

Report

of the
Chief Financial Officer and Chair
of the Finance Committee



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The University has once again achieved an operating surplus despite pressure on its financial resources. Cost containment and entrenching fiscal discipline across the University has placed the University in a sustainable financial position.

The 2008 Budget process

Budgetary Control

Strict budgetary control has always been a practice at the University. Resources are allocated to the respective Management portfolios and then distributed to the respective cost centres. Availability of funds is checked electronically before any expenses are incurred.

Rules for Allocating Resources

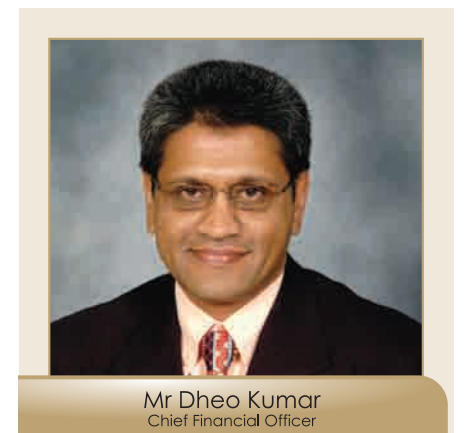
The University's strategic plan is the prime driver of the budget. The following rules were applied during the 2008 budget process:

- Forecast the income for the university.
- Set aside funds for strategic priorities.
- Forecast the salaries and personnel expenditure.
- Forecast institutional costs not associated with departments, e.g. electricity, rates, insurance, advertising, audit fees, etc.
- Resources for departmental operating budgets were allocated in terms of parameters agreed to by the Budget Operating Committee.

The Consolidated Financial Statements includes the results of the wholly owned subsidiaries of the university.

The Audit Opinion

The auditors have issued an unqualified opinion on the consolidated financial statements.



COMMENTS ON THE FINANCIAL RESULTS

Net Surplus

A net surplus of R59m was achieved. At an operating level, a surplus of R48,7m was achieved. Savings were achieved in salary costs, other operating expenses and investment income increased considerably due to profit on the sale of investments and improved cash flow.

Income

The main sources of income were:

• State Subsidy	:	54.2%
• Tuition Fees	:	33.7%
• Investment Income	:	4.9%
• Other	:	7.2%

Subsidy income and grants received, increased by R43,1 m from R389,3 m in 2007 to R432,4m in 2008 (11%) which is inclusive of a R15 m grant for infrastructural development.

Tuition and other Fee income increased from R255,1 m in 2007 to R269,1 m in 2008 (5,48%). The low increase is largely due to the reduction in student numbers in the 2007 and 2008 academic year.

Personnel Costs

Personnel costs increased from R434,4 m in 2007 to R472,8 m in 2008. This represents a 8.8% increase.

Other Operating Expenditure

Other operating expenditure increased from R176,8 m in 2007 to R218,1m in 2008. The increase in expenses, after taking into account the adjustment in expenses due to the bad debt movement, amounts to 9%.

The main items of expenditure were:

• Salaries and Personnel Costs	:	64%
• Other operating costs	:	32.6%
• Depreciation	:	3.4%

The University's cash flow generated from operations continues to be positive, cash flow generated from operations in 2008 was R25,4 m compared to R37 m in the prior year. The University continues to hold substantial cash which at year end amounted to R251,9 m compared to R188,3 m in the prior year.

Liquidity

The University's cash flow is currently sufficient to meet its short term needs (current ratio of 3,65 : 1)

Receivables and Prepayments

A cumulative provision of R118,5 m (2007 : R106,2 m) for tuition and residence fee student debtors has been provided at 31 December 2008.

The increase in receivables and prepayments is due to NSFAS and the Department of Education owing the University a total amount of R35,8 m, which was received subsequent to the year end.

POST RETIREMENT BENEFITS (PENSION AND MEDICAL)

Pension

The Durban University of Technology's share of its obligation of the National Tertiary Retirement Fund (NTRF) at 31 December 2008 was R15,8 m (2007 : R10,9 m). This liability has been provided for in the balance sheet and has increased in the current year due to weak investment returns.

Medical

The post retirement medical benefit obligation at 31 December 2008 is R85,1 m (2007 : R73,3 m) and has been provided in full in the financial statements in terms of Generally Accepted Accounting Practice. The projected higher healthcare inflation rate has contributed to the increase in the liability.

Provision for Leave Pay and Bonuses

Following a mandate given by Council to Executive Management to negotiate an end to the practice of encashing accumulative leave instead of taking it, a settlement was reached with the unions to terminate accumulative leave as at 31 December 2008 and to pay out staff for any leave accumulated as at that date.

The University will endeavour to pay this leave over a period of five years. The value of leave to employees was R54,7 m (2007: R78,4 m). The encashment of leave amounting to R14,3 m was the main contributor to the reduction in the provision.

Investments

Investments decreased from R134,4 m at 31 December 2007 to R104,5 m at 31 December 2008. The main reason for the decrease is due to the market to market adjustment, which has been accounted for in the non-current investment revaluation reserve in accordance with the University's accounting policy.

The balance of the reserve at 31 December 2008 was R21,8 m (2007 : R48,1 m).

CONCLUSION

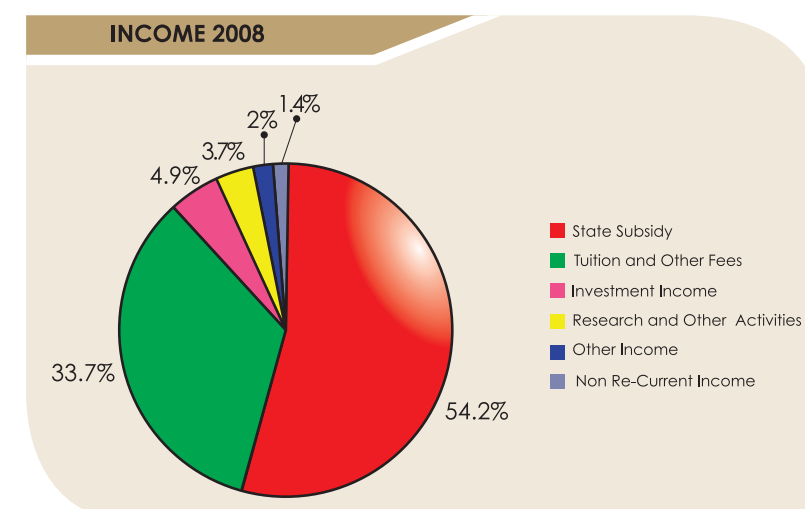
Although the University's financial position continues to grow from strength to strength, Management is very committed to:-

- Bringing the ratio of salary expenditure to recurrent income in line with the National Benchmark.
- Increasing Research Outputs.
- Improving the throughput rate of our students.
- Increasing the University's Third Stream Income, and
- Stepping up our Fundraising initiatives.

DURBAN UNIVERSITY OF TECHNOLOGY

INCOME

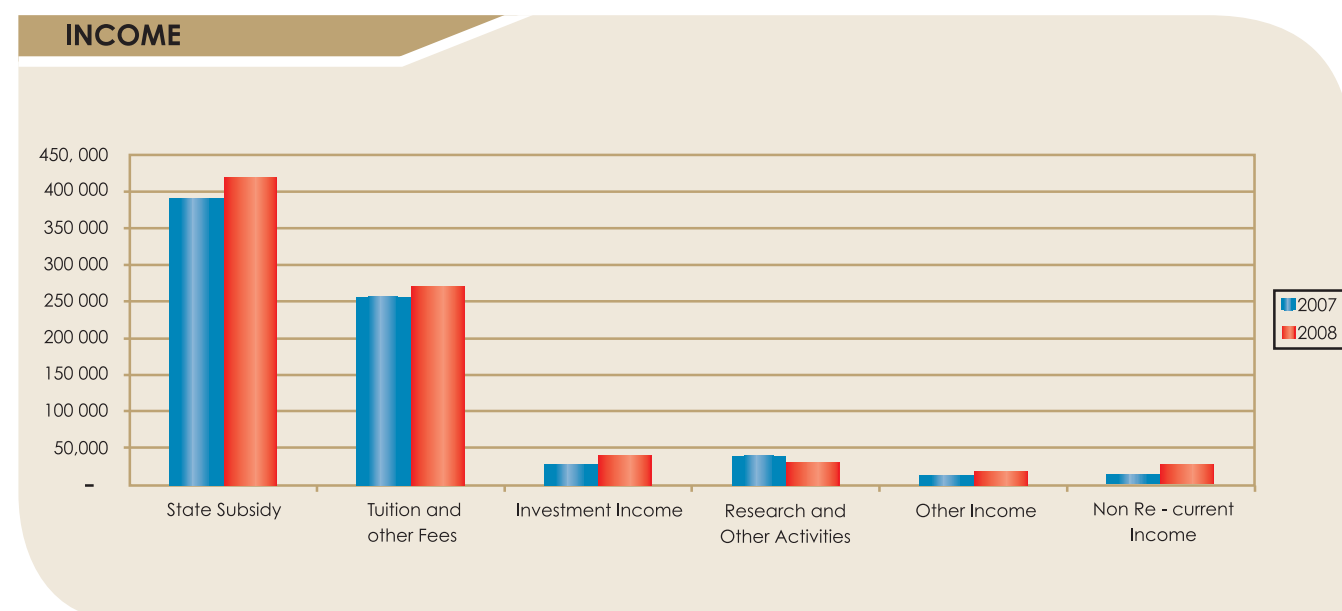
DETAIL	R '000
State Subsidy	432,474
Tuition and Other Fees	269,064
Investment Income	38,956
Research and Other Activities	29,509
Other Income	16,173
Non Re-Current Income	11,218
TOTAL INCOME	797,394



DURBAN UNIVERSITY OF TECHNOLOGY

INCOME

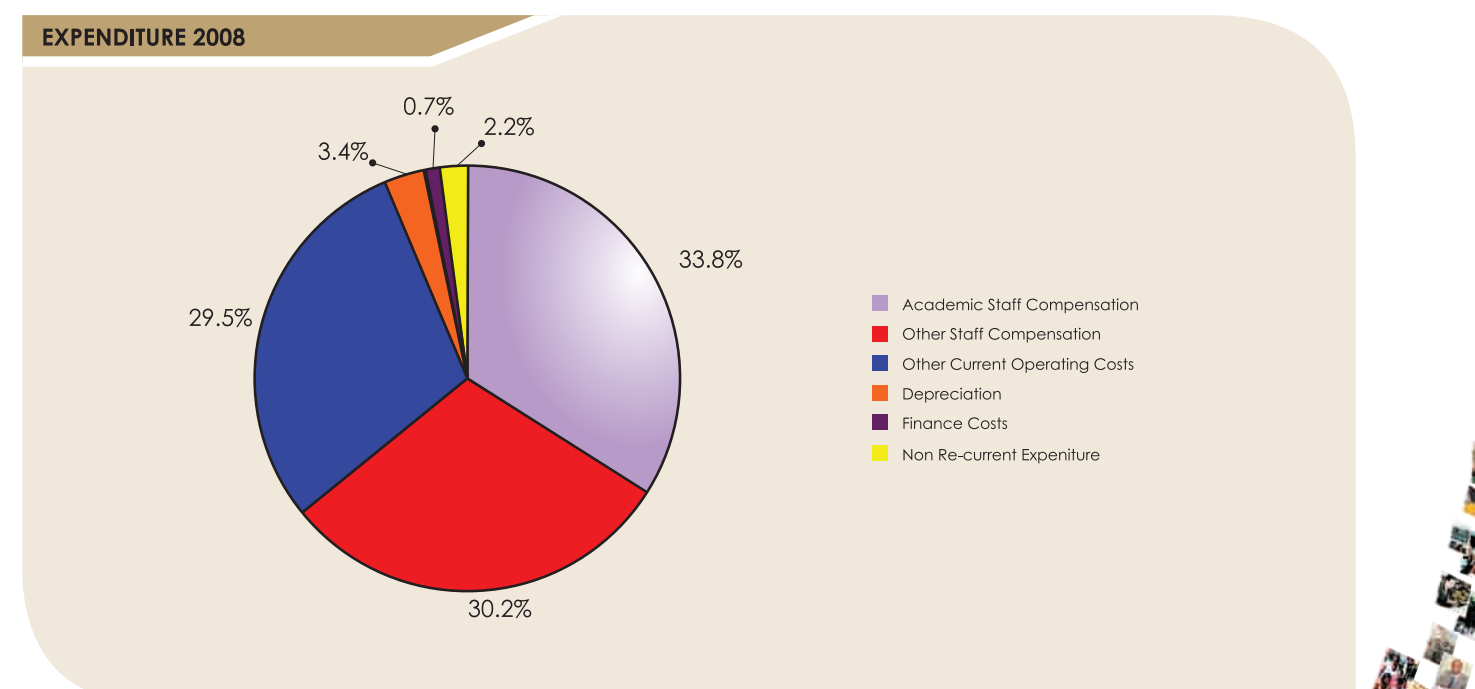
DETAIL	2007 R '000	2008 R '000
State Subsidy	389,312	432,474
Tuition and Other Fees	255,163	269,064
Investment Income	26,342	38,956
Research and Other Activities	37,742	29,509
Other Income	11,292	16,173
Non Re-current Income	13,824	11,218
TOTAL INCOME	733,675	797,394



DURBAN UNIVERSITY OF TECHNOLOGY

EXPENDITURE

DETAILS	R '000
Academic Staff Compensation	249,709
Other Staff Compensation	223,163
Other Current Operating Costs	218,124
Depreciation	25,276
Finance Costs	5,506
Non Re-current Expenditure	16,602
TOTAL EXPENDITURE	738,380



DURBAN UNIVERSITY OF TECHNOLOGY

EXPENDITURE

DETAILS	2007 R '000	2008 R '000
Academic Staff Compensation	234,245	249,709
Other Staff Compensation	200,234	223,163
Other Current Operating Costs	176,839	218,124
Depreciation	21,074	25,276
Finance Cost	4,207	5,506
Non Re-current Expenditure	11,816	16,602
TOTAL EXPENDITURE	648,415	738,380

EXPENDITURE

