August 2017 for no consideration. Of this carrying amount, $2 099 451 was in respect of revaluation surpluses effected in previous years and was therefore reversed through other comprehensive income, whilst the balance of $584 264 was written off as a loss on disposal as disclosed in note 7.

27 PREPARER OF FINANCIAL STATEMENTS

These financial statements were prepared under the supervision of Dr Fortune S Nkomo, Grad CIS (1995), the University's Bursar.

DR FORTUNE S NKOMO

THINK IN OTHER TERMS