

3. Loans and receivables	2009	2008
	R'000	R'000
Student loans	27 055	18 185
Loans to employees	934	488
Other loans	2 106	44
	<u>30 095</u>	<u>18 717</u>
Provision for impairment	<u>(7 959)</u>	<u>(4 293)</u>
	<u>22 136</u>	<u>14 424</u>

Student loans bear interest at 10.5% (2008 : 13%) and are repayable in terms of individual contracts with students. These loan contracts are on the same terms and conditions as applied to financial aid granted under the National Student Financial Aid Scheme (NSFAS).

Secured loans to employees bear interest at a fixed rate of 13.5% and are repayable in terms of individual contracts with the employees. These loans are secured by cession of the staff member's retirement fund interests. The loans are made available exclusively for housing purposes.

Other loans are interest free with no fixed terms of repayment.

The University's historical experience in collection of these loans falls within the recorded allowances. Due to these factors, university management believes that no additional credit risk beyond amounts provided for collection losses is inherent in these loans.

4. Inventories	2009	2008
	R'000	R'000
Stationery	375	421
Technical inventories	1 950	1 211
Cleaning material and foodstuffs	2 292	1 877
Study materials	567	577
	<u>5 184</u>	<u>4 086</u>

5. Receivables and prepayments	2009	2008
	R'000	R'000
Student debtors	14 361	10 067
Prepayments	4 421	5 427
NRF control account	5 166	4 255
Department of Higher Education and Training		
– Block Grant Subsidy	102	4 533
– Infrastructure Grant	-	7 611
Other receivables	5 667	7 815
Receiver of Revenue – Value Added Tax	1 280	5 683
	<u>30 997</u>	<u>45 391</u>
Provisions for impairment	<u>(5 019)</u>	<u>(4 199)</u>
	<u>25 978</u>	<u>41 192</u>

5. Receivables and prepayments (continued)**Student debtors**

Student receivables are deemed impaired and credit losses are provided for if the students do not register for the next academic year and did not successfully complete their degrees. Students are normally not allowed to register for the next academic year if they still have outstanding debt. Student debt in respect of students who have completed their degrees is not considered to be impaired based on historical evidence that they settle their debt in full in order to secure their degrees.

Credit quality of student debtors is managed by the University with reference to the last year of registration of the relevant student. The impairment provision is based on the University's experience in collection of student debt according to the period outstanding since last registration of the student.

The movement in the impairment provision was as follows:

	2009	2008
	R'000	R'000
Opening balance at 1 January	4 199	3 234
Additional/(release of) impairment	1 165	1 004
Receivables written off during the year	(345)	(39)
Closing balance at 31 December	<u>5 019</u>	<u>4 199</u>

The movement in the impairment provision has been included in other current operating expenses in the statement of comprehensive income. Student receivables are generally written off when there is no expectation of recovery.

Overdue student debts bear interest at market related rates.

External debtors and other receivables

External debtors and other receivables consist of a number of reputable institutions, from whom monies are due for various grants, projects and auxiliary activities of the University in accordance with relevant agreements. Due to the nature of these receivables and a history of low defaults, credit losses are deemed minimal.

Fair value of external debtors and other receivables approximate their cost.

Department of Education and Training – Infrastructure Grant

Refer to note 7 for details of the Infrastructure Grant and related accounting treatment.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2009 (continued)

6. Cash and cash equivalents	2009 R'000	2008 R'000
Cash at bank and in hand	10 277	4 989
Short term bank deposits	34 228	11 900
	<u>44 505</u>	<u>16 889</u>

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

Cash and bank balances	44 505	16 889
Bank overdraft	-	-
	<u>44 505</u>	<u>16 889</u>

7. Deferred income	2009 R'000	2008 R'000	2007 R'000
As at 1 January	(7 611)	9 709	-
Net increase in deferred income	13 004	(17 320)	9 709
Government grants received	50 000	20 000	10 000
Capital expenditure incurred	(34 563)	(37 078)	(288)
Realised in comprehensive income	(2 433)	(242)	(3)
As at 31 December	<u>5 393</u>	<u>(7 611)</u>	<u>9 709</u>

Deferred income represents the building and infrastructure upgrade funding received from the Department of Higher Education and Training. Where funds received have been utilised for capital projects, they are offset against the cost of the asset purchased. Where funds have been utilised to defray related expenses which do not qualify for capitalisation, income is recognised as the expenses are incurred. Unspent amounts are held in current liabilities. Where amounts are spent in advance of the receipt of the grant, an appropriate current asset is raised. In terms of the conditions attaching to these Government Grants, unspent amounts are not refundable.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2009 (continued)

8. Interest-bearing borrowings	2009 R'000	2008 R'000
Current portion of borrowings		
Lease liability	290	257
Current portion of interest-bearing borrowings	<u>237</u>	<u>512</u>
	<u>527</u>	<u>769</u>
Non-current portion of borrowings		
Lease liability	863	1 118
Interest-bearing borrowings	<u>418</u>	<u>679</u>
	<u>1 281</u>	<u>1 797</u>
Total borrowings	<u><u>1 808</u></u>	<u><u>2 566</u></u>

The bank borrowings and other current borrowings are unsecured. Redemption of loans is guaranteed by the Department of Education.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Refer to note 1 for details of assets held as security.

	2009	2008
Interest rates:		
- lease liability	12.00%	12.00%
- borrowings	9.40%	9.40%

Maturity of interest-bearing borrowings (excluding finance lease liabilities)

Not later than 1 year	319	477
Later than 1 year not later than 5 years	336	637
Later than 5 years	-	77
	<u>655</u>	<u>1 191</u>

Finance lease liabilities – minimum lease payments:

Not later than 1 year	416	408
Later than 1 year not later than 5 years	981	1 363
Later than 5 years	-	-
	<u>1 397</u>	<u>1 771</u>
Future finance charges on finance lease	(244)	(396)
Present value of finance lease liabilities for vehicles	<u>1 153</u>	<u>1 375</u>

9. Retirement benefit obligations

The University operates a defined benefit pension fund as well as two defined contribution provident funds. These funds are separately administered and managed in terms of the Pension Funds Act.

The trustees of the Rhodes University Pension Fund manage the fund on the basis of the statutory valuation, performed in terms of the Pension Funds Act, and the recommendations made by the statutory actuary. This valuation reflected a 100% (2008 : 96%) funding level at year-end.

For the purposes of the preparation of these financial statements, the retirement obligations are required to be valued in terms of IAS 19 (AC116) Employee Benefits, which is consistent with prior years. In terms of IAS19 (AC116), a different actuarial valuation method and assumptions are used compared to the statutory valuation. These valuation methods and assumptions are by nature more conservative and hence result in differences in measurement.

The University also provides post-retirement healthcare benefits to retirees employed by the institution prior to 1991. The entitlement to this benefit is based on the employee remaining in service up to retirement age and the completion of a minimum service period. This obligation is also valued in terms of IAS19 (AC116) Employee Benefits, which is consistent with prior years.

	2009	2008
	R'000	R'000
Balance sheet obligations for:		
- pension benefits	76 643	92 366
- post-employment medical benefits	48 677	44 513
	<u>125 320</u>	<u>136 879</u>
Income statement charge for:		
- pension benefits	(15 723)	66 678
- post-employment medical benefits	4 164	5 804
	<u>11 559</u>	<u>72 482</u>

Refer to note 20 for details of the actuarial valuations prepared in terms of IAS19 (AC116) Employee Benefits.

10. Trade and other payables

	2009	2008
	R'000	R'000
Trade and other payables	28 112	28 801
Student deposits	29 601	27 763
Deferred income	5 393	-
	<u>63 106</u>	<u>56 564</u>

The fair value of trade and other payables approximates the carrying amounts as the majority of trade and other payables are non-interest bearing and are normally settled within agreed terms with creditors.

Refer to note 7 for details of the deferred income and related accounting treatment.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2009 (continued)

11. Leave pay accrual	2009	2008
	R'000	R'000
Leave pay accrual	<u>7 558</u>	<u>5 528</u>
12. Income from investments	2009	2008
	R'000	R'000
Interest income	<u>15 073</u>	<u>16 741</u>
Marketable securities:		
Dividend income	8 721	12 506
Gains on sales of marketable securities	<u>2 217</u>	<u>11 412</u>
	<u>10 938</u>	<u>23 918</u>
	<u>26 011</u>	<u>40 659</u>
13. Personnel costs	2009	2008
	R'000	R'000
Academic professional	155 051	130 823
Other personnel	179 894	153 354
Leave liability increase/(decrease)	<u>2 030</u>	<u>(1 358)</u>
	336 975	282 819
Post-retirement benefit provisions increase/(decrease)		
- medical aid benefits	4 164	5 804
- pension fund deficit	<u>(15 723)</u>	<u>66 678</u>
	<u>325 416</u>	<u>355 301</u>
14. Other operating expenses	2009	2008
	R'000	R'000
The following items have been included in recurrent expenditure:		
Repairs and maintenance expenditure	10 715	10 888
Expenditure on computer equipment written off	1 746	705
15. Finance costs	2009	2008
	R'000	R'000
Interest expense	<u>243</u>	<u>269</u>

RHODES UNIVERSITY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2009 (continued)**

16. Commitments	2009	2008
	R'000	R'000
Commitments for capital expenditure		
Library expansion project	20 124	46 857
Other	5 478	2 955
	<u>25 602</u>	<u>49 812</u>
Commitments for operating expenditure		
General	7 853	10 694
Library	1 089	1 735
	<u>8 942</u>	<u>12 429</u>

The capital commitments at 31 December 2009 primarily relate to the library expansion project which will be funded from internal resources as well as Department of Education Infrastructure Grant. Capital expenditure commitments will be financed through funds specifically designated for the projects.

General expenditure commitments will be financed through the internal central budget funds.

17. Contingent liabilities

There is a contingent liability amounting to R367 853 (2008 : R404 853) for surety guarantees given by the University to various financial institutions to assist staff to obtain housing loans.

There is a contingent liability amounting to R6.7 million (2008 : R6.7 million) for surety guarantees given by the University to assist staff to obtain motor vehicle and other loans.

18. Cash generated from operations	2009 R'000	2008 R'000
Reconciliation of net surplus to cash generated from operations:		
Net surplus before transfers	25 564	58 795
Adjustments for non-cash items:		
Deferred income released	(2 433)	(242)
Depreciation	30 263	28 463
(Profit)/loss on disposal of fixed assets	(455)	92
Profit on disposal of non-current investments	(2 217)	(11 412)
Impairment of investments	105	6 366
Increase/(decrease) in provision for non-current receivables	3 666	(110)
Non-cash movement in reserves	(69)	158
Increase/(decrease) in provision for leave pay	2 030	(1 358)
Interest and dividends received	(23 794)	(29 247)
Interest paid	243	269
Changes in working capital (excluding Infrastructure Grant)	7 654	(2 795)
Receivables and prepayments	7 603	(12 450)
Inventories	(1 098)	110
Trade and other payables	1 149	9 545
Cash generated from operations	<u>40 557</u>	<u>48 979</u>

19. Compensation paid to Executive Personnel

The following disclosures relate to compensation paid to senior management for the year ended 31 December 2009. The amounts reflected below are based on the total cost of employment to the University (annualised for appointments made during the year) and comprise flexible remuneration packages.

	Office held	Basic salary R'000	Employment benefits R'000	Other allowances/ payments R'000	Total cost to Rhodes University R'000
Dr S Badat	Vice-Chancellor	986	323	96	1 405
Dr S Mabizela	Deputy Vice- Chancellor : Academic & Student	840	229	62	1 131
Dr P Clayton	Deputy Vice- Chancellor: Research & Development	854	110	144	1 108
Mr H A Long (retired 28 February)	Registrar : Finance	981	17	120	1 118
Mr R W Marriner (appointed 15 March)	Registrar : Finance and Operations	856	157	-	1 013
Dr S Fourie	Registrar	701	130	71	902

Exceptional payments amounts – each exceeding an annual aggregate of R249 999

There were no exceptional payments in excess of R249 999 in the current year.

Members of council are not paid for attendance at meetings of council and its sub-committees.

20. Retirement benefit obligations – detailed valuation disclosures***Pension benefits***

The pension fund is valued by independent actuaries on an annual basis using the Projected Unit Credit method. The latest actuarial valuation of the pension fund was performed on 31 December 2009 using the accounting results as at 31 December 2008 and performing a roll-forward projection to 31 December 2009.

	2009 R'000	2008 R'000
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of funded obligations	545 909	507 123
Fair value of plan assets	(469 266)	(414 757)
Net liability	<u>76 643</u>	<u>92 366</u>
Unrecognised surplus due to surplus apportionment legislation	-	-
Liability at balance sheet date	<u><u>76 643</u></u>	<u><u>92 366</u></u>

The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	507 123	458 263
Current service cost	11 835	13 045
Interest cost	38 886	40 075
Employee contributions	8 386	7 314
Actuarial loss	24 060	11 521
Benefits paid	(42 540)	(21 382)
Risk premium	(1 841)	(1 713)
End of the year	<u><u>545 909</u></u>	<u><u>507 123</u></u>

20. Retirement benefit obligations – detailed valuation disclosures (continued)	2009	2008
	R'000	R'000

The movement in the fair value of plan assets over the year is as follows:

Beginning of the year	414 757	432 575
Expected return on plan assets	35 684	42 643
Employer contributions	16 213	16 128
Employee contributions	8 386	7 314
Benefits paid	(42 540)	(21 382)
Risk premium	(1 841)	(1 713)
Actuarial gain/(loss)	38 607	(60 808)
End of the year	<u>469 266</u>	<u>414 757</u>

Net effect of the valuation in the income statement:

Current service costs	11 835	13 045
Employer contributions	(16 213)	(16 128)
Net actuarial (gain)/loss	(14 547)	72 329
Interest costs	38 886	40 075
Expected return on plan assets	<u>(35 684)</u>	<u>(42 643)</u>
	<u>(15 723)</u>	<u>66 678</u>

The actual return on the plan assets was R71 534 340 (2008 : R18 690 269) which includes fair value adjustments of R46 781 025 (2008 : R36 881 834).

Plan assets comprise the following:

Equities	30%	28%
Collective investment schemes	69%	71%
Other	1%	1%
	<u>100%</u>	<u>100%</u>

The fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, use was made of the asset split as at 31 December 2009. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implied a yield on government bonds of 7.50% per annum as at 31 December 2009. The expected long-term rate of return on equities was set at a level of 3% above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2% below the bond rate.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2009 (continued)

20. Retirement benefit obligations – detailed valuation disclosures (continued)	2009 R'000	2008 R'000
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Pension benefits (continued)

The principal actuarial assumptions used were as follows:

Discount rate	9.50%	7.50%
Expected return on plan assets	10.50%	8.50%
Future salary increases	6.75%	5.00%
Future pension increases	2.58%	0.70%

Mortality rate:

The standard mortality tables utilised to perform the valuation were SA 1956/62 (2008 : SA 1956/62) for employees during their employment and PA 90 (2007 : a(f) and m(f)) post-employment.

History of post-retirement pension obligations

As at 31 December	2009 R	2008 R	2007 R	2006 R
Fair value of plan assets	469 266	414 757	432 575	353 303
Present value of defined benefit obligation	<u>(545 909)</u>	<u>(507 123)</u>	<u>(458 263)</u>	<u>(328 074)</u>
(Surplus)/deficit	(76 643)	(92 366)	(25 688)	25 229
Experience adjustment gain on plan assets	38 607	(60 808)	58 102	-
Experience adjustment loss on plan liabilities	(24 060)	(11 521)	(119 284)	-

Expected employer and employee contributions to the defined benefit pension fund for the year ended 31 December 2009 are R23.039 million.

20. Retirement benefit obligations – detailed valuation disclosures (continued)

Post-employment medical benefits

The University provides post-retirement medical benefits to certain qualifying employees in the form of continued medical aid contributions. Entitlement to this benefit is based on the employee being employed by the University prior to 1991, remaining in service up to retirement age and completing a minimum service period. This unfunded defined benefit liability in respect of this obligation is valued by independent actuaries annually using the Projected Unit Credit method. This liability was valued at 31 December 2009.

	2009 R'000	2008 R'000
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of unfunded medical benefit obligations	<u>48 677</u>	<u>44 513</u>

The movement in the liability over the year is as follows:

Beginning of the year	44 513	38 709
Current service cost	605	555
Interest cost	3 893	3 384
Benefits paid	(2 563)	(2 277)
Actuarial loss	2 229	4 142
End of the year	<u>48 677</u>	<u>44 513</u>

The amounts recognised in the income statement are as follows:

Current service cost	605	555
Interest cost	3 893	3 384
Benefits paid	(2 563)	(2 277)
Actuarial loss	2 229	4 142
Total included in personnel costs	<u>4 164</u>	<u>5 804</u>

Membership data:

Employed members (in service)	122	127
Retired members	245	247

The principal actuarial assumptions used were as follows:

Interest rate	10.20%	9.00%
Subsidy inflation rate (medical cost trend rate)	8.04%	6.86%
Net discount rate as prescribed	2.00%	2.00%

Mortality rate:

The standard mortality tables utilised to perform the valuation were SA 1956/62 (2008 : SA 1956/62) for employees during their employment and PA90 (2008 : PA 90) post-employment.

20. Retirement benefit obligations – detailed valuation disclosures (continued)

Post-employment medical benefits (continued)

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	1% Increase R'000	1% Decrease R'000
Effect on the aggregate of the current service cost and interest cost	571	479
Effect on the defined benefit obligation	5 448	4 641

History of post-retirement medical obligation

Present value of defined benefit obligation as at 31 December:

2009	44 677
2008	44 513
2007	38 709
2006	36 204

Experience adjustment gain/(loss) on plan liabilities:

2009	2 229
2008	4 142
2007	712
2006	561

The experience adjustment for 2008 is attributable to the following factors:

- lower than assumed deaths of retired members;
- lower than assumed exits of employed members; and
- higher than assumed medical subsidy inflation

Expected contributions to the defined benefit medical fund for the year ended 31 December 2009 are R2,563 million.

21. Financial instruments by category

The financial assets and liabilities of the University are classified as follows:

	Category	2009 R	2008 R
Assets			
Non-current investments	Available for sale	303 480	255 371
Non-current receivables	Loans and receivables	25 909	14 424
Receivables and prepayments	Loans and receivables	25 978	41 192
Cash and cash equivalent	Loans and receivables	44 505	16 889
		<u>399 872</u>	<u>327 876</u>
Liabilities			
Interest bearing borrowings	Other financial liabilities	1 808	2 566
Trade and other payables	Other financial liabilities	63 106	56 564
		<u>64 914</u>	<u>59 130</u>

The appropriate accounting policies for these financial instruments have been applied according to the categories set out above.

The fair values of the financial instruments are approximately equal to their carrying values.

22. Financial risk management**1. Financial risk factors**

The University's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The University's overall risk management processes focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University's financial performance.

Day to day risk management is the responsibility of all the management and staff of the University and is achieved through compliance with the documented policies and procedures of the University. All such policies and procedures are approved by Council or an appropriately mandated sub-committee of council.

(a) Market risk**(i) Foreign exchange risk**

Foreign exchange risk arises from transactions which are denominated in a currency which is not the University's functional currency. The University has no significant foreign exchange exposure and therefore no formal policy is in place to manage foreign currency risk.

The only area where the University is exposed to foreign exchange risk at financial position date is in the non-current investments which includes international market unit trusts which are exposed to the US dollar. The impact of a 5% increase/decrease in exchange rates with all other variables held constant on the valuation of the international asset swaps at reporting date would be R2.8 million (2008 : R2.9 million) higher/lower.

22. Financial risk management (continued)

ii) Price risk

The University is exposed to equity securities price risk because of investments held by the University and classified as available-for-sale investments. The University is not exposed to commodity price risk. To manage its price risk arising from investments in equity shares, the University diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Investment Committee of the Rhodes University Foundation Trust.

At 31 December 2009, if the FTSW/JSE CPI index increases/decreases by 10% with all other variables held constant and all the University's equity instruments moved according to the historical correlation with the index, the market value of the listed equities would have been R17.583 million (2008 : R14.552 million) higher/lower. Due to the unpredictability of equity market returns, a general indicative percentage of 10% is used to highlight the changes in market value on equity investments.

(iii) Interest rate risk

The University is exposed to interest rate risk due to financial assets and liabilities bearing variable interest rates. Interest rate risk is managed by ensuring that the University's assets are invested in accounts which earn the best possible interest rates.

(b) Credit risk

Potential concentrations of credit risk consist mainly of short term cash, cash equivalent investments, trade receivables and other receivables. The University places cash and cash equivalents with reputable financial institutions.

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

Where considered appropriate, credit evaluations are performed on the financial condition of customers other than students.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability through an adequate amount of committed credit facilities and the ability to close out market positions. Council, through the Finance and General Purposes Committee, and management of the University monitor the University's liquidity on an ongoing basis.

22. Financial risk management (continued)**(c) Liquidity risk (continued)**

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

	Within 1 year R	Between 1 and 5 years R	Later than 5 years R
At 31 December 2009			
Interest-bearing borrowings	735	1 317	-
Trade and other payables	57 045	-	-
	<u>57 780</u>	<u>1 317</u>	<u>-</u>
At 31 December 2008			
Interest-bearing borrowings	885	2 000	77
Trade and other payables	56 564	-	-
	<u>57 449</u>	<u>2 000</u>	<u>77</u>

(d) Capital risk management

The University's objectives when managing capital are to safeguard the ability of the University to continue as a going concern and meet its stated objectives. This objective is met through careful consideration by the Council each year of the critical strategic objectives of the University.

23. Prior period adjustment

During the current financial year and also the two previous financial years the University received specific state funding to enable it to finance and execute certain capital projects, particularly buildings and infrastructure. These state appropriations are not refundable. Prior to 2009 the amounts received were included as income and transferred to the Property, Plant and Equipment Fund (i.e. effectively included as part of Equity Funds). In 2009 the University aligned its accounting treatment with IAS 20 (AC 134) : Government Grants and offset the grant income against the cost of the asset for capital expenditure and against the expense for operational expenditure. The unspent portions are treated as deferred income and included in current liabilities.

23. Prior period adjustment (continued)

In accordance with the requirements of IAS 1 (AC 101) (Revised) the effect of this change is disclosed in the statement of financial position for both 2008 and 2007. The changes are as follows:

	2008 R'000	2007 R'000
Property, Plant and Equipment		
- As previously reported	306 246	268 495
- As currently reported	269 748	268 217
Property, Plant and Equipment Fund		
- As previously reported	290 972	260 902
- As currently reported	252 016	250 364
Council Managed Earmarked Funds		
- As previously reported	78 813	8 237
- As currently reported	52 386	8 510
Council Directed Funds		
- As previously reported	59 275	187 569
- As currently reported	95 771	187 847
Deferred Income		
- As previously reported	-	-
- As currently reported	(7 611)	9 709

In line with accounting policy 1.3.1, certain comparative figures in the comprehensive income statement have been restated. State appropriations for the year ended 31 December 2008 were previously shown as R228 million and are now shown as R209 million. Depreciation for the year ended 31 December 2008 was previously shown as R29.3 million and is now shown as R28.5 million. Total comprehensive income for that year reduced accordingly from R5 million profit to R14 million loss. Apart from these reclassifications, no other notes and disclosures are affected.

1. Accounting policies

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

1.1 Basis of Preparation

The consolidated financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). They are presented in the manner required by the Minister of Education in terms of S41 of Act 101 of 1997 (as amended). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities.

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

a) New and amended standards adopted in 2009

The University has adopted the following new and amended accounting standards as of 1 January 2009:

- IFRS 7 (AC 144) Financial Instruments – Disclosures (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the amendment only results in additional disclosures, there is no impact on the University's financial results.
- IAS 1 (AC 101) Presentation of financial statements - Revised. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the University's reported profits. The University has elected to adopt the one statement approach in respect of the statement of comprehensive income and has aligned the terminology used in the financial statements with that used in the revised standard.
- IAS 23 (AC 114) Borrowing costs - Revised. This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The University previously recognised all borrowing costs as an expense immediately. The option of immediately expensing those borrowing costs has been removed. This standard has had no impact on the University's financial statements as no qualifying assets were constructed or acquired.

1. Accounting policies (continued)**1.1 Basis of preparation (continued)**

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the University

- IFRS 9 (AC 146) – Financial instruments: IFRS 9 (AC 146) replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 (AC 146) is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 (AC 146) classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss. IFRS 9 (AC 146) also removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. The standard is effective for the University's year end commencing 1 January 2013. The University is still assessing the impact of this change in accounting policy on the University's financial statements.

c) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the University's operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the University's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the University's operations:

- IAS 27(AC 132) - Consolidated and Separate Financial Statements – Revised (effective 1 July 2009);
- IFRS 3 (AC 140) - Business combinations – Revised (effective 1 July 2009);
- Amendment to IAS 39 (AC 133) – Financial Instruments: Recognition And Measurement Eligible Hedged Items (effective 1 March 2009);
- Amendment to IAS 32 (AC125) - Financial Instruments: Presentation: Classification Of Rights Issues (effective 1 February 2010);
- Revised IFRS 1 (AC 138) First time Adoption of International Financial Reporting Standards (effective 1 July 2009);
- Amendment to IFRIC 14 (AC 447) - Prepayments Of A Minimum Funding (effective 1 January 2011);
- IFRIC 17 (AC 450) – Distributions of non-cash assets to owners (effective 1 July 2009);
- IFRIC 18 (AC 451) – Transfer of assets from customers (effective 1 July 2009);
- IFRIC 19 (AC 452) – Extinguishing financial liabilities with equity instruments (effective 1 July 2010);
- AC 504 IAS 19 (AC116) – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African Pension Fund environment (effective 1 April 2009);
- IFRS 2 (AC 139) - Clarification of scope to IFRS 2 (AC 139) and IFRS 3 (AC 140) Revised (effective 1 July 2009);
- IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary (effective 1 July 2009);
- IFRS 5 (AC 142) Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations (effective 1 January 2010);

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

c) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the University's operations (continued)

- IFRS 8 (AC 145) Operating segments – Disclosure of information about segment assets (effective 1 January 2010);
- IAS 1 (AC 101) Presentation of financial statements – Current/non-current classification of convertible instruments (effective 1 January 2010);
- IAS 7 (AC 118) Statement of Cash Flows – Classification of expenditures on unrecognised assets (effective 1 January 2010);
- IAS 10 (AC 107) Events after the reporting period – Amendment resulting from the issue of IFRIC 17 (AC 450) (effective 1 July 2009);
- IAS 17 (AC 105) Leases – Classification of leases of land and buildings (effective 1 January 2010);
- IAS 36 (AC 128) Impairment of Assets – Unit of accounting for goodwill impairment test (effective 1 January 2010);
- IAS 38 (AC 128) Intangible Assets – Additional consequential amendments arising from revised IFRS 3 (AC 140) and measuring the fair value of an intangible asset acquired in a business combination (effective 1 July 2009);
- IAS 39 (AC 133) Financial instruments: Recognition and measurement – Treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts and cash flow hedge accounting (effective 1 January 2010); and
- IFRIC 16 (AC 449) Hedges of a net investment in a foreign operation – Amendment to the restriction on the entity that can hold hedging instruments (effective 1 July 2009).

1.2 Consolidation

Subsidiary entities are those entities over which Rhodes University has the power, directly or indirectly, to exercise control. All subsidiaries are consolidated, except if control is expected to be temporary, or if there are long term restrictions on the transferability of funds. Subsidiaries are consolidated from the date on which effective control is transferred to Rhodes University and they are de-consolidated from the date that control ceases. All inter-entity transactions, balances and unrealised surpluses and deficits are eliminated.

The following entities are included in the consolidated financial statements of Rhodes University:

- Rhodes University Foundation.
- David Rabkin Project for Experiential Journalism Training (Pty) Ltd (trading as Grocotts Mail)

1.3 Income recognition

Revenue is generally recognised at the fair values of the consideration received for goods or services rendered. Revenue is shown net of value-added tax, returns, rebates and discounts. The University recognises revenue when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the University's activities as described below.

1.3.1 State appropriations: Subsidy and grant income

State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates. Appropriations for capital expenditure purposes are set off against the cost of the assets as incurred. Unspent amounts are retained in deferred income as a current liability.

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.2 Tuition and accommodation fee income

Tuition and fee income is only recognised when the amount can be measured reliably and future economic benefits will flow to the University. Tuition fees are recorded as income in the period to which they relate. To the extent that this income may not be realised, provision is made for the estimated irrecoverable amount. Deposits provided by prospective students are treated as current liabilities until the related fees become due to the University.

1.3.3 Designated income

Income received for designated specific purposes will arise from contracts, grants, donations and income on specifically purposed endowments. In all instances any such income is recognised as income in the financial period when the University is entitled to use those funds. Thus funds that will not be used until some specified future period or occurrence are held in an appropriate fund until the financial period in which the funds can be used. Prior to that time the amount is appropriately grouped in one of the restricted funds comprising aggregate funds. These are treated as "transfers" on the statement of comprehensive income.

1.3.4 Interest income

Interest is recognised on a time allocation basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the University. When impairment of a debtor occurs, the University reduces the carrying value to the recoverable value. The recoverable value represents the future cash flow, discounted as interest over time. Interest income on loans in respect of which impairment has been recognised is recognised at the original effective interest rate.

1.3.5 Dividend income

Dividends are recognised when the University's right to receive a dividend is established.

1.3.6 Donations and gifts

Donations and gifts are recognised on receipt. Donations in kind are recognised at fair value.

1.3.7 Rental income

Where the University retains the significant risks and benefits of ownership of an item under a lease agreement, it is classified as an operating lease. Receipts in respect of the operating lease are recognised on a straight-line basis in the statement of comprehensive income over the period of the lease.

1.3.8 Student deposits

Deposits provided by prospective students are treated as current liabilities.

1.4 Research costs

Research costs are expensed in the period in which they are incurred.

1. Accounting policies (continued)

1.5 Reserve Funds

1.5.1. Unrestricted use fund

The unrestricted operating fund reflects the University's subsidised activities and also includes tuition fees. Additions to these funds mainly comprise formula-subsidy, tuition fees and the sales and services of educational activities, as well as transfers from other funds to finance expenditure. Expenditure mainly comprises direct expenses in academic departments for training, research and community service, as well as other support service expenses, such as academic administration, library facilities, bursaries and loans. Institutional expenses, such as expenses incurred for the executive, student services, information technology and operating costs regarding land and buildings, are also recorded here. The budget of the University, as approved by Council, finds expression in this fund group.

1.5.2. Restricted funds

These funds may be used only for the purposes that have been specified in legally binding terms by the provider of such funds or by another legally empowered person.

1.5.3. Council-designated funds

These funds fall under the absolute discretion and control of Council, for example, sales of goods and services, non-prescriptive donations and grants, income from investments that are not held as cover for trust funds, specific purpose endowments or administrated funds.

1.5.4. Property, plant and equipment funds

The amount in property, plant and equipment funds represents that portion of the University's fixed assets that is financed from own funds.

1.6 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement in the year in which they arise. Such balances are translated at year-end exchange rates.

1.7 Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments and loans, receivables, trade payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The carrying amounts for the following financial instruments approximate their fair value: cash and bank balances, investments, receivables, trade creditors and borrowings.

1. Accounting policies (continued)

1.8 Financial assets

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

1.8.1 Loans and receivables

Loans and receivables included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The University's loans and receivables comprise 'Trade and other receivables' and cash and cash equivalents. Loans and receivables are carried at amortised cost using the effective interest rate. Loans and receivables are impaired on a basis similar to trade receivables set out in 1.8.2 below.

1.8.2 Trade receivables (including student debt)

Trade receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. Financial assets classified as receivables are initially recognised at fair value plus transaction costs. Subsequent to recognition, receivables are carried at amortised cost using the effective interest rate method less provision for impairment. Short-term receivables with no stated interest are measured at the original invoice amount if the effect of discounting is immaterial. A provision for impairment for trade receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. An impairment loss is recognised in profit/loss when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument.

Assets that are individually significant are considered separately for impairment. When these assets are impaired, any impairment loss is recognised directly against the related asset. Assets that are individually significant and that are not impaired and groups of small balances are considered for impairment on a portfolio basis, based on similar credit risk. Impairment losses are recognised in an allowance account for credit losses until the impairment can be identified with an individual asset and, at that point, the allowance is written off against the individual asset. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

1.8.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period.

Financial assets classified as available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price as per the Johannesburg Stock Exchange (JSE). If the market value of an investment cannot be determined, the investment is measured using an acceptable valuation method.

1. Accounting policies (continued)

1.8 Financial assets (continued)

1.8.3 Available-for-sale financial assets (continued)

Unrealised gains and losses arising from the change in fair value are recognised directly in other comprehensive income until the asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income. However, interest income on these items, calculated using the effective interest method, is recognised in profit/loss. Dividend income is recognised when the University's right to payment has been established and it is included in other income. Net foreign exchange gains or losses on monetary available-for-sale financial assets are recorded directly in profit/loss as part of other income or other expenses. Cumulative gains or losses accumulated in equity are recognised in profit/loss upon disposal or impairment of the financial asset, as part of net gains or losses, and are included in other income or other expenses.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

The University assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Available-for-sale financial assets will become impaired when a significant or prolonged decline in the fair value of the investments below their cost price or amortised cost is noted. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value less any impairment loss on the financial asset previously recognised in profit/loss, is removed from equity and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit/loss, the impairment loss is reversed through the statement of comprehensive income.

1.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 Property, plant and equipment

All property, plant and equipment is stated at historical cost, less depreciation, as applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Donated property, plant and equipment is recorded at fair value at the date of the donation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. The carrying amount of the related asset is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. Accounting policies (continued)**1.10 Property, plant and equipment (continued)**

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The estimated useful lives are:

Buildings	50 years
Furniture and equipment	6 to 10 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Library books and periodicals are written off in the year of acquisition.

Land is not depreciated as it is deemed to have an indefinite life.

Assets which individually cost less than R5 000 are not capitalised, but are expensed in the year of acquisition. Assets which individually cost between R5 000 and R15 000 are capitalised and written off in full in the year of acquisition.

The residual values and useful lives of all significant assets are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

1.11 Impairment of non-financial assets

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

1.12 Accounting for leases

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

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

1. Accounting policies (continued)

1.13 Inventories

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

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in short-term money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.16 Trade and other payables

Trade and other payables are carried at the fair value of the consideration to be paid for goods and services that have been received or supplied and invoiced or formally agreed with the supplier.

Other liabilities are stated at original debt, less principal repayments and amortisations. Other liabilities are classified as current unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.17 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

1.18 Employee benefits

1.18.1 Accumulated annual leave

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

1.18.2 Pension obligations

The University operates a defined benefit pension plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the University.

The University also operates two defined contribution provident plans. The University's contributions to these plans are charged to income as incurred.

1. Accounting policies (continued)

1.18 Employee benefits (continued)

1.18.3 Other post-retirement benefit obligations

The University provides post-retirement healthcare benefits to retirees employed by the institution prior to 1991. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out annually by independent actuaries. All actuarial gains and losses are recognised immediately in the year in which they arise.

1.18.4 Termination benefits

Termination benefits are payable when employment is terminated by the institution before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The institution recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.