REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

UNIVERSITY COUNCIL'S STATEMENT ON CORPORATE GOVERNANCE

STELLENBOSCH UNIVERSITY WAS ESTABLISHED IN 1918 UNDER ACT 13 OF 1916 WHEN THE VICTORIA COLLEGE WAS CONVERTED INTO A UNIVERSITY. THE UNIVERSITY IS COMMITTED TO THE PRINCIPLES OF DISCIPLINE, TRANSPARENCY, INDEPENDENCE, ACCOUNTABILITY, FAIRNESS AND FINANCIAL, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY AS CONTAINED IN THE KING II REPORTS ON CORPORATE GOVERNANCE. MANAGEMENT HAS PROCESSES IN PLACE FOR IMPLEMENTING THE KING III REPORT, AS APPROPRIATE.

The University Council *(hereafter referred to as the Council)* comprises academic and non-academic individuals, duly appointed and nominated in terms of the Statute of the University, the majority of whom are not staff or students of the University. The role of the Chairperson of the Council is separated from the role of the Rector and the Vice-Chancellor of the University. Business allocated to the Council for consideration and decision making is laid down in the Statute of the University either by established practices or in terms of the Higher Education Act, 1997. The Council is accountable to its various interest groups. The Council ensures that the University is managed in a responsible and transparent manner and is committed to sound management principles. The Council, which meets at least four times a year, consists of 30 members, with 29 positions filled. The names of the members appear on page 3. The Council has created structures to ensure that its obligations to all interest groups are duly met at all times. The following Committees of the Council play a direct role in the effective functioning of the University: the Executive Committee of the Council, the Human Resources Committee of the Council, the Audit and Risk Committee of the Council as well as the Investment Committee of the Council. All the committees are formally constituted with written mandates and mainly comprise members of the Council who are not staff or students of the University.

The Executive Committee of the Council, which meets at least five times a year, makes decisions on behalf of the Council, deals with business on behalf of the Council, advises the Council on policy decisions and in the periods between Council meetings liaises with senior management on matters regarding the functions of the Council. The Executive Committee consists of seven members, who are also members of the Council. Currently six positions are filled. The Committee also fulfils a monitoring and control function on behalf of the Council in that it makes recommendations on the University's Overarching Strategic Plan and transformation targets for 2015 and monitors implementation, recommends the annual operating and capital budgets, and controls progress and results in terms of the approved budgets. The Committee is also responsible for helping to ensure that the University is financially sound and remains a going concern.

The Audit and Risk Committee of the Council, whose Chairperson and members are also members of the Council or are external individuals who have the required financial expertise to assist the Committee in the efficient execution of its duties, has been functioning since 31 October 2005 and consists of four members, as set out on page 3.

The Committee meets at least twice a year and the meetings are attended by the internal and external auditors and the University's senior management members. The unrestricted access of both the internal and external auditors of the University to the Audit and Risk Committee ensures their independence. The Audit and Risk Committee functions in terms of a written Council mandate and is accountable to the Council for the following:

- *The safeguarding of assets.*
- *The operation of suitable systems of internal control.*
- *Risk management and risk control measures.*
- *Internal and external audits.*
- *Compliance with statutory requirements.*
- *Accounting policy.*
- *Financial reporting.*
- *The position of the University as going concern.*

The Human Resources Committee of the Council is responsible for considering matters concerning staff remuneration and fringe benefits and making recommendations to the Council in this respect. The Committee also makes recommendations to the Council on matters concerning

general staff policy, service contracts, pension funds, bonuses, performance appraisal frameworks, appointments and promotion of members of senior management, etc. The Committee consists of five members, as set out on page 3.

Effective, efficient and transparent financial management and internal control systems are used to ensure the accuracy of the University's accounting records and the integrity of the data used for the preparation of financial statements.

There are inherent limitations to the efficiency of any internal control system, including the possibility of human error and the circumvention or subversion of control measures. Consequently even an efficient system of internal control can at best only provide reasonable assurance as far as financial information is concerned.

The internal and external auditors assess the effectiveness, efficiency and transparency of financial management and internal control systems. Weaknesses in the systems are brought to the attention of management and, where applicable, to the attention of the Audit and Risk Committee. Steps are taken to rectify deficiencies of control and offer the opportunity to improve the system as and when deficiencies are identified. In addition, the University has a formal procedure in place for reporting anomalies or fraud.

The University functions in terms of a value system that is set out in its Strategic Framework and has been accepted by the University community. Financial management is based on a set of principles that were adopted by the Council on 19 May 2003 and are revised from time to time. Furthermore the University has a set of guidelines for the ethical aspects of scientific research. These guidelines are applied by three ethics committees *(one each for Health Sciences, Physical Sciences and the Humanities)* to ensure that researchers act in accordance with laid-down ethical norms in every relationship with subjects and objects during their scientific research. The ethical norms set out in the guidelines apply as early as the evaluation of the purpose of the particular research and the subject of research, and are also binding in respect of finance resources, clients, the community, the physical, biological and social environment, the safety of researchers and collaborators, and the personal responsibility of the researcher.

The University aims at handling the management of human resources with sensitivity, allowing for diversity, the particular environment and political, economic and social context within which the institution functions. Consequently the necessary measures for effective conflict management have been put in place. The year 2009 was characterised by the absence of conflict causing a disruption of service and the continuation of the Employee Wellness Project and Unit. The Unit is tasked with ensuring the general wellbeing of the University's staff and is an important addition to the University as well as an important indication of the University's willingness to invest in its human resources. The University has policies and procedures in place to offer both employer and employees the necessary procedural and statutory protection. In this regard the Disciplinary and Grievances Procedure, the Sexual Harassment Policy and Procedure, the Management Practices Code and Nepotism Prevention Policy deserve specific mention. In addition, greater transparency, participation and effective communication are pursued continuously. Ongoing training of environmental heads in the handling of labour matters ensures that labour conflict receives prompt attention and, where possible, is resolved to the satisfaction of all parties. A further contributing factor in minimising serious labour conflict is the presence of an ombudsman on campus who reports directly to the Rector and serves as an extraordinary conduit for complaints where the complainant *(whether a student or staff member)* is not treated satisfactorily through the normal structures. In terms of labour laws restructuring processes have to comply with the principles of correctness, equity and transparency.

The University endorses the principles of a participative and transparent management style. Three trade unions, namely the National Educational Health and Allied Workers Union *(NEHAWU)*, Solidarity, and the South African Parastatal and Tertiary Institutions Union *(SAPTU)*, are active on the University's campus and enjoy organisational rights. Agreements of acknowledgement were entered into with NEHAWU and SAPTU. The various staff associations, namely the Lecturers' Association, the Administrative Staff Association, the Technical Association, the Employees' Association and the Women's Forum, together with the recognised trade unions, are consulted on a broad spectrum of human resources matters. The staff associations are also represented in various participative decision making structures such as the Health Care Committee,

UNIVERSITY COUNCIL'S STATEMENT ON CORPORATE GOVERNANCE *CONTINUED*

the Board of Trustees of the University of Stellenbosch Retirement Fund *(USRF)* and the Umbrella Employment Equity Forum. A discussion forum, which meets regularly, was formalised during 2005 for the discussion of topical issues with staff associations. A memorandum of understanding was concluded with university management.

Employment equity remains a strategic priority for the University and all employment equity matters are monitored by the Umbrella Employment Equity Forum. In the year under review the Employment Equity Plan and Policy and the Management Practices Code were further refined. People with Disabilities and Sexual Harassment Policies have been implemented and selection panels involved in the appointment of staff established. Discussions are held with deans and heads of departments as a part of the implementation and monitoring of the Employment Equity Plan. Personal development plans for staff with potential are in place.

The participation of students in decision making is important to the University, as also set out in the Strategic Framework.

On a macrolevel students have a seat in the highest formal structures of authority, such as representation of the Students' Representative Council *(SRC)* in the Council, the Senate and the Institutional Forum. Students are also members of the faculty boards, the Student Fee Committee and the selection committees for the appointment of the Rector and Vice-Rectors. Furthermore, students serve in various important working committees, such as the Bursaries and Loans Committee, the Central Disciplinary Committee, the Language Committee, the Library Committee and the Student Accommodation Committee. Student representatives are appointed from the faculties to form the Academic Affairs Council *(AAC)*, whose Chair and Vice-Chair perform various representative functions in the area of the Vice-Rector *(Teaching)*.

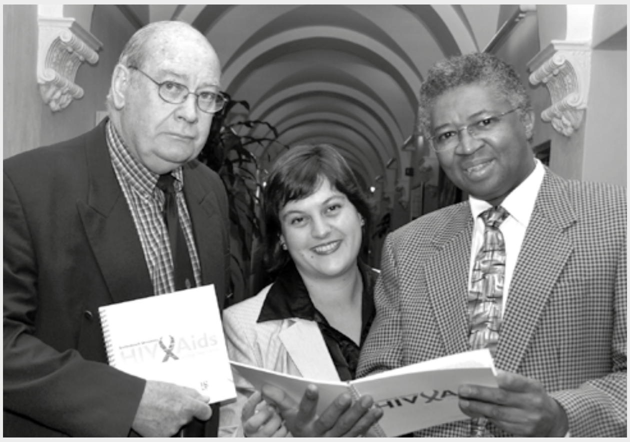
Various advisory forums – for instance for students with special learning needs or HIV/Aids or who are harassed or suffer from substance abuse – also avail themselves of students' skills and knowledge. The Welcoming and Monitoring Work Group who manages the welcoming of newcomer students, consists of various student representatives and all but one of the monitors are from the ranks of students.

The Students' Representative Councils of Stellenbosch, Tygerberg and the Military Academy assist with the leadership development of students. In conjunction with the Centre for Student Counselling and Development the annual election of the SRC is also used as a leadership development event. The constitution of the Societies Council makes provision for student societies, headed by a member of the SRC, to play a more structured role in the development of a diverse and healthy community.

The Chairs of the SRC and the AAC have seats on the management team of the Vice-Rector (*Teaching*). In addition, the Executive Committee of the Students' Representative Council meets monthly with the management team of the Rector to discuss general management matters.

MATIES TACKLE HIV/AIDS WITH 270 PROJECTS

The University's Division for Research Development grouped the 270 SU projects related to HIV/Aids into five main themes and published information on them in a glossy publication. The projects cover topics from the prevention and treatment of HIV/Aids to social and cultural aspects of the disease. The release of the booklet was followed by a symposium on HIV/Aids research at SU, which helped forge networks between researchers. Here the two editors, Prof Izak van der Merwe *(left)* and Ms Maryke Hunter-Hüsselmann, hand a copy to the Rector, Prof Russel Botman.



UNIVERSITY COUNCIL'S RESPONSIBILITY FOR FINANCIAL REPORTING

The University Council accepts responsibility for the integrity, objectivity and reliability of the consolidated annual financial statements of Stellenbosch University. The responsibility for the preparation and presentation of the consolidated annual financial statements has been delegated to management.

The Council is of the opinion that Stellenbosch University, including the subsidiaries and trusts included in the consolidated statements, is operated as going concern and consequently the consolidated annual financial statements have been prepared on this basis.

It is the responsibility of the external auditors to express an independent opinion on the fair presentation of the consolidated annual financial statements, based on their audit. They had unrestricted access to all financial records and related data, including minutes of meetings of the Council and all the committees of the Council.

The Audit and Risk Committee has confirmed that adequate internal financial control systems are maintained and that there were no material defects in the functioning of the internal financial control systems during the year.

The Council is satisfied that the consolidated annual financial statements fairly represent the financial position, the results of operations, changes in funds and cash flows in accordance with the relevant accounting policy based on the International Financial Reporting Standards.

Between the year-end and the date of this report no material facts or circumstances have arisen that materially affect the financial position of Stellenbosch University.

The consolidated annual financial statements on pages 58 to 92 were approved by the Council and were signed by:

Dr PF de V Clüver
Chair of the University Council

Prof HR Botman
Rector and Vice-Chancellor

Dr GS van Niekerk
Chairperson of the Audit and Risk Committee

Prof L van Huyssteen
Executive Director: Operations and Finance

14 June 2010

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF STELLENBOSCH UNIVERSITY

We have audited the group annual financial statements of Stellenbosch University, which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in funds, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 92.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Council of Stellenbosch University is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act *(No 101 of 1997, as amended up to and including the Regulations for Annual Reporting by Higher Education Institutions dated 1 August 2007)*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying applicable accounting policies; and making accounting estimates that are reasonable under the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the group annual financial statements present fairly, in all material respects, the consolidated financial position of Stellenbosch University as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act *(No 101 of 1997, as amended up to and including the Regulations for Annual Reporting by Higher Education Institutions dated 1 August 2007)*.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Inc.

Director: E Carelse
Registered Auditor
Stellenbosch

14 June 2010

ACCOUNTING POLICIES

THE PRINCIPAL ACCOUNTING POLICIES APPLIED IN THE PREPARATION OF THESE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ARE SET OUT BELOW. THE POLICIES ARE APPLIED CONSISTENTLY FOR ALL PERIODS COVERED BY THESE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS.

1. BASIS OF PREPARATION

The consolidated annual financial statements of Stellenbosch University are prepared in accordance with International Financial Reporting Standards *(IFRS).* The consolidated annual financial statements are prepared on the historical cost basis, as amended by the revaluation of investments available for sale, endowments and investment properties.

In the preparation of these consolidated annual financial statements in accordance with IFRS a number of critical accounting estimates are relied upon. Management has to use its discretion in applying the University's accounting policies. Areas requiring greater discretion, and areas involving significant assumptions and estimates, are discussed in note 1 to the consolidated annual financial statements.

NEW AND AMENDED STANDARDS APPLIED

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS
(EFFECTIVE FROM 1 JANUARY 2009):

The amended standard prohibits income and expenditure, other than transactions with owners, from being presented in the statement of changes in funds. Transactions, other than transactions with owners, should be distinguished in the statement of comprehensive income from owner changes. Consequently the University presents all owner changes in the statement of changes in funds, while all other transactions are included in the statement of comprehensive income.

IFRS 7 – FINANCIAL INSTRUMENTS
(EFFECTIVE FROM 1 JANUARY 2009):

The amended standard requires extensive disclosure on the determination of fair value in terms of a hierarchy and liquidity risk. The change does not affect income.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS NOT YET EFFECTIVE

The following new standards, interpretations and amendments to existing standards have been published for the University's accounting periods commencing after 1 January 2010, but management has decided not to early adopt these changes.

Management is of the opinion that the changes below in the standards, interpretations and amendments will not have a material effect on the consolidated statements of the University in the following year:

IFRS 1 (AMENDMENT)	First-time Adoption of International Financial Reporting Standards – Revised *(effective from 1 July 2009)*
IFRS 2 (AMENDMENT)	Amendments to IRFS 2: Group Cash-settled Share-based Payment Transactions *(effective from 1 January 2010)*
IFRS 3	Business Combinations *(effective from 1 July 2009)*
IFRS 9 (AMENDMENT)	Financial Instruments *(effective from 1 January 2013)*
IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment *(effective from 1 April 2009)*
IAS 24 (AMENDMENT)	Related Party Disclosures *(effective from 1 January 2011)*
IAS 27	Consolidated and Separate Financial Statements *(effective from 1 July 2009)*
IAS 32 (AMENDMENT)	Classification of Rights Issues *(effective from 1 January 2010)*
IAS 39 (AMENDMENT)	Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting *(effective from 1 July 2009)*
IFRIC 9	Reassessment of Embedded Derivatives *(effective from 1 July 2009)*
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction *(effective from 1 January 2011)*
IFRIC 17	Distributions of Non-cash Assets to Owners *(effective from 1 July 2009)*

1. BASIS OF PREPARATION *CONTINUED*

IFRIC 18	Transfers of Assets from Customers *(effective from 1 July 2009)*
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments *(effective from 1 July 2010)*
AC 504	IAS 19(AC 116) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment *(effective from 1 April 2009)*

IMPROVEMENTS PROJECT AMENDMENTS TO STANDARDS NOT YET EFFECTIVE

The International Accounting Standards Board *(IASB)* drives an annual improvements project in which necessary amendments that are not urgent can be made to published standards. Some of these amendments result in amendments to other standards.
The amendments are effective from 1 January 2010.

Amendments were made to the standards below. Management is of the opinion that amendments to these standards will not materially impact the consolidated annual financial statements of the University:

IFRS 2, Share-based Payment	Scope of IFRS 2 and revised IFRS 3
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets *(or disposal groups)* classified as held for sale or discontinued operations
IFRS 8, Operating Segments	Disclosure of information about segment assets
IAS 1, Presentation of Financial Statements	Current/Non-current classification of convertible instruments
IAS 7, Statement of Cash Flows	Classification of expenditures on unrecognised assets
IAS 17, Leases	Classification of leases of land and buildings
IAS 18, Revenue	Determining whether an entity is acting as a principal or as an agent
IAS 36, Impairment of Assets	Unit of accounting for goodwill impairment test
IAS 38, Intangible Assets	Additional consequential amendments arising from revised IFRS 3 Measuring the fair value of an intangible asset acquired in a business combination
IAS 39, Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting
IFRIC 9, Reassessment of Embedded Derivatives	Scope of IFRIC 9 and revised IFRS 3
IFRIC 16, Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity that can hold hedging instruments

2. BASIS OF CONSOLIDATION

SUBSIDIARIES

All entities in which the University, directly or indirectly, has an interest of more than half of the voting rights, or otherwise is able to exercise control over activities, are included in the consolidated annual financial statements. The purchase method is used to bring the acquisition of subsidiaries to book. The cost of an acquisition is measured as the fair value of assets transferred and liabilities assumed at the date of the transaction, including any transaction costs. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value.

The surplus of the cost of acquisition over the fair value of the group's share of identifiable net assets is accounted for as goodwill. The results of subsidiaries acquired during the year are included from the date on which effective control was obtained. Subsidiaries are deconsolidated from the date on which effective control ends.

Intergroup transactions, balances and unrealised profits on transactions between the University and its subsidiaries are eliminated. Unrealised losses are also eliminated, but are treated as a potential indicator of impairment of the underlying asset. The accounting policies of subsidiaries are adjusted during consolidation, where necessary.

2. BASIS OF CONSOLIDATION *CONTINUED*

ASSOCIATE COMPANIES

An associate company is a company, other than a subsidiary, in which the University holds an investment and on which it can have a significant influence due to the size of its investment. The results of associates have been accounted for by using the equity method. The equity method involves the recognition of the interest of the University and its subsidiaries in the post acquisition profits and losses of associate companies in the consolidated income statement and the post acquisition movements in reserves in the consolidated statement of comprehensive income.

The cumulative post acquisition movements are adjusted against the carrying amount of the investment in the associate company. The recognition of the share of the University and its subsidiaries in losses of associate companies is limited to the interest in the associate company. Additional losses are only recognised to the extent that the University and its subsidiaries have guaranteed the debt of the associate company.

Intergroup transactions, balances and unrealised profits on transactions between the University and its associates are eliminated to the extent of the University's interest in the associates. Unrealised losses are also eliminated but are treated as a potential indicator of impairment of the underlying asset. The accounting policies of associates are adjusted, where necessary.

JOINT VENTURES

The University's interest in jointly controlled entities is accounted for on the proportional consolidation basis. The University's share in the individual income and expenditure, assets and liabilities, and cash flows of the joint ventures is added to similar items on an item-for-item basis in the consolidated annual financial statements. The portion, attributable to the other parties, of profits and losses on the sale of assets by the University to joint ventures are recognised in the consolidated annual financial statements. The University does not recognise any profits and losses of the joint ventures arising from purchases by the joint ventures up to and including the sale of such items to an external party. However, a loss is recognised immediately if the loss reflects a decrease in the net realisable value of the asset.

3. FOREIGN EXCHANGE

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated annual financial statements are measured by using the currency of the primary economic environment in which the University operates *(the functional currency)*. The consolidated annual financial statements are presented in South African Rand, the functional and presentation currency of the University.

TRANSACTIONS AND BALANCES

Foreign exchange transactions are accounted for at the exchange rate ruling on the date of the transaction. Profits and losses arising from the settlement of such transactions and the conversion of monetary assets and liabilities denominated in foreign currency are recognised in the consolidated income statement. These balances are converted at exchange rates ruling at year-end.

4. PROPERTY, BOOKS AND EQUIPMENT

Land and buildings mainly consist of lecture halls, laboratories, residences and administrative buildings. Land and buildings are shown at historical cost less accumulated depreciation, excluding donations of land and buildings which are valued at fair value by sworn valuers at the date of donation. The University has applied the exemption from IFRS 1 in terms of which the market value of buildings at the date of conversion *(1 January 2004)* is the deemed cost.

Historical cost includes direct costs associated with the acquisition of the item. Post acquisition costs are added to the original cost, or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the University and the cost can be measured reliably. All other repair and maintenance costs are recognised in the income statement in the period in which they are incurred.

Books and equipment are shown at cost, excluding donations of books and equipment that are valued at fair value by sworn valuers at date of donation.

Land is not depreciated, as it has an unlimited useful life. Other assets are depreciated by using the straight-line method to write off cost or revalued amounts to residual values over their useful life.

4. PROPERTY, BOOKS AND EQUIPMENT *CONTINUED*

RESIDUALS AND DEPRECIATION RATES:

	RESIDUAL VALUE 2009 %	DEPRECIATION 2009 %	RESIDUAL VALUE 2008 %	DEPRECIATION 2008 %
LAND	100,0	0,0	100,0	0,0
BUILDINGS	0,0	1,3 – 20,0	0,0	1,3 – 20,0
COMPUTER EQUIPMENT	0,0	33,3	0,0	33,3
OTHER	0,0 – 40,0	5,0 – 25,0	0,0 – 40,0	5,0 – 25,0
LIBRARY BOOKS	0,0	100,0	0,0	100,0

The useful life of property, books and equipment is reviewed annually and, if necessary, adjusted.

If the carrying value of an asset exceeds its realisable value, it is written down to the realisable value.

Profits and losses on the sale of assets are recognised in the consolidated income statement and represent the difference between the proceeds and the carrying amount on the date of sale.

5. INTANGIBLE ASSETS

Purchased computer software licences are capitalised at the cost incurred to obtain and use the specific software. This cost is amortised over the expected useful life *(10 years)* of the software.

Post acquisition costs incurred in the maintenance of computer software are recognised as expenses in the period in which incurred.

6. FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, investments, loans and receivables, trade and other payables, and borrowings. Financial instruments are initially recognised at fair value, including transaction costs. Conventional buying and selling of financial assets are recognised at date of trade.

The University classifies its financial assets in the following categories: loans and receivables, investments available for sale and financial instruments carried at fair value through profit or loss. The classification is determined by the purpose for which the asset was acquired. Management determines the classification at initial recognition.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial instruments with fixed or determinable repayments not quoted in an active market. Loans and receivables are initially recognised at fair value. Where amounts are only payable 12 months from year-end, they are included in non-current assets, otherwise in current assets.

Loans and receivables are shown at amortised cost by using the effective interest-rate method and after provision for impairment of the outstanding amount. A provision for impairment is raised in the event of objective evidence that all outstanding amounts will not be collected in accordance with the original terms.
The amount of the provision is the difference between the carrying amount and the recoverable amount, being the current value of the expected cash flows, discounted at the effective interest rate.

Significant financial difficulty and failure to pay outstanding debt are deemed indicators of impairment. The carrying amount of the asset is decreased by raising a provision. The amount of the impairment is recognised in the consolidated income statement as operating expenditure. When the debt or loan becomes irrecoverable, it is written off against the provision. Subsequent recoveries of any amounts previously written off are credited to the consolidated income statement as operating expenditure.

Trade and other receivables, excluding forward foreign exchange contracts, are classified as loans and receivables. Forward foreign exchange contracts are classified as derivative instruments and are carried at fair value through profit or loss. Refer to note 9 for the composition of trade and other receivables.

Cash and cash equivalents, classified as loans and receivables, consist of cash on hand, call deposits, investments in money market instruments and bank overdrafts.

INVESTMENTS AVAILABLE FOR SALE

Investments are classified as 'available for sale' and are shown at fair value by using relevant valuation methods. Investments are included in non-current assets, unless the University intends to dispose of the investment within 12 months from year-end. Purchases and sales of investments are recognised at the date of trade, i.e. the date on which the University commits itself to the purchase and sale. Changes in fair values are shown in the statement of comprehensive income. The difference between the

6. FINANCIAL INSTRUMENTS *CONTINUED*

net selling proceeds and the cost of the investment is transferred from the fair value reserve to the consolidated income statement on disposal.

Investments are derecognised when the right to cash flow expires or is transferred, or the University has transferred the significant associated risks and benefits of ownership.

Changes due to exchange rate differences are distinguished from fair value changes in instruments denominated in foreign currency and classified as 'available for sale'. Exchange rate gains and losses are recognised in the consolidated income statement. Any movements in the fair values of these investments are recognised in the statement of comprehensive income.

The fair values of listed investments are based on current market prices. The University determines the value of unlisted investments and investments in respect of which there is no active market by using relevant valuation techniques.

The University assesses at each year-end whether there is objective evidence of impairment of a financial asset. A significant decline in the fair value of the investment below its cost over a period is indicative of impairment. If there is such evidence for investments available for sale, the cumulative loss is transferred from the fair value reserve to the consolidated income statement.

The cumulative loss is calculated as the difference between the acquisition cost and the current fair value net of any decline in value recognised in previous periods. Impairment losses recognised in the consolidated income statement are not reversed on later recovery.

DERIVATIVE INSTRUMENTS

Derivative instruments, including forward foreign exchange contracts, are classified as 'at fair value through profit and loss'. These instruments are recognised at fair value at the date the derivative contract was entered into. In subsequent periods it is revalued at fair value. Profits and losses on derivative instruments are recognised in the income statement.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recorded at fair value. Thereafter they are shown at amortised cost by using the effective interest-rate method. Forward foreign exchange contract liabilities are carried at fair value, with adjustments in the income statement.

INTEREST-BEARING BORROWINGS

Borrowings are initially recognised at fair value, net of any transaction costs incurred. After initial recognition borrowings are carried at amortised cost. Differences between the initially recognised amount and the redemption amount are recognised in the consolidated income statement over the term of the loan by using the effective interest-rate method. Borrowings are shown as current liabilities, except where the University has an unconditional right to defer payment for at least 12 months after year-end.

7. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are written off in the year in which incurred, since both are inherent in the normal operations of the University.

8. DONATIONS

Donations are recognised at fair value at the date of the donation, based on external valuations.

9. INVENTORIES

Inventories, mainly comprising consumer goods and stationery, are shown at the lower of cost, on the basis of average cost, or net realisable value.

Cost excludes finance charges. Net realisable value is the estimated selling price in the normal course of business, less selling costs.

10. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an indefinite useful life are not depreciated or amortised and are subject to annual testing for impairment. Assets subject to depreciation or amortisation are tested for potential impairment if an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset, less any selling costs, or its value in use. In the test for impairment assets are grouped at the lowest level for which there is a separate identifiable cash flow (cash-generating units). Non-financial assets previously impaired are reviewed at every year-end for potential reversal of previously recognised impairments.

11. REVENUE RECOGNITION

Income is recognised at the fair value of the amounts or goods received.

Student and accommodation fees are recognised as and when the service is provided.

Central government allocations are recognised in the period for which they are received. Government allocations are recognised where it is reasonably certain that the allocation will be received and that the University will meet all the conditions involved.

Research grants are recognised on the terms of the individual contracts and are deferred over the term of the research. Conversely, expenditure is recognised when incurred.

Interest income is recognised on a time apportionment basis by using the effective interest-rate method. On impairment of a receivable the University reduces the carrying amount to the recoverable amount. The recoverable amount represents the future cash flow, discounted at the original effective interest rate. This discount is recognised as interest over time. Interest income on loans in respect of which an impairment has been recognised is recognised at the original effective interest rate.

Interdepartmental income and expenditure are eliminated.

Other income earned by the University is recognised on the following bases:

- *Dividend income – when the shareholder's right to receive a dividend vests, i.e. on the last day for registration in respect of listed shares and when declared in the case of unlisted shares.*
- *Rental income – receipts in respect of operating leases are recognised on a straight-line basis in the consolidated income statement over the period of the lease.*
- *Accidental sales and services – are recognised in the period in which they accrue.*

12. LEASES

If the lessor retains the significant risks and benefits associated with ownership of a leased item, the item is classified as an operating lease. Payments in respect of operating leases are recognised on a straight-line basis in the consolidated income statement over the period of the lease.

13. INVESTMENT PROPERTIES

Investment properties are held to generate rental income and to achieve capital growth. Owner-occupied properties are held for administrative, tuition and research purposes. Their use distinguishes owner-occupied properties from investment properties.

Investment properties are deemed long-term investments and are carried at fair value determined annually by external sworn valuers. Investment properties are not depreciated. Any change in value is taken directly to the income statement and included in the net profit or loss for the period concerned.

Owner-occupied properties are recognised and measured in accordance with the accounting policy for property, books and equipment.

14. PROVISIONS

Provisions are recognised when the University has a current statutory or constructive obligation as a result of a past binding occurrence that will probably lead to an outflow of resources in the form of economic benefits to meet the obligation, and a reasonable estimate of the amount of the obligation can be made. Provisions are measured at the current value of the expected future expenditure to meet the obligation, discounted at the market-related rate for similar provisions. Changes in the value of provisions due to passage of time are recognised as interest.

15. STAFF BENEFITS

POST-RETIREMENT MEDICAL BENEFITS AND GROUP LIFE INSURANCE SCHEME

Retired employees receive post-retirement medical benefits. Access to this benefit is restricted to employees appointed prior to 1 June 2002. All employees are required to participate in the group life insurance scheme. The expected costs of these benefits are recognised over the period of employment. The liability in respect of post-retirement medical benefits is the present value of the liability at year-end less the fair value of plan assets and any adjustments for actuarial profits/losses and past service costs. The liability is calculated actuarially by independent actuaries at least once every three years. Actuarial profits and losses are recognised immediately in the consolidated income statement.

PENSION LIABILITIES

Contributions are made monthly to the University of Stellenbosch Retirement Fund, a defined contribution plan for permanent employees of the University. A defined contribution plan is a pension plan in terms of which the University makes fixed contributions to an external fund.

LONG-SERVICE BENEFITS

After 25 years' service employees qualify for a gratuity valued at 50% of the employee's monthly salary (with a minimum value of R400 and a maximum value of R5 000). The University recognises a liability and the concomitant expense as and when the liability accrues.

16. DEFERRED TAXATION

Deferred tax is provided by using the liability method. Deferred tax represents the tax effect of temporary differences between the tax bases of assets and of liabilities and carrying values for financial reporting purposes. Current tax rates are used to determine deferred tax. Deferred tax rates are only recognised to the extent of their recoverability. Deferred tax is not provided if it arises from the initial recognition of assets and liabilities from transactions other than business combinations and at the date of the transaction affects neither accounting nor taxable profits or losses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

ASSETS	NOTES	2009 R'000	2008 R'000
NON-CURRENT ASSETS		**6 373 365**	**5 888 299**
Property, books and equipment	4	3 308 816	3 323 981
Intangible assets	5	5 971	7 363
Long-term investments	6	2 882 849	2 399 622
Investment properties	7	53 538	51 602
Investment in associates	8	4 513	4 569
Operating lease asset	12	64	-
Trade and other receivables	9	117 614	101 162
CURRENT ASSETS		**1 095 692**	**947 342**
Inventories	11	2 707	3 253
Trade and other receivables	9	171 763	199 310
Short-term investments	6	-	18 445
Cash and cash equivalents	25	921 222	726 334
TOTAL ASSETS		**7 469 057**	**6 835 641**

FUNDS AND LIABILITIES	NOTES	2009 R'000	2008 R'000
FUNDS AVAILABLE		**6 735 907**	**6 166 491**
Unrestricted funds	2	526 678	694 556
Restricted funds	2	3 327 843	2 847 463
Property revaluation reserve	2	2 538 731	2 538 731
Fair value reserve	2	342 655	85 741
NON-CURRENT LIABILITIES		**439 106**	**436 193**
Interest-bearing borrowings	3	107 256	110 774
Operating lease liability	12	-	2 919
Staff benefits	27	331 850	322 500
CURRENT LIABILITIES		**294 044**	**232 957**
Trade and other payables	13	282 445	223 186
Deferred tax	10	105	36
Short-term portion of interest-bearing borrowings	3	6 907	5 609
Short-term portion of operating lease liability	12	2 376	1 916
Short-term debt instruments		2 210	2 210
TOTAL FUNDS AND LIABILITIES		**7 469 057**	**6 835 641**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	EDUCATIONAL AND GENERAL UNRESTRICTED	EDUCATIONAL AND GENERAL RESTRICTED	EDUCATIONAL AND GENERAL TOTAL	STUDENT AND STAFF ACCOMMODATION (RESTRICTED)	2009 TOTAL	2008 TOTAL
		R'000	R'000	R'000	R'000	R'000	R'000
TOTAL INCOME		**1 296 483**	**1 219 056**	**2 515 539**	**172 264**	**2 687 803**	**2 520 303**
RECURRING ITEMS							
Government grants		702 706	252 197	954 903	-	954 903	845 918
Student, accommodation and other fees		384 700	36 097	420 797	165 797	586 594	499 358
Private donations, allocations and contracts		84 325	681 708	766 033	-	766 033	678 061
Sales of services and products		101	68 435	68 536	-	68 536	62 462
SUBTOTAL		**1 171 832**	**1 038 437**	**2 210 269**	**165 797**	**2 376 066**	**2 085 799**
Interest and dividends earned	19	49 292	133 175	182 466	6 398	188 865	212 577
Profit on disposal of property, books and equipment		-	1 470	1 470	69	1 539	1 861
Profit realised on disposal of investments	20	64 190	44 019	108 209	-	108 209	182 237
Equity profit in associates	8	-	350	350	-	350	1 450
Foreign exchange gain		11 169	1 605	12 774	-	12 774	36 379
TOTAL EXPENDITURE		**1 001 146**	**1 233 340**	**2 234 486**	**140 816**	**2 375 301**	**1 979 541**
RECURRING ITEMS							
Staff costs	15	675 011	323 976	998 988	12 770	1 011 758	885 757
- Academic professional		345 835	103 994	449 829	-	449 829	395 825
- Other		329 176	219 982	549 159	12 770	561 929	489 932
Other operating expenditure	17	271 024	780 062	1 051 086	126 778	1 177 864	925 092
Depreciation and amortisation	17	53 774	110 790	164 564	1 238	165 802	149 929
SUBTOTAL		**999 810**	**1 214 828**	**2 214 638**	**140 786**	**2 355 424**	**1 960 778**
Loss on disposal of property, books and equipment		1 336	2 667	4 003	30	4 032	85
Impairment of loans	17	-	1 070	1 070	-	1 070	1 077
Finance charges		-	14 775	14 775	-	14 775	17 601
RESERVES		(238 741)	270 189	31 449	(31 449)	-	-
ALLOCATION TO RESERVES		-	14 197	14 197	(14 197)	-	-
TRANSFER TO RESERVES		(238 741)	255 992	17 252	(17 252)	-	-
SURPLUS FOR THE YEAR		**56 596**	**255 905**	**312 502**	**-**	**312 502**	**540 762**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	EDUCATIONAL AND GENERAL	STUDENT AND STAFF ACCOMMODATION	SUBSIDIARY COMPANIES	LOAN FUNDS	ENDOWMENT FUNDS	FIXED ASSET FUNDS	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 DECEMBER 2008							
Surplus for the year	540 762	-	-	-	-	-	540 762
OTHER COMPREHENSIVE INCOME							
FAIR VALUE RESERVE							
- Realisation to income statement	(44 951)	(7 243)	-	-	(70 496)	(59 547)	(182 237)
- Adjustment for the year	(100 437)	(13 719)	-	-	(116 151)	(110 244)	(340 551)
ALLOCATION TO RESERVES	(940 537)	29 858	3 694	2 874	116 951	787 160	-
TRANSFER TO RESERVES	147 924	(8 257)	-	17 399	(21 741)	(135 325)	-
TOTAL COMPREHENSIVE INCOME	**(397 239)**	**639**	**3 694**	**20 273**	**(91 437)**	**482 044**	**17 974**
31 DECEMBER 2009							
Surplus for the year	312 502	-	-	-	-	-	312 502
OTHER COMPREHENSIVE INCOME							
FAIR VALUE RESERVE							
- Realisation to income statement	(22 211)	(1 866)	-	-	(79 574)	(4 558)	(108 209)
- Adjustment for the year	71 376	4 359	-	-	298 553	(9 164)	365 124
ALLOCATION TO RESERVES	67 204	31 667	(6 303)	6 375	95 781	(194 724)	-
TRANSFER TO RESERVES	245 981	(14 197)	-	17 646	52 845	(302 275)	-
TOTAL COMPREHENSIVE INCOME	**674 852**	**19 962**	**(6 303)**	**24 021**	**367 605**	**(510 720)**	**569 416**

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 31 DECEMBER 2009

	EDUCATIONAL AND GENERAL	STUDENT AND STAFF ACCOMMODATION	SUBSIDIARY COMPANIES	LOAN FUNDS	ENDOW-MENT FUNDS	FIXED ASSET FUNDS	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
BALANCE AT 1 JANUARY 2008	1 851 843	39 836	(838)	153 787	1 000 886	3 103 003	6 148 517
Surplus for the year	540 762	-	-	-	-	-	540 762
Other comprehensive income for the year	(938 001)	639	3 694	20 273	(91 437)	482 044	(522 788)
BALANCE AT 31 DECEMBER 2008	**1 454 604**	**40 475**	**2 856**	**174 060**	**909 449**	**3 585 047**	**6 166 491**
BALANCE AT 1 JANUARY 2009	**1 454 604**	**40 475**	**2 856**	**174 060**	**909 449**	**3 585 047**	**6 166 491**
Surplus for the year	312 502	-	-	-	-	-	312 502
Other comprehensive income for the year	362 349	19 962	(6 303)	24 021	367 605	(510 720)	256 914
BALANCE AT 31 DECEMBER 2009	**2 129 455**	**60 437**	**(3 447)**	**198 081**	**1 277 054**	**3 074 327**	**6 735 907**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 R'000	2008 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from government allocations		954 903	829 251
Cash received from student, accommodation and other fees		582 394	483 551
Cash received from private donations, allocations and contracts		739 445	678 061
Cash received from sale of services and products		52 587	24 642
Cash paid for staff costs		(971 532)	(838 841)
Cash paid for inventories and services		(1 129 891)	(939 725)
Cash generated by operations	24	227 905	236 939
Plus: Interest received	21	158 422	173 111
Plus: Dividends received	22	35 311	61 171
Less: Interest paid	23	(14 823)	(17 592)
Net cash inflow from operating activities		406 815	453 629
CASH FLOW FROM INVESTMENT ACTIVITIES		**(209 707)**	**(241 670)**
Addition to investments		(196 485)	(283 931)
Surplus realised on investments		123 783	210 906
Addition to property, books and equipment		(142 484)	(170 421)
Proceeds from disposal of property, books and equipment		5 479	1 776
CASH FLOW FROM FINANCE ACTIVITIES			
Decrease in interest-bearing borrowings		(2 220)	(12 380)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**194 888**	**199 579**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**726 334**	**526 755**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**921 222**	**726 334**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements made by management are evaluated continuously and are based on historical experience and other factors, which include future expectations that are deemed reasonable under the given circumstances.

Management makes estimates and assumptions about the future. Consequently the accounting estimates used in the consolidated annual financial statements will not necessarily correspond with the actual outcome in subsequent periods.

The estimates and assumptions below can have a material effect on the carrying amount of assets and liabilities.

STAFF BENEFITS

A number of assumptions are made in the provision for staff benefits. Refer to note 27 for the assumptions.

The main assumption is a health care inflation rate of 7,3% *(2008: 5,5%)*. The effect of a 1% change in health care inflation in 2009 will be as follows:

INCREASE OF 1%	– 10,8% *(2008: 12,1%)* increase in past-service liabilities – 11,8% *(2008: 13,8%)* increase in service and interest costs *(contractual liability only)*
DECREASE OF 1%	– 9,2% *(2008: 10,1%)* decrease in past-service liabilities – 10,0% *(2008: 11,4%)* decrease in service and interest costs *(contractual liability only)*

IMPAIRMENT OF STUDENT FEES AND LOANS

The annual provision for the impairment of student loans is based on the assumption that students can obtain loans in the market at prime less 2% on average. This assumption is based on enquiries made at different financial institutions. Provision for impairment of student fees is based on historical trends.

IMPAIRMENT OF INVESTMENTS

The University determines the significance of a fair value decrease below market value by taking the volatility of the specific instrument into account. A decrease below the market value for longer than 12 months is deemed significant.

USEFUL LIFE AND RESIDUAL VALUE OF ASSETS

Land is deemed to have an indefinite useful life. Consequently land is not depreciated. The useful life of other assets is estimated on the basis of past experience and features of the specific items. The useful life of buildings is evaluated individually.

The residual value of other assets are estimated on the basis of past experience and features of the specific items.

MARKET VALUE OF BUILDINGS

Two methods are applied in determining the market value of buildings. The first is the directly comparable method, according to which value is determined with reference to the actual selling price of comparable property. The second is to base an evaluation on the potential rental income, taking the unique nature of the properties of the University and occupation rates into consideration.

The revaluation of buildings at 1 January 2004 in terms of IFRS 1, 'First-time adoption of International Financial Reporting Standards', is based on the following key assumptions:

- *The buildings will be placed on and traded in the market under normal market conditions.*
- *The properties of Stellenbosch University will not all be placed on the open market at the same time.*
- *Where there are title restrictions registered against properties that restrict or prohibit their sale, such title restrictions will be removed, where possible, by means of the Removal of Restrictions Act, No 84 of 1967, before the properties are placed on the market.*

LEAVE PROVISION

Employees are entitled to take their annual leave within seven months following the end of the relevant leave year. In addition, employees appointed before 1 January 2008 are entitled to accumulate a number of days, based on their post level, or to have those days paid out. In the case of employees appointed before 1 January 2008 annual leave not taken or accumulated or paid out therefore expires after seven months. Historical trends in the number of days that have expired are used in calculating the leave provision.

2. FUNDS BALANCES

THE ACCUMULATED BALANCES AT 31 DECEMBER ARE AS FOLLOWS:

2009	RESTRICTED R'000	UNRESTRICTED R'000	PROPERTY REVALUATION RESERVE R'000	FAIR VALUE RESERVE R'000	TOTAL R'000
EDUCATIONAL AND GENERAL	2 022 431	36 592	-	70 432	2 129 455
STUDENT AND STAFF ACCOMMODATION	54 518	-	-	5 919	60 437
SUBSIDIARY COMPANIES	(2 964)	-	-	(483)	(3 447)
LOAN FUNDS	198 081	-	-	-	198 081
ENDOWMENT FUNDS	534 634	490 086	-	252 334	1 277 054
FIXED ASSET FUNDS	521 143	-	2 538 731	14 453	3 074 327
	3 327 843	**526 678**	**2 538 731**	**342 655**	**6 735 907**

2008	RESTRICTED R'000	UNRESTRICTED R'000	PROPERTY REVALUATION RESERVE R'000	FAIR VALUE RESERVE R'000	TOTAL R'000
EDUCATIONAL AND GENERAL	1 371 885	61 451	-	21 268	1 454 604
STUDENT AND STAFF ACCOMMODATION	37 049	-	-	3 427	40 475
SUBSIDIARY COMPANIES	3 339	-	-	(483)	2 856
LOAN FUNDS	174 060	-	-	-	174 060
ENDOWMENT FUNDS	579 660	296 434	-	33 354	909 449
FIXED ASSET FUNDS	681 471	336 670	2 538 731	28 174	3 585 047
	2 847 463	**694 556**	**2 538 731**	**85 741**	**6 166 491**

UNRESTRICTED FUNDS ARE MADE UP AS FOLLOWS:

	2009 R'000	2008 R'000
FACULTY AND SUPPORT SERVICES RESERVES	273 697	244 583
INVESTMENT FUNDS OF WHICH ONLY THE RETURN IS AVAILABLE FOR APPLICATION	106 046	77 587
COUNCIL FUNDS	146 935	372 386
	526 678	**694 556**

3. INTEREST-BEARING BORROWINGS

	2009 R'000	2008 R'000
Two loans from the government at varying interest rates, repayable in equal biannual payments ending 2012 and 2018 respectively	1 190	1 379
Various loans from insurance companies at varying interest rates and terms, repayable in biannual payments	3 147	5 440
Various loans from other financial institutions at varying interest rates and terms, repayable in biannual payments	74 963	76 631
Various loans from private individuals and companies at varying interest rates and terms, repayable in biannual payments	-	13
Bank facility for financing the University's different motor vehicle schemes	34 863	32 920
	114 163	116 383
LESS: PORTION REPAYABLE WITHIN ONE YEAR	**(6 907)**	**(5 609)**
	107 256	**110 774**

THE MATURITY DATES OF INTEREST-BEARING BORROWINGS ARE AS FOLLOWS:

The average interest rate on loans for 2009 amounts to 13,6% *(2008: 14,3%)* at year-end.

Included in interest-bearing borrowings are motor vehicle loans of R16,0 million *(2008: R15,6 million)*, for which motor vehicles are encumbered *(refer to note 4)*. Other motor vehicle loans owing by employees are included in trade and other receivables *(refer to note 9)*. All the loans, except the motor vehicle schemes, have fixed interest rates. Motor vehicle scheme rates are linked to prime.

	2009 R'000	2008 R'000
Within one year	768	465
Between two and five years	69 309	55 526
After five years	44 086	60 392
	114 163	**116 383**

4. PROPERTY, BOOKS AND EQUIPMENT

	2009			2008		
	COST R'000	ACCUMULATED DEPRECIATION R'000	NET CARRYING VALUE R'000	COST R'000	ACCUMULATED DEPRECIATION R'000	NET CARRYING VALUE R'000
LAND	15 679	-	15 679	15 679	-	15 679
BUILDINGS	3 409 295	390 604	3 018 691	3 381 902	329 619	3 052 283
COMPUTER EQUIPMENT	202 438	159 933	42 505	188 016	140 384	47 632
OTHER	490 520	258 579	231 941	445 845	237 458	208 387
LIBRARY BOOKS	309 587	309 587	-	270 792	270 792	-
	4 427 519	**1 118 703**	**3 308 816**	**4 302 234**	**978 253**	**3 323 981**

4. PROPERTY, BOOKS AND EQUIPMENT *CONTINUED*

2009	LAND	BUILDINGS	COMPUTER EQUIPMENT	OTHER	LIBRARY BOOKS	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
RECONCILIATION OF THE CARRYING AMOUNT:						
COST AT THE BEGINNING OF THE YEAR	15 679	3 381 902	188 016	445 845	270 792	4 302 234
ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	-	(329 619)	(140 384)	(237 458)	(270 792)	(978 253)
NET OPENING CARRYING VALUE	15 679	3 052 283	47 632	208 387	-	3 323 981
NET ADDITIONS AND DISPOSALS	-	28 955	25 488	53 555	41 247	149 245
DEPRECIATION PER INCOME STATEMENT	-	(62 547)	(30 615)	(30 001)	(41 247)	(164 410)
NET CLOSING CARRYING VALUE	**15 679**	**3 018 691**	**42 505**	**231 941**	**-**	**3 308 816**

2008	LAND	BUILDINGS	COMPUTER EQUIPMENT	OTHER	LIBRARY BOOKS	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
RECONCILIATION OF THE CARRYING AMOUNT:						
COST AT THE BEGINNING OF THE YEAR	15 335	3 318 651	171 230	395 577	259 298	4 160 091
ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	-	(268 540)	(127 933)	(218 987)	(259 298)	(874 758)
NET OPENING CARRYING VALUE	15 335	3 050 111	43 297	176 590	-	3 285 333
NET ADDITIONS AND DISPOSALS	344	64 054	31 747	57 655	33 386	187 186
DEPRECIATION PER INCOME STATEMENT	-	(61 882)	(27 412)	(25 858)	(33 386)	(148 538)
NET CLOSING CARRYING VALUE	**15 679**	**3 052 283**	**47 632**	**208 387**	**-**	**3 323 981**

The register containing full details of land and buildings is available at the offices of the University.

Included in other assets are motor vehicles with a book value of R16,0 million *(2008: R15,6 million)* that are encumbered in terms of staff motor vehicle schemes at the respective banks *(refer to note 3).*

Included in land is property in Stellenbosch on which a notarial bond of R191,6 million was registered in 2008. The rights in terms of the lease were ceded to the financier.

5. INTANGIBLE ASSETS

	2009 COST R'000	2009 ACCUMULATED AMORTISATION R'000	2009 NET CARRYING VALUE R'000	2008 COST R'000	2008 ACCUMULATED AMORTISATION R'000	2008 NET CARRYING VALUE R'000
ORACLE HRMS	13 913	7 942	5 971	13 913	6 550	7 363

	2009 R'000	2008 R'000
RECONCILIATION OF THE CARRYING VALUE		
NET OPENING CARRYING VALUE	7 363	8 754
AMORTISATION PER INCOME STATEMENT	(1 392)	(1 391)
NET CLOSING CARRYING VALUE	5 971	7 363

6. LONG-TERM INVESTMENTS

THE FAIR VALUES OF LONG-TERM INVESTMENTS AT 31 DECEMBER ARE AS FOLLOWS:

A complete investment register is available to stakeholders at the offices of the University.

At year-end the average interest rate applicable to government bonds was 10,8% *(2008: 8,8%)* and to fixed deposits 8,4% *(2008: 12,1%)*.

The University's investment portfolios are managed by reputable asset managers.

	2009 R'000	2008 R'000
GOVERNMENT BONDS	233 793	36 972
SHARES	2 199 508	1 950 517
- Listed shares	2 197 633	1 949 039
- Unlisted shares	1 875	1 478
FIXED DEPOSITS	330 856	291 107
OTHER	118 692	139 471
	2 882 849	2 418 067
LESS: SHORT-TERM INVESTMENTS	-	(18 445)
	2 882 849	**2 399 622**

7. INVESTMENT PROPERTIES

On 11 February 2010 *(2008: 28 January 2009)* all investment properties were valued by a sworn valuer familiar with the revaluation of occupied apartment buildings. Income received on investment properties amounted to R4,6 million *(2008: R3,6 million)*.

	2009 R'000	2008 R'000
NET OPENING CARRYING VALUE	51 602	48 730
REVALUATION DURING THE YEAR	1 936	2 872
NET CLOSING CARRYING VALUE	**53 538**	**51 602**

8. INVESTMENT IN ASSOCIATES

During the year there was no movement in the University and its subsidiaries' interest in the associates.

NAME	NUMBER OF SHARES	INTEREST	EFFECTIVE VOTE
UNISTEL MEDICAL LABORATORIES *(PTY)* LTD	350	35,0%	35,0%
SUN SPACE AND INFORMATION SYSTEMS *(PTY)* LTD	112 500	7,8%	26,0%
USB EXECUTIVE DEVELOPMENT LTD	9 000 000	48,8%	48,8%

8.1 UNISTEL MEDICAL LABORATORIES *(PTY)* LTD

The main objective of the company is the provision of genetic, diagnostic and testing services for humans and animals.

	2009 R'000	2008 R'000
BALANCE AT THE BEGINNING OF THE YEAR	1 983	1 832
NET SHARE IN PROFIT OF ASSOCIATE	455	151
Share of pre-tax profit	875	319
Share of tax	(245)	(98)
DIVIDENDS EARNED	(175)	(70)
BALANCE AT THE END OF THE YEAR	**2 438**	**1 983**

8.2 SUN SPACE AND INFORMATION SYSTEMS *(PTY)* LTD

The main objective of the company is the development and manufacturing of microsatellites and satellite subsystems.

	2009 R'000	2008 R'000
BALANCE AT THE BEGINNING OF THE YEAR	495	1 284
ADDITIONAL INVESTMENT IN ASSOCIATE	-	4
NET SHARE IN LOSS OF ASSOCIATE	(406)	(793)
Share of pre-tax loss	(406)	(793)
Share of tax	-	-
BALANCE AT THE END OF THE YEAR	**89**	**495**

8.3 USB EXECUTIVE DEVELOPMENT LTD

The main objective of the company is the development and presentation of executive development programmes and provision of consultation services.

	2009 R'000	2008 R'000
BALANCE AT THE BEGINNING OF THE YEAR	2 091	-
NET SHARE IN PROFIT OF ASSOCIATE	(105)	2 091
Share of pre-tax profit	429	3 708
Share of tax	(127)	(1 066)
Impairment in investment in associate	(407)	(551)
BALANCE AT THE END OF THE YEAR	**1 986**	**2 091**

TOTAL	**4 513**	**4 569**

8. INVESTMENT IN ASSOCIATES *CONTINUED*

8.4 ASSETS, LIABILITIES AND PROFITS OF UNISTEL MEDICAL LABORATORIES *(PTY)* LTD

	2009	2008
	R'000	R'000
PLANT AND EQUIPMENT	1 758	2 005
INTANGIBLE ASSETS	1 779	1 398
CURRENT ASSETS	4 683	3 741
TOTAL ASSETS	8 220	7 144
LONG-TERM LIABILITIES	432	432
CURRENT LIABILITIES	822	1 047
TOTAL LIABILITIES	1 254	1 479
INCOME	12 485	10 294
PROFIT	1 800	632

8.5 ASSETS, LIABILITIES AND LOSSES OF SUN SPACE AND INFORMATION SYSTEMS *(PTY)* LTD

	2009	2008
	R'000	R'000
PLANT, EQUIPMENT AND VEHICLES	872	1 133
NON-CURRENT ASSETS	12 455	16 165
CURRENT ASSETS	25 228	19 044
TOTAL ASSETS	38 555	36 342
LONG-TERM LIABILITIES	93	113
CURRENT LIABILITIES	37 327	29 936
TOTAL LIABILITIES	37 420	30 049
INCOME	7 834	21 097
LOSS	(22 631)	(8 846)

8.6 ASSETS, LIABILITIES AND PROFITS OF USB EXECUTIVE DEVELOPMENT LTD

	2009	2008
	R'000	R'000
NON- CURRENT ASSETS	471	630
CURRENT ASSETS	9 269	8 315
TOTAL ASSETS	9 740	8 945
LONG-TERM LIABILITIES	-	-
CURRENT LIABILITIES	4 836	4 659
TOTAL LIABILITIES	4 836	4 659
INCOME	48 638	55 899
PROFIT	618	5 415

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	R'000	R'000
STUDENT FEES	49 754	44 832
Student fees due	79 643	69 944
Less: Provision for impairment of student fees	(29 889)	(25 112)
STUDENT LOANS	100 004	100 310
Student loans due	124 554	110 473
Less: Impairment of student loans	(10 649)	(9 568)
Less: Provision for impairment of student loans	(13 901)	(595)
TRADE RECEIVABLES	62 032	69 710
Trade receivables due	63 733	69 710
Less: Provision for impairment of trade receivables	(1 701)	-
GOVERNMENT RECEIVABLES	2 397	21 254
MOTOR VEHICLE LOANS	20 715	18 795
INTEREST AND DIVIDENDS RECEIVABLE ON INVESTMENTS	8 048	12 917
FORWARD FOREIGN EXCHANGE CONTRACT ASSET	-	3 569
OTHER	46 427	29 085
	289 377	300 472
	(117 614)	(101 162)
LESS: LONG-TERM PORTION OF MOTOR VEHICLE LOANS	(14 286)	(10 508)
LESS: LONG-TERM PORTION OF STUDENT LOANS, TAKING PROVISION FOR IMPAIRMENT INTO ACCOUNT	(103 328)	(90 654)
	171 763	199 310

Refer to note 29 for amounts outstanding from related parties included above.
All non-current receivables are receivable within five years from the financial year-end.

STUDENT FEES

Outstanding student fees are due only by previous students, as current students are not allowed to register or graduate if more than R500 is outstanding on the student's account. Debt outstanding for less than two years that is in the process of being repaid is not considered for impairment. This category amounts to R45,6 million *(2008: R41,2 million)* at year-end. The remaining debt is evaluated on the basis of historical rates for successful collection. Debt of two years and older is considered for impairment based on the probability of collection. The probability of debt of older than three years being collected is very low and consequently an impairment is provided for a larger percentage of this group.

THE AGE ANALYSIS OF OUTSTANDING STUDENT FEES FOR WHICH AN IMPAIRMENT HAS BEEN RECOGNISED IS AS FOLLOWS:

	2009	2008
	R'000	R'000
- BETWEEN 1 AND 3 YEARS	16 635	14 422
- 3 YEARS AND OLDER	17 412	14 296
TOTAL	**34 047**	**28 718**

THE MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF STUDENT FEES IS AS FOLLOWS:

	2009	2008
	R'000	R'000
AT THE BEGINNING OF THE YEAR	25 112	22 829
INCREASE IN PROVISION FOR THE YEAR	5 985	5 494
AMOUNTS WRITTEN OFF DURING THE YEAR AS IRRECOVERABLE	(1 208)	(3 211)
BALANCE AT THE END OF THE YEAR	**29 889**	**25 112**

The increase in the provision for the year as well as debts written off is shown in the consolidated income statement under 'Other operating expenditure'.

9. TRADE AND OTHER RECEIVABLES *CONTINUED*

STUDENT LOANS

Student loans are granted at lower than market-related interest rates. An impairment of student loans is calculated at recognition of the loan. Student loans are categorised as redeemable or non-redeemable. A provision for impairment of student loans is based on historical information in accordance with the category of the loan. At year-end student loans that were not redeemable amounted to R80,0 million *(2008: R76,0 million)* and no further impairment is deemed necessary for this group. Redeemable student loans amounted to R44,6 million *(2008: R34,5 million)*, of which R25,8 million *(2008: R29,1 million)* was not overdue, and consequently no impairment is deemed necessary. Overdue student loans amounted to R18,8 million *(2008: R5,4 million)*. Overdue student loans are considered for possible impairment.

The increase in the provision for the year as well as irrecoverable debts written off is shown in the consolidated income statement under 'Other operating expenditure'.

THE MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF STUDENT LOANS IS AS FOLLOWS:

	2009 R'000	2008 R'000
AT THE BEGINNING OF THE YEAR	595	627
INCREASE IN PROVISION FOR THE YEAR	13 931	208
AMOUNTS WRITTEN OFF DURING THE YEAR AS IRRECOVERABLE	(625)	(240)
BALANCE AT THE END OF THE YEAR	**13 901**	**595**

TRADE AND OTHER RECEIVABLES

Other receivables include a number of smaller debtors who do not have a significant history of non-performance and are of good standing. Due to the nature of income levied, mainly consisting of research-related income for which contracts are in place, debtors younger than four months are not considered for impairment. At year-end trade and other receivables that perform fully amounted to R66,4 million *(2008: R69,3 million)*. Debtors older than four months are considered for impairment.

THE AGE ANALYSIS OF OVERDUE RECEIVABLES IS AS FOLLOWS:

	2009 R'000	2008 R'000
BETWEEN 1 AND 4 MONTHS	23 366	23 890
OLDER THAN 4 MONTHS	18 702	5 554
TOTAL	**42 068**	**29 444**

THE MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES IS AS FOLLOWS:

	2009 R'000	2008 R'000
BALANCE AT THE BEGINNING OF THE YEAR	-	-
INCREASE IN PROVISION FOR THE YEAR	1 883	-
AMOUNTS WRITTEN OFF DURING THE YEAR AS IRRECOVERABLE	**(182)**	**-**
BALANCE AT THE END OF THE YEAR	**1 701**	**-**

GOVERNMENT RECEIVABLES

These amounts are owed by government and no impairment is deemed necessary.

MOTOR VEHICLE LOANS

The recoverability of motor vehicle loans owed by employees is regarded as highly probable and consequently no impairment is provided for this category *(refer to note 3)*.

INTEREST AND DIVIDENDS RECEIVABLE ON INVESTMENTS

The amounts are receivable from the University's investment managers. The University's investment portfolios are managed by professional asset managers and hence the amounts are deemed fully recoverable.

FORWARD FOREIGN EXCHANGE CONTRACT ASSET

The forward foreign exchange contract asset is shown at fair value at year-end.

10. DEFERRED TAX

Subsidiaries of the University have deferred tax assets of R2,9 million *(2008: R2,8 million)* not recognised in the consolidated annual financial statements due to the uncertainty of their recoverability.

The movement in tax for the year is included in other operating expenditure.

THE MOVEMENT IN THE DEFERRED TAX ACCOUNT IS AS FOLLOWS:

	2009 R'000	2008 R'000
BALANCE AT THE BEGINNING OF THE YEAR	(36)	2
MOVEMENT DURING THE YEAR:		
CALCULATED ASSESSED LOSS	-	(2)
TEMPORARY DIFFERENCES ON PROPERTY, BOOKS AND EQUIPMENT	(73)	(62)
ACCUMULATED LEAVE	4	26
BALANCE AT END OF THE YEAR	**(105)**	**(36)**

THE DEFERRED TAX BALANCE CONSISTS OF THE FOLLOWING:

	2009 R'000	2008 R'000
TEMPORARY DIFFERENCES ON PROPERTY, BOOKS AND EQUIPMENT	(135)	(62)
ACCUMULATED LEAVE	30	26
	(105)	**(36)**

A deferred tax asset is recognised for tax losses only to the extent that the recoverability is probable.

11. INVENTORIES

INVENTORIES CONSIST OF THE FOLLOWING ITEMS:

	2009 R'000	2008 R'000
STATIONERY	294	314
CONSUMABLES	2 413	2 939
	2 707	**3 253**

12. OPERATING LEASE (ASSET)/LIABILITY

THE NET OPERATING LEASE LIABILITY COMPRISES THE FOLLOWING:

	2009 R'000	2008 R'000
OPERATING LEASE LIABILITY	2 376	4 835
OPERATING LEASE ASSET	(64)	-
BALANCE AT THE END OF THE YEAR	**2 312**	**4 835**

THE EXPECTED MOVEMENT IN THE NET OPERATING LEASE LIABILITY IS AS FOLLOWS:

	2009 R'000	2008 R'000
BALANCE AT THE END OF THE YEAR	2 312	4 835
PAYABLE WITHIN ONE YEAR	(2 376)	(1 916)
PAYABLE WITHIN TWO TO FIVE YEARS	(18 284)	(14 933)
PAYABLE AFTER FIVE YEARS	18 348	12 014
	-	**-**

13. TRADE AND OTHER PAYABLES

Refer to note 29 for amounts payable to related parties included above.

	2009	2008
	R'000	R'000
TRADE PAYABLES	21 956	23 798
STUDENT FEES RECEIVED IN ADVANCE	48 508	42 060
FORWARD FOREIGN EXCHANGE CONTRACT LIABILITY	5 170	-
ACCRUED REMUNERATION COSTS	17 921	14 995
ACCRUED EXPENSES	27 503	15 314
ACCRUED LEAVE LIABILITY	91 929	81 404
STUDENT AND OTHER CALL DEPOSITS	1 261	988
OTHER	68 197	44 627
	282 445	**223 186**

14. COMMITMENTS

AT 31 DECEMBER COMMITMENTS FOR CAPITAL CONTRACTS APPROVED OR ORDERS PLACED FOR BUILDINGS, LIBRARY BOOKS AND JOURNALS WERE AS FOLLOWS:

	2009	2008
	R'000	R'000
BUILDINGS	77 983	29 508
LIBRARY BOOKS AND JOURNALS	2 840	1 393
	80 823	**30 901**

THE FOLLOWING AMOUNTS ARE PAYABLE AT YEAR-END IN TERMS OF NON-CANCELLABLE OPERATING LEASES:

	2009	2008
	R'000	R'000
WITHIN ONE YEAR	7 007	6 312
WITHIN TWO TO FIVE YEARS	36 629	32 999
AFTER FIVE YEARS	-	10 636
	43 636	**49 947**

Significant non-cancellable rental contracts include the rental of student accommodation and the rental of smaller equipment. These contracts have varying terms.

15. STAFF COSTS

The average number of full-time, permanent employees is 2 453 *(2008: 2 313).*

	2009	2008
	R'000	R'000
- REMUNERATION AND FRINGE BENEFITS	1 002 408	871 155
- PROVISION FOR STAFF BENEFITS	9 265	13 978
- PROVISION FOR LONG-SERVICE BENEFITS	85	624
	1 011 758	**885 757**

16. STAFF COSTS: EXECUTIVE MANAGEMENT

The following information is supplied in order to comply with the Higher Education Act *(No 101 of 1997, as amended)* and the Regulations for Annual Reporting by Higher Education Institutions *(section 7.8)*.

NAME	POSITION	NATURE	TOTAL VALUE R'000	PERIOD
PROF HR BOTMAN	Rector and Vice-Chancellor	Remuneration paid out	1 967	Jan – Dec
		Leave paid out	137	Jan – Dec
PROF JF SMITH	Vice-Rector (Community Interaction and Personnel)	Remuneration paid out	1 390	Jan – Dec
		Leave paid out	198	Jan – Dec
PROF M FOURIE	Vice-Rector (Teaching)	Remuneration paid out	1 389	Jan – Dec
		Leave paid out	-	Jan – Dec
PROF A VAN ZYL	Vice-Rector (Research)	Remuneration paid out	1 412	Jan – Dec
		Leave paid out	50	Jan – Dec
PROF L VAN HUYSSTEEN	Executive Director: Operations and Finance	Remuneration paid out	1 390	Jan – Dec
		Leave paid out	145	Jan – Dec

PAYMENT TO COUNCIL MEMBERS FOR THE ATTENDANCE OF COUNCIL AND COMMITTEE MEETINGS:

PAID TO	NUMBER OF MEMBERS	ATTENDANCE OF MEETINGS AVERAGE VALUE R'000	REIMBURSEMENT OF EXPENSES TOTAL VALUE R'000
CHAIRPERSON OF THE COUNCIL	1	–	–
MEMBERS OF THE COUNCIL	30	–	60

No remuneration is paid to members of the Council or committees for the attendance of council and committee meetings.

17. TOTAL EXPENSES

TOTAL EXPENSES ARE CALCULATED AFTER TAKING THE FOLLOWING INTO CONSIDERATION:

	2009 R'000	2008 R'000
DEPRECIATION	164 410	148 538
- Buildings	62 547	61 882
- Computer equipment	30 615	27 412
- Other	30 001	25 858
- Library books	41 247	33 386
AMORTISATION OF INTANGIBLE ASSETS	1 392	1 391
IMPAIRMENT OF STUDENT LOANS IN TERMS OF IAS 39	**1 070**	**1 077**
OTHER OPERATING EXPENSES:		
BURSARIES	296 241	243 960
RENTAL	28 357	37 835
- Buildings	19 164	30 727
- Equipment	9 193	7 108
REPAIRS AND MAINTENANCE	50 280	60 532R
AUDITOR'S REMUNERATION		
For audit	3 120	2 703
- Provision for current year	1 336	1 241
- Underprovision in previous year	227	253
For other services	1 557	1 209
INCREASE IN PROVISION FOR IMPAIRMENT OF STUDENT FEES, STUDENT LOANS AND RECEIVABLES	19 784	2 251
OTHER EXPENSES	780 082	577 811
	1 177 864	**925 092**

18. RENT RECEIVED

THE FOLLOWING AMOUNTS ARE RECEIVABLE AT YEAR-END IN TERMS OF NON-CANCELLABLE OPERATING LEASES:

Material non-cancellable leases include the leasing of shops and houses. Contracts have varying terms.

	2009 R'000	2008 R'000
WITHIN ONE YEAR	6 208	1 196
WITHIN TWO TO FIVE YEARS	9 944	2 737
AFTER FIVE YEARS	4 391	1 534
	20 543	**5 467**

19. INTEREST AND DIVIDENDS EARNED

	2009 R'000	2008 R'000
INTEREST RECEIVED		
- Operating investments	71 180	69 878
- Non-operating investments	53 275	50 101
- Other	29 073	32 224
DIVIDENDS RECEIVED	35 337	60 374
	188 865	**212 577**

20. REALISED PROFIT ON DISPOSAL OF INVESTMENTS

	2009 R'000	2008 R'000
PROFIT REALISED FROM FAIR VALUE RESERVE	**108 209**	**182 237**

21. INTEREST RECEIVED

	2009 R'000	2008 R'000
AMOUNT RECEIVABLE AT THE BEGINNING OF THE YEAR	11 284	32 192
Amount in income statement	153 528	152 203
Amount receivable at the end of the year	(6 390)	(11 284)
	158 422	**173 111**

22. DIVIDENDS RECEIVED

	2009 R'000	2008 R'000
AMOUNT RECEIVABLE AT THE BEGINNING OF THE YEAR	1 633	2 430
Amount in income statement	35 337	60 374
Amount receivable at the end of the year	(1 659)	(1 633)
	35 311	**61 171**

23. INTEREST PAID

	2009 R'000	2008 R'000
AMOUNT PAYABLE AT THE BEGINNING OF THE YEAR	2 931	2 922
Amount in income statement	14 775	17 601
Amount payable at the end of the year	(2 983)	(2 931)
	14 823	**17 592**

24. RECONCILIATION OF SURPLUS WITH CASH FLOWS

	2009 R'000	2008 R'000
SURPLUS ACCORDING TO THE CONSOLIDATED INCOME STATEMENT	**312 502**	**540 762**
ADJUSTMENTS FOR:		
Profit realised on disposal of investments	(108 209)	(182 237)
Interest and dividends received	(193 733)	(234 281)
Finance charges	14 823	17 592
Profit on the disposal of property, books and equipment	(1 539)	(1 861)
Increase in provision for leave gratuity	10 525	32 705
Increase in provision for staff benefits	9 350	14 602
Increase in provision for impairment of student fees and loans	5 857	3 359
Depreciation and amortisation	165 802	149 929
Foreign exchange gain	(12 774)	(36 379)
Increase in investment in associate	(350)	(1 450)
Loss on the disposal of property, books and equipment	4 032	85
Donation of property, books and equipment	(9 487)	(2 388)
Donation of investments	(17 101)	-
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	**179 698**	**300 438**
CHANGES IN WORKING CAPITAL	48 207	(63 499)
Decrease/(Increase) in trade and other receivables	6 320	(62 874)
Less: Decrease in receivables for outstanding investment income	(4 869)	(21 705)
Decrease/(Increase) in inventories	546	(853)
Increase in trade and other payables	48 734	23 240
Decrease in operating lease liability	(2 524)	(1 307)
CASH GENERATED BY OPERATIONS	**227 905**	**236 939**

25. CASH AND CASH EQUIVALENTS

	2009 R'000	2008 R'000
FAVOURABLE BANK BALANCES	148 175	112 335
SHORT-TERM INVESTMENTS AS CASH	773 047	613 999
	921 222	**726 334**

The average interest rate on cash and cash equivalents for 2009 amounts to 7,7% *(2008: 12,3%)* at year-end.

THE UNIVERSITY HAS THE FOLLOWING FACILITIES AT BANKS:

	2009 R'000	2008 R'000
FACILITIES REVIEWED ANNUALLY	149 138	112 538

At year-end only a portion of the facility for motor vehicle loans was utilised. The portion that has been utilised is included in interest-bearing borrowings. Refer to note 3.

26. FINANCIAL RISK MANAGEMENT

The University's activities expose it to certain financial risks, namely market risk, credit risk and liquidity risk. The University's overarching risk management programme focuses on the unpredictability of financial markets and is aimed at minimising the potentially negative impact on the University.

26.1 MARKET RISK

The activities of the University expose it to various market risks, including foreign exchange risk, price risk and interest rate risk.

26.1(A) FOREIGN EXCHANGE RISK

Owing to international transactions in currencies other than the South African Rand *(the University's functional currency),* the University is exposed to foreign currency risk. This risk arises from future financial transactions as well as recognised assets and liabilities denominated mainly in US$, £ and €. Foreign exchange risk associated with future financial transactions is managed by taking out forward cover through forward foreign exchange contracts. Forward foreign exchange contracts are entered into to manage exchange rate fluctuations in the case of certain transactions. A cautious approach to forward cover is maintained. At 31 December the maturity dates of forward foreign exchange contracts were within six months after year-end.

If the exchange rate had increased/decreased by 10% at 31 December 2009, with all other factors remaining unchanged, the surplus for the year would have increased/(decreased) as follows:

	2009 R'000	2008 R'000
AUD	-	2
CAD	-	4
CHF	-	44
EURO	688	892
GBP	64	146
NOK	(12)	-
USD	684	3 356
	1 424	**4 444**

Rand amounts payable and contracted exchange rates on outstanding forward foreign exchange contracts at year-end were:

	2009 R'000	2008 R'000
USD [AT RATES OF R9,4100 = $1 (2008: R7,8113 = $1)]	18 820	16 716
GBP [AT RATES OF R13,1640 = £1 (2008: R18,5741 = £1)]	849	1 975
EURO [AT RATES OF R12,2038 = €1 (2008: R12,1100 = €1)]	9 749	7 339
	29 418	**26 030**

26.1(A) FOREIGN EXCHANGE RISK *CONTINUED*

The following current assets and liabilities in respect of foreign exchange transactions, as shown in the consolidated statement of financial position, are not covered forward by forward foreign exchange contract:

	FOREIGN EXCHANGE 2009 '000	RAND VALUE 2009 R'000	FOREIGN EXCHANGE 2008 '000	RAND VALUE 2008 R'000
TRADE PAYABLES				
EUR	2	23	-	-
GBP	2	20	-	-
USD	4	28	6	56
NET FOREIGN EXCHANGE LIABILITY		**71**		**56**
TRADE RECEIVABLES				
AUD	-	-	2	14
CAD	-	-	5	33
CHF	-	-	50	433
EURO	163	1 682	71	909
GBP	12	139	-	-
NOK	100	124	-	-
USD	1 109	8 006	1 474	13 490
NET FOREIGN EXCHANGE ASSET		**9 951**		**14 879**

26.1(B) PRICE RISK

The University is exposed to price risk in terms of listed investments available for sale. Should the local securities exchange rise/fall by 10,0% at 31 December and all other factors remain unchanged, the fair value reserve for listed shares would have increased/decreased by R219,8 million *(2008: R194,9 million).*

A securities exchange rise/fall of 10,0% at 31 December would have resulted in an increase/decrease of R23,4 million *(2008: R3,7 million)* in the fair value reserve for interest-bearing listed instruments.

The University is not exposed to commodity price risk.

26.1(C) INTEREST RATE RISK

The interest rate features of new and existing loans are continuously reviewed. The University did not enter into any interest-rate derivative agreements for the years ended 31 December 2009 and 2008.

Should the interest rate on balances at banks at year-end increase/decrease by 100 basis points, the surplus for the year would have increased/decreased by R9,2 million *(2008: R7,2 million).*

Should the interest rate on interest-bearing investments at year-end increase/decrease by 100 basis points, the surplus for the year would have increased/decreased by R3,3 million *(2008: R2,9 million).*

Should the interest rate on the bank facility for the financing of the University's various motor vehicle schemes at year-end increase/decrease by 100 basis points, the surplus for the year would have decreased/increased by R0,3 million *(2008: R0,3 million).*

26.2 LIQUIDITY RISK

Transparent liquidity risk management implies the maintenance of sufficient cash and marketable securities, as well as the availability of credit facilities. Sufficient credit facilities at financial institutions are available should the University require this.

	2009 R'000	2008 R'000
Total current assets	1 095 963	947 342
Total current liabilities	294 044	232 957
% LIABILITIES TO ASSETS	**26,8%**	**24,6%**

26.3 CREDIT RISK

Potential credit risk mainly arises from outstanding student fees and student loans, trade receivables and cash resources. Students with outstanding student fees of more than R500 and/or overdue student loans are not allowed to register for a following academic year or to receive a degree certificate. Trade receivables consist of a large number of customers, and their creditworthiness is evaluated continuously by the University. Cash surpluses are invested only at creditworthy financial institutions. At 31 December 2009 and 31 December 2008 there was no real credit risk for which adequate provision had not been made. Trade and other receivables are shown net of any provision for impairment.

26.4 ESTIMATION OF FAIR VALUE

The fair values of listed investments available for sale are based on quoted market prices at year-end. The quoted market price refers to the closing price on the last date of business before year-end. The fair values of unlisted investments not traded in an active market are determined by means of applicable valuation methods, based on market conditions at year-end. Fair values of the remainder of financial instruments are determined on the basis of discounted cash flow models. The nominal values of trade and other receivables and payables and interest-bearing borrowings less impairments are deemed as their fair values. Short-term debt instruments represent endowment funds where the donor may determine the application and time of application, and are recorded at fair value.

Stellenbosch University has applied the amendment to IFRS 7 since January 2009 for financial instruments shown at fair value in the statement of financial position. This adjustment requires that fair value measurements are disclosed in accordance with the following hierarchy:

- *Level 1* *Quoted price in accordance with active markets for identical assets and liabilities.*
- *Level 2* *Inputs other than quoted prices observable directly (prices) or indirectly (derived from prices).*
- *Level 3* *Inputs for assets and liabilities not based on observable market data.*

ASSETS AT 31 DECEMBER 2009 SHOWN AT FAIR VALUE:

	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000	TOTAL R'000
GOVERNMENT BONDS	233 793	-	-	233 793
SHARES				
- Listed shares	2 197 633	-	-	2 197 633
- Unlisted shares	-	1 875	-	1 875
FIXED DEPOSITS	330 856	-	-	330 856
OTHER	118 692		-	118 692
	2 880 974	**1 875**	**-**	**2 882 849**

The fair value of listed investments, government bonds, fixed deposits and other investments is based on current market prices. Other investments mainly consist of cash instruments forming part of the University's long-term investment pool. The University determines the fair value of unlisted investments and investments for which there is not an active market by making use of valuation techniques.

The fair value of financial instruments not traded on the securities exchange are determined by means of relevant valuation techniques. These techniques mainly take available market data into account. The use of entity-specific estimates is limited. Should inputs comprise only available market data, instruments are shown at level 2. Specific valuation techniques include the use of quoted or dealer prices of similar instruments, taking risk factors into account.

Should any of the inputs not be based on available market data, the item is shown at level 3.

26.4 ESTIMATION OF FAIR VALUE *CONTINUED*

2009 AT 31 DECEMBER	CARRYING VALUE R'000	CONTRACTUAL CASH FLOW R'000	< 1 YEAR R'000	1 – 5 YEARS R'000	> 5 YEARS R'000
Interest-bearing borrowings	114 163	205 970	17 982	100 262	87 726
Operating lease liability	2 312	2312	2 376	18 284	(18 348)
Trade and other payables	233 937	233 937	233 937	-	-
Short-term debt instruments	2 210	2 210	2 210	-	-
TOTAL FINANCIAL LIABILITIES	**352 622**	**444 429**	**256 505**	**118 546**	**69 378**

2008 AT 31 DECEMBER	CARRYING VALUE R'000	CONTRACTUAL CASH FLOW R'000	< 1 YEAR R'000	1 – 5 YEARS R'000	> 5 YEARS R'000
Interest-bearing borrowings	116 383	221 287	17 259	102 010	102 018
Operating lease liability	4 836	4 836	1 916	14 934	(12 014)
Trade and other payables	181 126	181 126	181 126	-	-
Short-term debt instruments	2 210	2 210	2 210	-	-
TOTAL FINANCIAL LIABILITIES	**304 555**	**409 459**	**202 511**	**116 944**	**90 004**

26.5 MANAGEMENT OF AVAILABLE FUNDS

Stellenbosch University manages its funds in order to ensure that it will continue as a going concern. Funds consist of restricted and unrestricted funds. Restricted funds consist of operating, loan, endowment and fixed asset funds with specific conditions for application. Unrestricted funds are those funds that the Council may use at its discretion.

27. STAFF BENEFITS

CONTRIBUTIONS TO THE ASSOCIATED INSTITUTIONS PENSION FUND (AIPF)

The fund is administered by government and therefore an actuarial valuation is not required by the University.

CONTRIBUTIONS TO THE UNIVERSITY OF STELLENBOSCH RETIREMENT FUND (USRF)

Employees who are not members of the AIPF are required to join the USRF, which was established on 1 November 1994.

USRF, which is managed in terms of the Pension Funds Act of 1956 *(as amended),* is a defined contribution plan for permanent employees of the University. The fund is valued by independent actuaries at least every three years. The actuarial deficit arising on the switch from the AIPF was cleared by the employer during the course of 2002. At 1 January 2010 USAF had 2 716 *(2008: 2 528)* members. Membership contribution rates vary from 10% to 20% of pensionable earnings. The actuaries declared the fund financially sound. Total contributions paid amounted to R79,5 million *(2008: R66,1 million).*

OTHER BENEFITS

Post-retirement medical benefits are provided for certain retired employees. Access to this benefit is limited to employees appointed before 1 June 2002.

The group life insurance scheme provides life insurance at the death of the member. Membership of the scheme is compulsory for all permanent employees of the University.

Liabilities are calculated by the independent actuaries at least every three years and are reviewed annually. A complete actuarial valuation was done at 31 December 2009. The next actuarial valuation will be done no later than 1 January 2013.

27. STAFF BENEFITS *CONTINUED*

THE ACTUARIAL EVALUATION METHOD IS THE PROJECTED-UNIT-CREDIT METHOD. THE MAIN ACTUARIAL ASSUMPTIONS ARE AS FOLLOWS:

	2009	2008
- Discount rate	9,3%	7,3%
- Medical inflation	7,3%	5,5%
- Salary inflation	6,8%	5,0%
- Normal retirement age	65,0	65,0
- Expected average retirement age	65,0	65,0
- Age difference between principal member and spouse	4,0	4,0
- Income at retirement	75,0%	75,0%
- Proportion married at retirement	75,0%	75,0%
- Maximum age for orphan contributions	21,0	21,0
- Continuation at retirement	100,0%	100,0%

RECONCILIATION OF THE CARRYING AMOUNT:

	2009			2008		
	MEDICAL LIABILITY	GROUP LIFE INSURANCE	TOTAL	MEDICAL LIABILITY	GROUP LIFE INSURANCE	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
LIABILITY AT THE BEGINNING OF THE YEAR	300 896	19 865	320 761	293 013	13 770	306 783
ADJUSTMENTS IN THE INCOME STATEMENT:						
- Current service charge	3 560	797	4 357	4 190	403	4 593
- Interest charge	21 196	1 395	22 591	23 513	1 089	24 602
- Actuarial loss/(profit)	1 953	(1 324)	629	(3 950)	5 719	1 769
- Expected contributions payable by the employer	(17 073)	(1 239)	(18 312)	(15 870)	(1 116)	(16 986)
	310 532	19 494	330 026	300 896	19 865	320 761

THE ACTUARIAL LOSS CAN BE ATTRIBUTED TO THE FOLLOWING FACTORS:

	2009	2008
	R'000	R'000
Change in the valuation methodology	-	11 540
Change in the demographic assumptions	-	3 880
Change in the group life insurance assumptions	-	(2 898)
Change in the actuarial basis	13 184	7 274
Increase in contributions	(12 721)	(16 568)
Change in membership numbers and details	(1 094)	(3 781)
Change in benefits	-	(920)
Other factors	2	(296)
	(629)	(1 769)

THE LIABILITY AT THE END OF THE YEAR IS AS FOLLOWS:

	2009	2008
	R'000	R'000
Continued members	241 067	236 284
In-service members	88 959	86 477
	330 026	320 761

The expected increase in the liability for the next 12 months for in-service members is R13,6 million *(2009: R8,7 million).*

27. STAFF BENEFITS *CONTINUED*

LONG-SERVICE BENEFITS

After 25 years' service employees qualify for a gratuity with a value equal to 50% of the employee's salary, with a minimum value of R400 and a maximum value of R5 000.

THE LIABILITY AT THE END OF THE YEAR IS AS FOLLOWS:

	2009 R'000	2008 R'000
Active members	1 824	1 739
TOTAL LIABILITY	331 850	322 500

THE HISTORY OF STAFF BENEFITS IS AS FOLLOWS:

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
CURRENT VALUE OF LIABILITY	331 850	322 500	307 898	306 372	290 260
ACTUARIAL (LOSS)/PROFIT DUE TO EXPERIENCE	(13 825)	(9 545)	23 638	14 576	(22 779)

28. INCOME TAX

The University is exempt from normal income tax in terms of section 10(1)(cA)(i). Some of the subsidiaries of the University are, however, liable for tax. Refer to note 10.

29. RELATED-PARTY TRANSACTIONS

29.1 RELATED PARTIES

The institutions below are regarded as related parties of the University.

PARTY	RELATIONSHIP
Stellenbosch Trust	University is sole beneficiary
Stellenbosch University Investment Trust	University is sole beneficiary
InnovUS Technology Transfer *(Pty)* Ltd [previously Unistel Group Holdings *(Pty)* Ltd]	Wholly owned subsidiary
Unistel Properties *(Pty)* Ltd	Wholly owned subsidiary
Unistel Technology *(Pty)* Ltd	Wholly owned subsidiary of InnovUS Technology Transfer *(Pty)* Ltd
Stellenbosch University Sport Performance Institute *(Pty)* Ltd	Wholly owned subsidiary of InnovUS Technology Transfer *(Pty)* Ltd
Unistel Medical Laboratories *(Pty)* Ltd	Associate of Stellenbosch University Investment Trust
Sun Space and Information Systems *(Pty)* Ltd	Associate of Stellenbosch University Investment Trust
Aquastel *(Pty)* Ltd	Wholly owned subsidiary of Stellenbosch University Investment Trust
African Sun Media *(Pty)* Ltd	Wholly owned subsidiary of Stellenbosch University Investment Trust
USB Executive Development Ltd	Associate of the University
Stellenbosch Institute for Advanced Study (STIAS)	Wholly owned subsidiary

Executive management members are also deemed as related parties of the University.
Refer to note 16 for a list of executive management members and payments to them during the year.

29.2 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties include both payment for administrative services and finance charges and investment income received.

During the year stakeholders had no material interest in any material agreement of the University or any of its subsidiaries that could lead to a conflict of interest.

The following related-party transactions took place between the University and related parties. Transactions between Stellenbosch University and its subsidiaries are eliminated on consolidation.

29.2.1 INCOME

FROM SUBSIDIARIES:

	2009 R'000	2008 R'000
Contributions received	196 036	132 262
Administrative services	-	279
Services	6 477	5 157
Interest	379	564
	202 892	**138 262**

FROM ASSOCIATES:

	2009 R'000	2008 R'000
Services	2 779	-
Rental	1 059	-
Administrative services and royalties	5 985	5 237
Interest	-	312
	9 823	**5 549**

29.2.2 EXPENSES

TO SUBSIDIARIES:

	2009 R'000	2008 R'000
Administrative services	-	99
Services	14 838	10 154
Donations	80	5
Interest	386	670
	15 304	**10 928**

TO ASSOCIATES:

	2009 R'000	2008 R'000
Administrative services	-	-
Services	-	-
Donations	-	-
Interest	-	343
	-	**343**

29.2.3 AMOUNTS OUTSTANDING AT YEAR-END

RECEIVABLE FROM:

	2009 R'000	2008 R'000
Subsidiaries	2 015	1 954
Associates	-	-
	2 015	**1 954**

PAYABLE TO:

	2009 R'000	2008 R'000
Subsidiaries	2 315	6 889
Associates	-	-
	2 315	**6 889**

29.2.4 LOANS GRANTED TO RELATED PARTIES

	2009	2008
	R'000	R'000
Stellenbosch University Sport Performance Institute *(Pty)* Ltd	7 041	3 426
Unistel Technology *(Pty)* Ltd	4 970	4 970
InnovUS Technology Transfer *(Pty)* Ltd	2 323	2 323
	14 334	**10 719**

The loan to Stellenbosch University Sport Performance Institute (Pty) Ltd bears interest linked to the prime rate and has no fixed terms for repayment.

The loans to Unistel Technology *(Pty)* Ltd and InnovUS Technology Transfer *(Pty)* Ltd bear interest linked to the prime rate and are payable by mutual agreement.

30. CONTINGENT LIABILITIES

The University guarantees a percentage of the outstanding amount on mortgage loans of qualifying employees. The maximum exposure at year-end amounts to R452 652 *(2008: R452 625)*.

The University undertook to provide financial support to some subsidiaries and associates, where necessary.