

Annual Financial Review

Council's Statement of Responsibility for the Annual Financial Statements

31 DECEMBER 2008

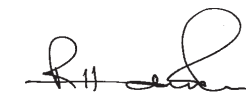
Council is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements of the Durban University of Technology. The financial statements presented on pages 92 to 119 represent an extract of the full financial statements of Durban University of Technology. These financial statements have been approved by the Council on 12 June 2009.

Council considers that in preparing the full financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Statements of GAAP that they consider to be applicable, have been followed. Council is satisfied that the information contained in the full financial statements fairly presents the results of operations for the year and the financial position of the university at year end. Council has the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the university to enable the Council to ensure that the full financial statements comply with relevant legislation.

Durban University of Technology operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that the assets are safeguarded and the risks facing the business are being controlled. The going-concern basis has been adopted in preparing the full financial statements. Council has no reason to believe that the university will not be a going concern in the foreseeable future, based on the forecasts and available cash resources. The full financial statements support the viability of the university.

The University's external auditors, PricewaterhouseCoopers Inc. and Ngubane & Co, audited the full financial statements.

APPROVAL OF THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



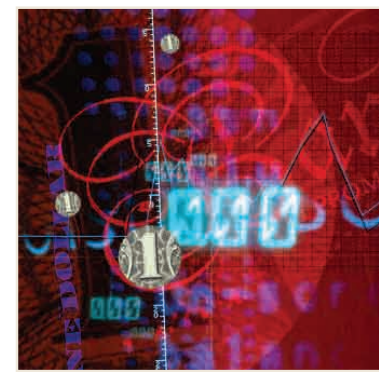
VICE-CHANCELLOR AND PRINCIPAL



CHAIR OF COUNCIL



CHIEF FINANCIAL OFFICER



Council's Statement of Responsibility for the Annual Financial Statements
Approval of the Summarised Consolidated Annual Financial Statements
Report of the Independent Auditors
Summarised Consolidated Balance Sheet
Summarised Consolidated Statement of Changes in funds
Summarised Consolidated Income Statement
Summarised Consolidated Cash Flow Statement
Summary of Accounting Policies
Notes to the Summarised Consolidated Annual Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF DURBAN UNIVERSITY OF TECHNOLOGY

The accompanying summarised financial statements set out on pages 92 to 119 have been derived from the consolidated annual financial statements of the Durban University of Technology for the year ended 31 December 2008. These summarised financial statements are the responsibility of the University's Council. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the consolidated annual financial statements from which they were derived.

We have audited the consolidated annual financial statements of the Durban University of Technology for the year ended 31 December 2008, from which these summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 12 June 2009 we expressed an unqualified opinion on the consolidated annual financial statements from which the summarised financial statements were derived.

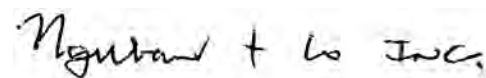
In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the consolidated annual financial statements from which they were derived.

For a better understanding of the University's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the consolidated annual financial statements from which the summarised financial statements were derived and our audit report thereon.



PricewaterhouseCoopers Inc.

Director: H Ramsumer
Registered Auditor
Durban
12 June 2009



Ngubane & Co. Inc.

Director: H Mpungose
Registered Auditor
Durban
12 June 2009

DURBAN UNIVERSITY OF TECHNOLOGY SUMMARISED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
NON-CURRENT ASSETS			
		484 869	484 156
Property, plant and equipment	1	369 984	337 555
Investments	2	101 523	134 441
Non-current receivables	3	13 362	12 160
CURRENT ASSETS			
		357 992	257 863
Receivables and pre-payments	4	104 519	68 147
Inventories	14	1 556	1 317
Cash and cash equivalents	5	251 917	188 399
TOTAL ASSETS		842 861	742 019
EQUITY AND LIABILITIES			
EQUITY – FUNDS AVAILABLE			
		553 323	485 533
Property, plant and equipment funds		446 739	400 521
Restricted funds		8 156	8 366
Council designated funds		98 428	76 646
NON-CURRENT LIABILITIES			
		191 591	192 512
Borrowings	6	46 839	30 155
Retirement benefit obligations and accumulated leave	8/11	144 752	162 357
CURRENT LIABILITIES			
		97 947	63 974
Trade and other payables	7	67 090	43 734
Current portion of non - current borrowings	6	6 569	10 618
Retirement benefit obligations and accumulated leave	11	24 099	9 622
Bank overdraft		189	-
TOTAL EQUITY AND LIABILITIES		842 861	742 019

Annual Financial Review

Durban University of Technology
Summarised Consolidated Statement of Changes In Funds
For the Year Ended 31 December 2008

DESCRIPTION	Unrestricted Operating Fund R '000	Designated and Restricted Funds - other R '000	Investments in Fixed Assets R '000	Restricted Residence Fund R '000	GRANDTOTAL TOTAL R '000
Balance at 31.12.2007	4 677	80 335	400 521	-	485 533
Transfers credit	32 602	4 938	46 218	-	83 758
Other transfers	35 019	(26 243)	-	-	8 776
Net surplus/(loss) for the year	60 104	-	-	(1 090)	59 014
Transfers debit	(81 599)	(3 249)	-	1 090	(83 758)
Balance at 31.12.2008	50 803	55 781	446 739	-	553 323
Council designated	50 803	47 625	446 739	-	545 167
Restricted – other	-	8 156	446 739	-	8 156

3: Annual Financial Review

DURBAN UNIVERSITY OF TECHNOLOGY
SUMMARISED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008



DURBAN UNIVERSITY OF TECHNOLOGY
SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations
Interest received
Interest paid
Taxation paid

Note	2008 R'000	2007 R '000
	58 930	59 144
23	25 480	37 010
	38 956	26 342
	(5 506)	(4 207)
	-	(1)

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment
Purchase of other non-current investments
Disposal of property, plant and equipment
Proceeds on disposal of investments

(43 090) (75 979)

(57 942)	(83 139)
(8 552)	(8 623)
153	220
23 251	15 563

CASH FLOW FROM FINANCING ACTIVITIES

Increase in interest-bearing borrowings
Additions to funds
Funds utilised

47 678 15 010

12 632	15 200
35 046	-
-	(190)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

63 518 (1 825)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

188 399 190 224

CASH AND CASH EQUIVALENTS AT END OF YEAR

251 917 188 399

COMPRISES:

Bank and cash balances
Bank overdraft

252 106 188 399
(189) -

251 917 188 399

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2008

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The preparation of financial statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Standards, interpretations and amendments to published standards that are not yet effective

- Standards early adopted by the entity
There were no standards and interpretations to existing standards early adopted by the entity.
 - Standards, amendments to existing standards and Interpretations to existing standards that are not yet effective and have not been early adopted by the entity
- IAS 1 Revised- Presentation of financial statements (Effective for annual periods beginning on or after 1 January 2009).
This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.
 - IAS 23 Borrowing Costs (Revised March 2007) (Effective for annual periods beginning on or after January 2009) The core principle of this standard is that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Management assessed that this standard should not have a significant impact.
 - Improvements to International Financial Reporting Standards (IFRS's) (Effective for annual periods beginning on or after 1 January 2009).

- Standards and Interpretations to existing standards that are not yet effective and not relevant to the entity's operations
- IAS 27 (AC 132 Revised) – Consolidated and Separate Financial Statements (Effective for annual periods beginning on or after 1 July 2009)
 - Amendment to IAS 32(AC 125) Financial Instruments: Presentation and IAS 1(AC 101) – Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (Effective for annual periods beginning on or after 1 January 2009)
 - Amendment to IFRS 1 (AC 138) – First-Time Adoption of International Financial Reporting Standards and IAS 27 (AC 132) – Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Effective for annual periods beginning on or after 1 January 2009)
 - IFRS 2 (AC 139) Amendment to Statement of Generally Accepted Accounting Practice IFRS 2 (AC 139) – Share-Based Payment Vesting Conditions and Cancellations (Effective for annual periods beginning on or after 1 January 2009)
 - IFRS 3 (AC140) Revised - Business Combinations (Effective for annual periods beginning on or after 1 January 2009)
 - IFRS 8 Operating Segments (Effective for annual periods beginning on or after 1 January 2009)
 - IFRIC 13 Customer Loyalty Programmes (Effective for annual periods beginning on or after 1 July 2008)
 - IFRIC 15 (AC 448) Agreements for the Construction of Real Estate (Effective for annual periods beginning on or after 1 January 2009)
 - IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation (Effective for annual periods beginning on or after 1 October 2008).

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Investments

Investments are classified as trading, held-to-maturity or available for sale investments.

Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity. Other than loans and receivables originated by the University, the positive intent and ability of the University is to hold such investments to maturity. These investments are held at amortised cost using the effective interest method.

All investments other than held-to-maturity investments are measured at fair value without any deductions for transaction costs that may be incurred on purchase or sale or other means of disposal. The fair value of marketable securities is market value. Market value is calculated by reference to Stock Exchange quoted selling prices at the close of business on the balance sheet date. If the fair value of an investment cannot be determined, the investment is measured at cost where there is no fixed maturity, or at amortised cost if there is fixed maturity.

Trading investments are investments that are part of a portfolio of similar assets for which there is a pattern of trading for the purposes of generating a profit from short-term fluctuations in price. Investments are classified as available for sale investments if they are neither trading investments nor held-to-maturity investments. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method.

Accounting for leases

Leases of property, plant and equipment where the University assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated fair value of the leased assets, or, if lower, the present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Leases of assets, under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Property, plant and equipment

Land and buildings, which have been adapted to specialised functions, and all other land and buildings which are used for general purposes, plant and equipment are recorded at cost except for donations, which are valued by external independent valuers.

No depreciation is provided on freehold land as it is deemed to have an indefinite life. In respect of all other tangible fixed assets and buildings depreciation is provided on a straight-line basis at rates calculated to write off cost or revalued amounts over their estimated useful life as follows:

Buildings	50 years
Motor vehicles	8 years
Computer equipment and software	4 years
Furniture and equipment	5 years
Air conditioners	5 - 20 years
Lifts	10 years

New library collections are written off in the year of acquisition. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Individual items of property, plant and equipment acquired for R10 000 (2007: R5 000) or less are expensed in the year of acquisition and are recorded in the fixed asset register for control purposes.

Routine maintenance costs are charged to income as incurred. Costs of major maintenance or overhaul of an item of property, plant or equipment are recognised as an expense, except if the cost had been recognised as a separate part of the cost of the asset, and that amount has already been depreciated to reflect the benefits that had been replaced or restored. To the extent that the use of an asset is impaired for reason of deferred maintenance, an additional depreciation provision is created by a charge against income, the accumulated amount of which is included in the depreciation deduction

to arrive at the carrying value of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an assets net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other current operating expenses'. Subsequent recoveries of amounts previously impaired, are credited against the provision account in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Revenue Recognition

State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates. Appropriations for specific purposes, i.e., capital expenditure, are brought into the appropriate fund at the time they are available for expenditure for the purpose provided. However, if the funding is provided in advance of the specified requirement, (i.e. the University does not have immediate entitlement to it) the relevant amount is retained as a current liability.

Income received for designated specific purposes will arise from contracts, grants, donations and income on specific purpose endowments. In all instances any such income is recognised in the income statement in the financial period when entitled to use of those funds. Thus, funds included as income but which will not be used until some specified future period or occurrence, are transferred from the income statement to an appropriate fund and held in that fund until the financial period in which the funds can be used, at which time the amount is transferred back to income through the income statement. Prior to that time the amount is appropriately grouped in one of the restricted funds comprising aggregate funds (held in trust).

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Revenue Recognition (Continued)

Tuition fees are brought into income in the period to which they relate and at the time these are formally billed. The income must be recognised as realisable and, to the extent that it is not, provision is realistically made for the estimated unrealisable amount. Deposits provided by prospective students are treated as current liabilities until the amount is billed as due.

Interest is recognised on a time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the University.

Dividends are recognised when the right to receive payment is established.

Interest, dividends and other income received or due on assets representing endowment and trust funds are recognised as income in the income statement from which the respective amounts are transferred, if required in terms of the establishment of the respective funds, to the respective funds and the amounts appropriately re-invested.

Consolidation

Subsidiary entities are those entities over which the University has the power, directly or indirectly, to exercise control. All subsidiaries are consolidated, except where control is expected to be temporary or where there are long term restrictions on the transferability of funds. An entity, not a subsidiary as defined above, the income of which, other than investment income, is intended for the ultimate use of the University, is also consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the University and until they are disposed of or control ceases. All inter-University transactions, balances and unrealised surpluses and deficits are eliminated. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the University.

The consolidated financial statements incorporate the assets, liabilities and trading operations of the following University controlled entities:

- Maxelect Investments (Proprietary) Limited
- Melrose Properties (Proprietary) Limited
- Durban University of Technology - Business Studies Unit
- Durban University of Technology (Proprietary) Limited
- DUT Guesthouse (Proprietary) Limited

Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as interest. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expires.

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The University recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Information relating to the credit risks associated with and the fair value of financial instruments is contained in notes 18 and 19.

Pension obligations

The University operates a defined contribution and defined benefit pension schemes in accordance with the Pensions Fund Act, 1956. The assets of both schemes are held separately from those of the University and are administered, in the case of the defined benefit plan, by trustees of the Fund, and in the case of the defined contribution plan, by the insurance company selected by the trustees of the Fund.

The pension accounting costs of the defined benefit plan are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries.

The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The net difference between the expected return on plan assets and the interest factor arising from discounting the obligation is recognised under personnel costs. The obligation is valued annually by independent qualified actuaries. Actuarial gains and losses are recognised immediately.

Contributions to the defined contribution scheme are charged to the income statement as incurred.

Post-retirement Benefits

The University provides post-retirement medical benefits to certain of their retirees. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that of defined benefit pension plans. These obligations are valued annually by independent qualified actuaries. Actuarial gains and losses are recognised immediately.

Actuarial valuations of post-retirement benefit obligations are based on assumptions which include employee turnover, mortality rates, the discount rate, expected long-term rate of return on retirement plan assets, healthcare costs, inflation rates and salary increments.

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

Cash flows

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with financial institutions, investments in money market instruments and bank overdrafts.

Deferred income tax

Deferred income tax relates to the balance recorded in one of the subsidiary companies. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Financial assets

The University classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the university commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the University has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The University's loans and receivables comprise 'trade and other receivables', students' loans and cash and cash equivalents in the balance sheet.

Notes to the Summarised Consolidated
Annual Financial Statements 31 December 2008

1. Property, plant and equipment

	Land and buildings	Furniture, equipment and computers	Furniture, equipment and computers leased	Vehicles	Capital-work-in-progress	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Year ended 31 December 2008						
Opening net book amount	269 383	59 112	5 328	2 893	839	337 555
Additions/transfers	27 282	28 264	-	201	2 193	57 940
Disposals	(120)	(115)	-	-	-	(235)
Depreciation charge	(8 401)	(14 864)	(1 494)	(517)	-	(25 276)
Closing net book amount	288 144	72 397	3 834	2 577	3 032	369 984

At 31 December 2008

Cost	328 136	158 659	5 961	4 358	3 032	500 146
Accumulated depreciation	(39 992)	(86 262)	(2 127)	(1 781)	-	(130 162)
Net book amount	288 144	72 397	3 834	2 577	3 032	369 984

Year ended 31 December 2007

Opening net book amount	231 731	42 563	-	1 891	-	276 185
Additions	42 756	32 016	5 961	1 568	839	83 140
Disposals	-	(681)	-	(15)	-	(696)
Depreciation charge	(5 104)	(14 786)	(633)	(551)	-	(21 074)
Closing net book amount	269 383	59 112	5 328	2 893	839	337 555

At 31 December 2007

Cost	297 165	131 934	5 961	4 258	839	440 157
Accumulated depreciation	(27 782)	(72 822)	(633)	(1 365)	-	(102 602)
Net book amount	269 383	59 112	5 328	2 893	839	337 555

The leased assets above serve as security over the finance lease referred to in note 6.

2. Investments

Cost

Listed shares at cost	49 407	44 157
Bonds, annuities and other	86 665	86 846
Foreign investments	6 666	10 186
Less: Cash investments transferred to cash and cash equivalents (note 5)	(63 283)	(55 483)
	79 455	85 706

Valuation

Market value of listed shares	62 739	87 574
Market value of bonds, annuities and other	29 367	32 246
Market value of foreign investments	9 417	14 621
	101 523	134 441

There were no impairment provisions on available-for-sale financial assets in 2008 or 2007.

The maximum exposure to credit risk at the reporting date is the fair value of the bond securities classified as available-for-sale.

None of the financial assets is either past due or impaired.

3. Non - current receivables

Goodwill	326	326
Non-current portion of student loans	13 036	11 834
Student loans	21 606	20 579
Less: Provision for bad debts	(8 570)	(8 745)
	13 362	12 160

The repayment of these loans commences after completion of studies and commencement of employment by the student. The amount payable each year is based on a formula determined by NSFAS which is linked to the salary earned by the student. In determining the fair value of the above loans, the following key assumptions were made:

- There will be no repayment for the first 3 years of the loan period (being the period the student will be studying)
- A repayment period of 10 years (2007: 8 years) with payments received equally over the period
- A discount rate of 15% (2007: 14.5%)

The fair value adjustment is presented in the income statement within "Non-recurrent income" in the period in which it arises.

The impairment provision is created based on the experience of NSFAS in collecting student loans. The loans are unsecured and interest free.

Notes to the Summarised Consolidated
Annual Financial Statements 31 December 2008

4. Receivables and prepayments

	2008 R'000	2007 R'000
Student debtors	151 320	140 465
Other receivables	71 722	33 973
Less: Provision for doubtful debts - student debtors	(118 523)	(106 291)
	<u>104 519</u>	<u>68 147</u>

All student debtors (after provision for impairment) at year end are past due but not considered impaired. Amounts past due (after provision for impairment) are not considered impaired due to the history of collection based on the University's experience in collecting amounts when students renew their registration. Amounts past due but not impaired represent fees billed in the current year.

Movement on the provision for impairment of student receivables is as follows:

At 1 January	106 291	111 192
Increase/(reduction) in provision for student receivables	12 232	(4 901)
At 31 December	<u>118 523</u>	<u>106 291</u>

The creation and release of provision for impaired student receivables has been included in other current operating expenses in the income statement.

5. Cash and cash equivalents

Net cash on hand	128	100
Short-term deposits	233 183	167 483
Cash at bank	18 606	20 816
	<u>251 917</u>	<u>188 399</u>

A fixed deposit of R7 000 000 has been pledged as security for the Investec loan (note 6).

6. Borrowings

Non-current	46 839	30 155
State Guaranteed loan	8 351	9 402
Finance lease liability	922	2 663
DBSA loan	33 235	18 090
Investec loan	4 331	-
Current portion	6 569	10 618
Total borrowings	<u>53 408</u>	<u>40 773</u>

6. Borrowings (continued)

The DBSA and State Guaranteed loans are unsecured. The State guaranteed loans, the subsidies of which range between 50% and 85% reflect the balance owing on loans raised to finance the acquisition of property, plant and equipment. The loans are fully secured by guarantees issued by the state. The annual cost of interest and redemption, together with the state subsidy on these payments, are disclosed in the income statement.

The finance lease is secured by leased assets (refer note 1).

The effective interest rates for the borrowings are as follows:

	16.85%-	16.85%-
State Guaranteed loan	18.75%	18.75%
DBSA loan	7.7%	7.7%
Finance lease liability	7.7%	7.7%
Investec loan	13%	-

The interest rate exposure of the borrowings of the University was as follows:

At fixed rates	46 652	40 773
At variable rates	6 756	-
	<u>53 408</u>	<u>40 773</u>

The table below analyses the University's borrowings into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed on the table are the contractual undiscounted cash flows.

Less than 1 year	10 418	15 169
Between 2 and 5 years	26 997	22 488
Over 5 years	43 039	29 029
	<u>80 454</u>	<u>66 686</u>

7. Trade and other payables

Accounts payable	65 356	42 373
Student deposits	1 734	1 361
	<u>67 090</u>	<u>43 734</u>

Notes to the Summarised Consolidated
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8. Leave pay and bonus accruals

	2008 R '000	2007 R '000
Bonus and leave pay		
Opening balance	87 709	78 248
Provided during the year	4 023	18 382
Amounts utilised	(23 751)	(8 921)
Balance at end of year	<u>67 981</u>	<u>87 709</u>
Analysis of total accruals:		
Non-current portion		
- Leave pay	43 882	78 087
Current portion		
- Leave pay	14 057	448
- Bonus	10 042	9 174
	<u>24 099</u>	<u>9 622</u>
	<u>67 981</u>	<u>87 709</u>

During the year the leave pay policy was revised. In terms of the revised policy, accumulated leave will be paid out over 5 years.

9. Financial assets by category

	Loans and receivables R '000	Available for sale R '000	Total R '000
31 December 2008			
Assets as per balance sheet			
Available for sale financial assets	-	101 523	101 523
Receivables – current	98 306	-	98 306
Receivables - non-current	13 036	-	13 036
Cash and cash equivalents	251 917	-	251 917
Total	<u>363 259</u>	<u>101 523</u>	<u>464 782</u>

Notes to the Summarised Consolidated
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9. Financial assets by category (continued)

	Loans and receivables R '000	Available for sale R '000	Total R '000
31 December 2007			
Assets as per balance sheet			
Available for sale financial assets	-	134 441	134 441
Receivables - current	68 147	-	68 147
Receivables - non-current	11 834	-	11 834
Cash and cash equivalents	188 399	-	188 399
Total	<u>268 380</u>	<u>134 441</u>	<u>402 821</u>

10. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

Counterparties without external credit rating:

Group 1- NSFAS	42 672	20 288
Group 2-Student loans	13 036	11 834
Group 3- Student fees	32 797	34 174
Total trade receivables	<u>88 505</u>	<u>66 296</u>

Group 1 – Amounts outstanding in respect of NSFAS, no defaults in the past

Group 2 - 100% Student loans - no history of default available

Group 3 - existing student accounts with some defaults in the past

Cash at bank and short term deposits

251 917	188 399
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All cash and short term deposits are held with major banks in South Africa.

Notes to the Summarised Consolidated
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11. Retirement benefit obligations

Balance sheet obligations for:

- Pension benefits
- Post employment medical benefits

	2008 R'000	2007 R'000
- Pension benefits	15 859	10 950
- Post employment medical benefits	85 011	73 320
	<u>100 870</u>	<u>84 270</u>

11.1 Pension obligations – NTRF

Liability in the balance sheet

	15 859	10 950
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The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	10 950	21 569
Interest and service costs	2 980	1 833
Contributions by plan participants	(1 732)	(783)
Actuarial losses/(gains)	3 661	(11 669)
End of year	<u>15 859</u>	<u>10 950</u>

The amounts recognised in the income statement are as follows:

Interest and service costs	2 980	1 833
Net actuarial losses/(gains) recognised during the year	3 661	(11 669)
Total, included in staff costs	<u>6 641</u>	<u>(9 836)</u>

The principal actuarial assumptions used were as follows:

Discount rate	7.50%	8.50%
Expected return on plan assets	7.50%	8.50%
Future salary increases	5.00%	6.25%
Future pension increases	1.50%	2.50%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

Notes to the Summarised Consolidated
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2008
R '000

2007
R '000

11. Retirement benefit obligations (continued)

11.2 Post-employment medical benefits

The amounts recognised in the balance sheet were determined as follows:

Present value of fund obligations	85 011	73 320
Movement in the defined benefit obligation is as follows:		
Beginning of the year	73 320	68 351
Current service cost	1 918	1 962
Interest cost	6 450	5 983
Actuarial losses	6 692	864
Benefits paid	(3 369)	(3 840)
End of year	<u>85 011</u>	<u>73 320</u>

The amounts recognised in the income statement are as follows:

Current service cost	1 918	1 962
Interest cost	6 450	5 983
Net actuarial losses recognised	6 692	864
Total, included in employee benefits expense	<u>15 060</u>	<u>8 809</u>

The effect of a 1% increase in the medical cost inflation rate is as follows:

	Increase	Increase
Effect on current service costs and interest cost	1 293	9 201
Effect on the obligation	11 505	9 839

Effect of a 1% decrease in the medical cost inflation rate is as follows:

	Decrease	Decrease
Effect on current service costs and interest cost	1 053	1 021
Effect on the obligation	9 515	8 144

The principle material assumptions used were as follows:

Discount rate	9%	9%
Medical cost inflation rate	6.86%	6.34%

Notes to the Summarised Consolidated
Annual Financial Statements 31 December 2008

12. Investments

- 12.1 Investment income
- Income from investments
- Interest received – call accounts
- Interest received – other

	2008 R'000	2007 R'000
	8 399	6 006
	24 065	16 255
	6 492	4 081
	38 956	26 342

- 12.2 Profit/(loss) on investments (net)
- Profit on disposal
- Loss on disposal

	9 587	13 610
	(1 731)	(423)
	7 856	13 187

13. Staff costs

- Academic professional
Other personnel
Pension and other post retirement costs
Outsourced services (security and cleaning)

	223 682	212 140
	176 960	157 825
	43 790	40 037
	25 893	24 477
	470 325	434 479

- Non-recurrent personnel costs

	2 547	-
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- Average number of employees employed during the year:

- Academic
Non academic

	628	581
	805	820
	1 433	1 401

14. Inventories

- Stationery, technical inventories, study materials

	1 556	1 317
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15. Operating revenue

- State appropriations - Subsidies and grants
Tuition and other fee income
Income from contracts
For research
Sale of goods and services
Donations and gifts

	432 474	389 312
	269 064	255 163
	29 509	37 742
	12 575	10 765
	3 681	527
	747 303	693 509

16. Other non-recurrent income

- Profit on investments
Other income
Other losses

	7 856	13 187
	921	11 105
	2 441	(10 468)
	11 218	13 824

Notes to the Summarised Consolidated
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2008
R'000

2007
R'000

17. Other operating expenses

The following items have been charged in arriving at operating surplus:

Supplies and services	169 519	156 688
Bad debts	17 598	737
Repairs and maintenance	22 966	19 414
Depreciation	25 276	21 074
	235 359	197 913

18. Risk management

The University and its subsidiaries are exposed to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

A. Market Risk

(i) Price risk

The University and its subsidiaries are exposed to equity securities price risk because of listed investments held by the University and these are classified in the notes to the financial statements. At 31 December 2008, if the FTSE/JSE index increased/decreased by 10% with all other variables held constant and all the University's equity instruments moved according to the historical correlation with the index, funds would have been R6 273 884 (2007:R8 757 382) higher or lower.

(ii) Interest rate risk

The University and its subsidiaries are not exposed to cash flow interest rate risk on borrowings as the majority of their borrowings have fixed interest rates. The University and its subsidiaries are not exposed to cash flow interest rate risk on funds on call as the rate of interest was fixed on these investments at the year end.

At 31 December 2008, if interest rates on the fixed term deposits had been entered into at rates 1% higher/lower, the surplus for the year would have been R2 331 830 (2007:R1 120 000) higher/lower as a result of higher/lower interest income.

B. Credit risk

Potential concentrations of credit risk consist mainly of short-term cash, cash equivalent investments, trade receivables and other receivables.

The University places cash and cash equivalents with reputable financial institutions and a multimanager approach to the management of investments is followed in order to limit investment risk.

18. Risk management (continued)

Receivables comprise of outstanding student fees, student loans and a number of customers, dispersed across different industries and geographical areas. The University is exposed to credit risk arising from student loans and outstanding student fees. The risk relating to student fees is mitigated by requiring students to pay an initial instalment in respect of tuition and accommodation fees at registration, the regular monitoring of outstanding fees and the institution of debt collection action in cases of long outstanding amounts. In addition students with outstanding balances from previous years of study are only permitted to renew their registration after either the settling of the outstanding amount or the conclusion of a formal payment arrangement.

The collection of student loans has been outsourced to NSFAS.

C. Liquidity risk

The University and its subsidiaries have minimised risk of liquidity as shown by its substantial cash and cash equivalents. The University manages a cash budget which is continually updated.

D. Capital risk management

The Durban University of Technology and its subsidiaries' objectives, when managing capital, are to safeguard the ability of the University and its subsidiaries to continue as a going concern and to maintain an optimal structure to reduce the cost of capital. In order to maintain the capital structure the University and its subsidiaries have ensured a sound financial position by limiting exposure to debt and increasing investment and cash balances. This objective is met by a well planned budget process each year.

	2008 R '000	2007 R '000
Available for sale investments	101 523	134 441
Cash and cash equivalents	251 917	188 399
Total	353 440	322 840
Interest bearing liabilities	(53 408)	(40 773)
Net position	300 032	282 067

19. Fair value estimation

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the University is the current bid price at year end.

The carrying value less impairment provision of trade receivables and payables approximate their fair values. Where necessary trade receivables are discounted to approximate their fair value.

20. Critical accounting estimates and assumptions

The Durban University of Technology and its subsidiaries make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant impact on the financial statements are as follows:

Post-retirement medical benefits

Discount rate: 9% per annum
Medical Cost Inflation Rate: 6.86% per annum

Post-retirement pension benefits

Discount rate: 7.5% per annum
Salary inflation: 5% per annum

Leave accrual

Discount rate: 8.5%
Inflation rate: 5.25%
Salary increase: 5.25%

Student loans

No repayment in first 3 years
Equal cash flows for 10 years thereafter
Discount rate: 15%

	2008 R'000	2007 R'000
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21. Contingent liabilities

21.1 Guarantees issued to the City Treasurer by the University's bankers. **1 261** 1 226

21.2 Indumiso College of Education.

The Department of Education handed over the Indumiso College of Education to the former Technikon Natal. The operation of this college has been incorporated into the Durban University of Technology subsequent to the merger. The land and buildings have been capitalised in the accounting records of the University at a value of R1 and no liability has been raised for the land and buildings.

The Department of Education has not given an undertaking to indemnify the University against any liability in respect of land and buildings of this college or against any future claims or liabilities that may exist in respect of this college.

The Department of Education is currently in the process of subdividing the property and transferring this property in the name of Durban University of Technology.

21.3 Associated Institutions Pension Fund (AIPF)

One hundred and fourteen members (2007: 122) of the University are members of the Associated Institutions Pension Fund. In the event of the retrenchment of these employees, a deficit in their pension funding will arise. The quantification of any deficit is only possible if a decision to retrench these staff members is taken.

21.4 As at 31 December 2008, the University was defending the following claims lodged by third parties:

- The estimated financial exposure to the University for charges disputed by suppliers and service providers, for work done, amounts to R1.43 million.
- The estimated financial exposure to the University for disputes relating to employees amounts to R3.45 million.

21.5 National Tertiary Retirement Fund

The liability for the National Tertiary Retirement Fund does not include the effect of the changes in minimum benefits that was introduced from 1 January 2005. The minimum benefit requirement basically forces the fund to pay a minimum of the discounted value of the accrued deferred pension, calculated on a prescribed basis, to members who would have become entitled to guaranteed retirement benefits, upon leaving the fund prior to retirement. The trustees are, however, in the process of changing the rules in order to remove this liability. In addition, the employer did not enter into an agreement to fund this additional cost, and can only be forced to do so if the NTRF is liquidated. The amount of this contingent liability, as at 31 December 2008 amounts to R19.3 million.

Notes to the Summarised Consolidated Annual Financial Statements 31 December 2008

2008 R '000	2007 R '000
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22. Commitments

22.1 Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

Property, plant and equipment	18 269	19 639
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22.2 Operating lease commitments

The future minimum lease payments under operating leases are as follows:

Not later than 1 year	4 626	9 533
Later than 1 year and not later than 5 years	2 442	4 302
	7 068	13 835

23. Cash generated from operations

Reconciliation of net surplus before taxation to cash generated from operations

Net surplus before taxation for the year	59 014	84 835
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Adjustments for:

Movement in provision for retirement benefits	16 600	(5 650)
Movement in provisions for leave and bonuses	(19 728)	9 461
Profit on disposal of investments	(7 856)	(13 187)
Depreciation	25 276	21 074
Loss on disposal of property, plant and equipment	83	425
Investment income	(38 956)	(26 342)
Interest expense	5 506	4 207

Operating surplus before working capital changes
Changes in working capital

- Receivables and prepayments	(37 574)	(26 744)
- Inventories	(239)	(93)
- Accounts payable and accruals	23 354	(10 976)

25 480	37 010
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