



ANNUAL REPORT

FOR 2014

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OF

THE UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997,
and the Statute of the University of Cape Town,
promulgated under Government Notice No. 1199 of 20 September 2002
and as subsequently amended by Government Notices 259 of 26 February 2004; 476 of
20 May 2005; 748 of 27 August 2010; and 408 of 23 May 2012

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DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN AS AT 20 JUNE 2015

EXECUTIVE OFFICERS OF THE COUNCIL

Dr M R Price (1, 2, 3, 4 & 6) (Vice-Chancellor)
Professor F Petersen (6,7) (Deputy Vice-Chancellor)
Professor S Klopper (5, 6) (Deputy Vice-Chancellor)
Professor C Soudien (6) (Deputy Vice-Chancellor)
Professor D P Visser (6) (Deputy Vice-Chancellor)

REGISTRAR

Mr H T Amoore (5)
EXECUTIVE DIRECTOR: FINANCE
Professor E O Uliana (4)

The COUNCIL

The Most Reverend N W H Ndungane (1) (Chair)
Ms D Budlender (1, 3, 4) (Deputy Chair)
Ms S Barsel
Mr G Bloch (8)
Mr G Bloor (2)
Ms E Brooks (7)
Ms Y Dwane (6)
Professor MP Ensor (1)
Mr Justice I G Farlam (2, 3, 6, 8)
Mr J J Gauntlett SC
Mr A Jakoet (3,4)
Alderman O Kinahan (5)
Professor A P le Roex (6)
Mr R Mahapa (1,6,7)
Ms L Meyer (1, 7, 8)
Ms R Omar (6)
Justice CME O'Regan (6)
Mr T D Petersen (1, 3, 4)
Dr H Raubenheimer (7)
Mr A Spoor
Associate Professor U Rivett
Mr J Rousseau
Mr T Setiloane (6, 8)
Mr S Zungu (4)
Mr B Zwane (7)

1 = Member of Council Executive Committee 2 = Member of Audit Committee
3 = Member of Remuneration Committee 4 = Member of Finance Committee
5 = Member of Building and Development Committee 6 = Member of Strategy Committee
7 = Member of the HR Committee 8 = Member of the Institutional Forum

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REPORT OF THE CHAIR OF COUNCIL FOR 2014

Two themes dominate in this review of the work of the University for calendar year 2014: first, how well UCT has done on nearly all fronts; secondly, as post-balance sheet events have brought home to us, that we have a long and difficult road to travel to secure the transformation objectives that we have set for ourselves and that we need to build on.

This report therefore is in three sections: a summary of our achievements as a University that seeks to be a continental leader and a significant world player; a review of what we have achieved as measured against the objectives the Council set for 2014; and some reflections on the challenges we face.

Section 1: A summary of UCT's achievements in 2014

The year under review was a very good year for UCT: improved pass rates, a record number of graduates in the calendar year (and a new record number of PhD graduates), enrolment at planned levels, research productivity (and quality) all speak of the contributions of staff and the performance of students. These are cause for celebration. This, the core work of the University in teaching, research and engaged scholarship ensured that UCT remained the top-ranked university on the continent and among the world's best (and according to market surveys UCT was the *coolest brand* among South African higher education institutions!)

University rankings

	2010	2011	2012	2013	2014
<i>Times Higher World rankings (THE)</i>	107	103	113	126	124
<i>THE BRICS and emerging rankings¹</i>				3	3
<i>Quacquarelli Symonds (world) QS</i>	161	156	154	145	141
<i>QS Brics</i>				11	9
<i>Shanghai Jiao Tong</i> Top 300	Top 300	Top 300	Top 300	Top 300	Top 300

This is cause for celebration.

¹ The BRICS and emerging countries ratings were first introduced in 2013.

And the subject of celebration would not be complete without reference to the come-from-behind-victory of the 1st XV in the 2014 *Varsity Cup* competition.

But there are also signs that we must not be complacent and that in some areas of transformation the undoubted achievements are not enough. I will deal with this in more detail below, but the campus events of the first six months of 2015 – and in particular the *Rhodes Must Fall* campaign - have underlined how far our University and our country have to go.

Section 2: Reviewing 2014 against our predetermined objectives

In reviewing 2014, I want to show how we met the Council's key objectives for the year, record some of the achievements of 2014, and to deal with the significant challenges we face.

At the end of 2009 we set six goals for UCT for the years 2010 to 2014. These goals took as *given* first, that the core business of UCT in teaching and learning and in research and engaged scholarship will continue and be conducted at a very high level of quality, and secondly that we remain financially strong. Against these goals we set ourselves two sets of objectives for 2014: a set that would ensure that we met the targets we had agreed with the minister and a set of internal performance goals. They were thus in two parts. The following tables list these and summarise the achievements of 2014, with details in the sections below.

Objective		Comments
1.1	To achieve the approved enrolment targets for 2014 and 2015, as well as the graduate output targets, in line with the Senate and Council growth strategy for UCT up to 2020.	Substantially met: see below
1.2	To complete the state funded efficiency and infrastructure projects, and the capital programme for 2014 on budget and on time.	Partly met: see below
1.3	To ensure that the 2014 earmarked teaching-development and foundation provision grants are utilized for the purposes for which they have been awarded.	Met: see below
1.4	To ensure that the 2014 earmarked research-development grants are utilized for the purposes for which they have been awarded.	Met:
1.5	To ensure that the 2014 earmarked NSFAS funding is utilized to provide financial aid to eligible students.	Met: see below
1.6	To ensure that the 2014 earmarked clinical training grants are utilized to augment clinical training of health professionals and that enrolment targets for health professionals are met.	Met: see below

Enrolment planning: Objective 1.1

Our enrolment planning compact with the Ministry and the Department of Higher Education & Training required that we achieve a headcount enrolment of 26 641 students in 2014 (converted to a weighted full-time number, termed *teaching input units* that the State will fund by way of input subsidy, of 63171). Head count enrolment for 2014 was 26 355² ³ while the weighted full-time equivalent total was 63 033⁴. The number of graduates for the reporting year was 6 985⁵ against the target of 7 012. Success rates and data on graduates are dealt with in the Vice-Chancellor's report but one target is worth a mention: the Ministerial target undergraduate success rate for UCT was 84.4%

² Of these 26 355 students 9 306 students were postgraduates

³ This number is the latest available number. The final figure in the 3rd and final 2014 HEMIS, due on 31 July 2015, submission will differ and is expected to match the target of 63 171

⁴ This number is from the 2014 HEMIS 2nd interim submission. The final figure in the 3rd and final HEMIS submissions will differ.

⁵ As for notes 3.

(this is the percentage of courses taken passed) and the 2014 number was 87.7%. The provisional figures for 2015 indicate that we should meet the 2015 enrolment targets.

These figures are important for what they reveal: first, good enrolment management (headcount total just below target); but second and more important, an increase in the load students are carrying (i.e., more students are carrying a full load) .

State infrastructure and efficiency grants: Objective 1.2

The University received funding under the State's infrastructure and efficiency grants programmes for several important buildings. Key among these were the:

- additions to the engineering complex (the New Engineering Building) and an associated teaching and learning building (the new Snape building) which allow the University to increase enrolment in key engineering disciplines;
- redevelopment of the Centlivres Building to allow for an increased intake in architecture;
- funding for a new large lecture theatre; and
- funding for expansion in education.

The contracts for the two buildings in the engineering complex and the expansion for architecture were not without difficulty: nonetheless the second of these two projects was commissioned during 2014. The work on the much-needed new large lecture theatre was delayed by over a year by heritage and planning permission issues but work began before the year-end and the facility should be available for use in 2016. The hoped-for expansion of facilities for education depends on a series of negotiations over a land swap and work has not yet begun. We hope to resolve this impasse during 2015. (Details are given in the appendix.)

Teaching & development grants and Foundation programme grants: Objective 1.3

In 2013 we identified very important teaching and learning challenges, and committed ourselves to a series of interventions to tackle the challenges. Among these are the FYE (or First-Year Experience) project, which aims to ensure that all first-year students are helped to find their way. One key element of the FYE is an early warning system which alerts faculty to students who may be struggling. A second key element is the series of interventions and *foundation programmes* that the Senate has put in place to help these students and to bridge the gap that exists between the demands of the undergraduate curriculum and the level of preparedness of many of our students. The seven foundation programmes are supported by earmarked State subsidy. For 2014 we had 723 first-year students in Ministerially-approved foundation programmes (in addition to students in our own foundation programmes) against a target of 590. UCT committed and spent R23 million on these extended curricula programmes in 2014, of which the earmarked State grant met R12.876 million. Of particular note was the course-success rate of 85% for first-time entering foundation students in foundation programmes. While the Senate did not support the Council on Higher Education's (CHE) report's proposals for a four year degree to deal with the low national throughput rate, the Senate did accept that UCT must do more. The past year has seen substantial work in reviewing the forms these interventions should take, for while the overall undergraduate success rate is good, the table in the Senate report shows the gap between (a) black students (a course success rate of 80.7% – a

significantly better result than we would have seen a decade ago) and (b) students who did not categorise themselves and white students, for whom the rate was 92.5%. This gap must be closed.

The State's earmarked teaching development grants (UCT received just under R17,875,690 for this in 2014) funded 15 projects in 2014 continuing into 2015 and are but one of many strategies aimed at dealing with this challenge

NSFAS allocations and financial aid: Objective 1.5

Council's commitment and the challenge facing the University:

A key Council responsibility is to ensure access by means of a comprehensive financial aid scheme that takes into account students whose families have varying financial means. Most of our students are able to afford tuition and housing fees, though in many cases not without family sacrifices.

However for other students who come from poorer homes, a place at UCT would be an unrealisable dream without a comprehensive financial aid scheme.

If UCT is to remain open to all, our responsibility is clear.

The State's National Student Financial Aid Scheme (NSFAS) makes an important contribution, and in 2014 UCT students received R105 million in NSFAS funding. However in order to cater for all students deserving of a place at the University we add significantly to what the State provides. In 2014 undergraduate students received R538 million in support (2013: R505 Million), through or from UCT. Corporate and external sources provided nearly half of this (R259 million), NSFAS R105 million and Council-approved appropriations R117 million. This funding allowed bursary and loan funding to those most in need.

Clinical training: Objective 1.6

The University receives an important earmarked grant to augment state subsidies for clinical training. For 2014/2015 (the University's year 2014) this grant was R35.425million. Of this R27million (or 76% of the grants) was allocated to fund additional clinical staff to support the medical and allied health professions clinical training programmes and the balance was spent on support staff and equipment. This earmarked grant is essential if we are to afford the provision of the clinical training future health professionals need. We are pleased to note that the DHET has begun a review of these grants which are so critical to ensuring effective clinical training of future health professionals.

Governance and internal objectives

The second set is set out in the following table:

Objective		Comments
2.1	To govern the University effectively, ensuring and promoting academic freedom, transformation and success in the core activities of teaching & learning, research, and community.	Met: see below
2.2	To achieve a budget for 2015 that complies with the Council's financial plan for sustainability; this will require careful cost savings, attention to the revenue side of the budget and a surplus on operations in 2015 of between 1% and 2%.	Met: see below
2.3	To make 2015 budget appropriations that achieve the objectives set forth in the priority proposals made by the Vice-Chancellor and the Strategy Forum, recognizing the importance of financial aid and the need to ensure effective financial aid having regard to the uncertainty of the way in which NSFAS funding is to be arranged.	Met
2.4	To review, and if necessary, amend policy on senior staff pay.	Met
2.5	To review the six strategic goals.	Met ⁶
2.6	To hold the Vice-Chancellor accountable for his objectives and for effective administration.	Met: see the Vice-Chancellor's self-assessment in the latter section of this report
2.7	To recruit and appoint a successor to Professor Nhlapo (DVC whose term was to expire on 31 August 2014), to renew the appointment of Professor Soudien (whose current term expires early in 2015) or to recruit a successor, and to ensure effective succession planning for the unusual number of senior staff who will retire at the end of 2015.	Met
2.8	To deal with the Minister's suggestion that the composition of Council be changed to increase to the limit allowed by law the number of members appointed by the Minister.	Met: see below
2.9	To receive from Senate proposals on admissions policy and to set the admissions policies for admission in 2016.	Met: see below
2.10	To receive reports from the Senate on teaching & learning, on research and on social responsiveness and engaged scholarship and where necessary to interrogate the Senate on matters related to these core areas of Senate's work.	Met: see below
2.11	To adopt an integrated physical plan, providing a framework for the development of the various campuses and the heritage considerations related to each.	Met: An IDF (Integrated Development Framework) for the campuses has been adopted; detailed plans will follow

⁶ The evaluation and its summary are available at <http://uct.ac.za/about/intrto/goals>

Council governance: Objective 2.1

Whether the Council governed the University effectively in 2014 will be for others to judge, but the short-term signs are positive. Both the Senate and the Council gave priority to ensuring and promoting academic freedom, to transformation and success in the core activities of teaching and learning. The reports submitted to the Council (available on the UCT website) on research, on engaged scholarship and on teaching and learning in which the Senate accounts for the work of the University in these key areas give a picture of a vibrant institution. Some highlights from these are worth recording, as follows.

An important question that engaged the Council in 2014 was policy on outsourcing. A commissioned review report⁷ helped the Council to make key decisions. These were to confirm outsourcing as a strategy for services that contractors are better able to provide at prices the University can afford, to adopt a new code of conduct to which contractors supplying outsourced services must comply, and to set a new minimum wage that contractors (and any sub-contractors) must meet or better. The code aims to secure fair labour practices. The minimum wage will increase by 1% above the consumer price index (CPI) annually, and in this way aims to contribute towards closing wage gaps.

Financial strength and financial performance: Objective 2.2

The UCT Council continues to give priority attention to financial matters.

Council has a comprehensive financial plan⁸, which foregrounds sustainability. Key to this are some principles.

1. We target a recurrent operating surplus amounting to 3% of total recurrent operating income.
2. Capital expenditure is driven by strategy and is constrained by affordability,
3. Debt finance is used conservatively.
4. Net investment income is used only to seed new initiatives and strategic choices.
5. Staff housing and student housing operations cover their full costs and provide resources for long-term maintenance and the expansion of stock.
6. Holding *free cash* at a level between 20% and 30% of recurrent operating expenditure.

How have we fared in 2014?

Council-controlled operations resulted in a small surplus (R69.8 million) (2,8% against the target of 3%) on total Council-controlled expenditure of R2.39 billion. (The *management accounts* give Council a measure of the sustainability of operations; they do not include movements related to investments or investment income or charges that must be made to the Statement of Comprehensive Income that are regulated by IFRS, and that is why this number differs from the surplus for the reporting year of R93 million under *Council-controlled operations* in the Annual Financial Statements. The deficit on operations reported in the Financial Review (p. 66) omits all non-recurrent revenue, and that is why it differs from the management accounts' surplus of R69.8 million.)

There is more work to be done if we are to achieve the sustainable levels we consider necessary.

⁷ This report is available at www.uct.ac.za/about/governance/council/outsourcingreview2014/

⁸ See <https://www.uct.ac.za/usr/finance/about/finplan.pdf>

Student housing bettered its budget, enabling it to make additional (internal) capital loan repayments.

Capital expenditure of R307 million was in line with that for 2013.

For the fifth consecutive year *free cash* reserves met or exceeded the guidelines in our financial policy.

What does this mean?

The financial review and the financial statements, which follow, give the full picture.

In summary, we entered 2015 with a small surplus. That surplus was close to the 3% on recurrent operations that we target for long-term financial sustainability, but only because of two technical adjustments. *Free cash*⁹ remains above the targeted range, and we have maintained the discipline of not applying revenues from investments to recurrent operations. The reality, however, is that:

- unit state funding (and as noted above we have unfunded student input units) is not keeping pace with inflation or education inflation (which is running above the consumer price index (CPI) by several percentage points annually);
- unit tuition fees cannot be increased to provide overall level funding in real terms; and
- financial aid demands will continue to grow at a rate much faster than inflation.

Faced with this we have asked a special budget task team to ensure that we are able to deal with the difficult years we face. The budget for 2015, adopted at the last Council meeting of 2014 provides for:

- a Council controlled budget with estimated revenues of R2.67 billion; expenditure of R2.61 billion and an operating surplus of R30 million, short of the 3% target;
- capital expenditure of R148 million;
- student and staff housing budgets with estimated revenues of R327 million, expenditure of R291 million and surpluses after provision for depreciation of R35.5 million to be applied to the repayment of internal loans.

The financial position is sound. But we recognise that growth beyond the capacity to grow is often a major factor causing failure: what Council must keep in mind is that this risk is controllable and that Council is accountable for this.

The composition of Council: Objective 2.8

The Higher Education Act provides the framework for the composition of the Council. The detail is provided in each university's institutional statute. The make-up must accord with the framework but details differ from institution to institution. The UCT composition was hammered out in internal negotiations involving all internal stakeholders in the late 1990s. The composition of Council is such that several constituencies choose 18 external and 12 internal members. The Act provides that the Council shall include *up to five* members appointed by the Minister; UCT's institutional statute provides that there are *three* chosen by the Minister, one by the local Premier and one by the local authority. During the year we reviewed this at the Minister's request and sought the advice of the institutional Forum (IF). The IF, mindful of the deliberations that had led to the composition of the

⁹ Free cash is Council-controlled cash held by the University for which there is no commitment and which may be used for strategic purposes or to fund capital expenditure.

Council, and mindful, too, of the fact¹⁰ that once appointed, members are members of the Council and not delegates or representatives of the constituencies that chose them, whether the constituency was the Minister, the Senate or a staff body election, recommended that the Council maintain the status quo. Council accepted this advice.

The Minister has recently (June 2015) renewed this request and the Council will be engaging with the minister on this question.

Admissions Policy: Objective 2.9

The Higher Education Act requires the Council, in concert with the Senate, to determine the admissions policy of the University; it also requires that the admissions policy must provide for redress. Our admissions policy is published (as the Act requires) and continues to be the subject of debate both within and outside the University. This debate has been rigorous and vigorous, as it should be. In view of its importance, I will deal with the key issues. For 2014/2015 our undergraduate redress admissions policy was unchanged; it was designed to ensure:

- that the best students come to UCT; and
- that UCT would build a diverse student body,

where the best students are

- those who get the top results in school-leaving exams (the National Senior Certificate (NSC) or equivalent) and National Benchmark Tests (NBTs); and
- those who despite educational and other disadvantage, do very well in these exams;

and where a diverse student body is

- one in which the South Africans among our students increasingly reflect the demographic diversity of our country; and
- one in which we have significant numbers of international students.

Results in formal educational assessments remain the best yardstick we have for assessing applicants. Most of our places in 2015 were won on school-leaving (Grade 12, NSC or equivalent) and NBT results only. But in order to provide for redress in the 2014/2015 admissions cycle we invited all South African citizens and South African permanent residents to indicate whether or not they belong to one of the following previously-disadvantaged groups:

- Black South African; or
- Indian South African; or
- Coloured South African; or
- Chinese South African.

Applicants could choose not to categorise themselves racially. All South African applicants who did not do so, or categorised themselves as white were placed, together with international applicants, in an open admissions category and our redress policies were not applied to them. For 2015/2016 we have made far-ranging changes to the admissions policy to ensure that we meet our aims of changing

¹⁰ The Act provides this explicitly and it is also long-standing tradition that members are not delegates or representatives.

the profile of the student body, recruiting the best, and providing redress for disadvantage. There are three fundamental stages to this policy¹¹:

The 2015/2016 undergraduate redress admissions policy in 3 steps
Step 1 We determine both the minimum academic achievement for admission to a programme (below which we do not think a student will have a reasonable chance of success), the class size we wish to have and the aspirational demographic mix for this class.
Step 2 We set the selection rules for the class using National Senior Certificate (NSC) scores, and in some cases National Benchmark Test (NBT) scores to determine a Faculty Points Score (FPS) and using measures of disadvantage, a Weighted Points Score (WPS). Disadvantage is measured either by the school or by measures of home historical and present disadvantage gathered from answers applicants give in their application forms, and weights the FPS by up to 10% (or 20% for the MBChB).
Step 3 We select [A] using the best performing applicants using the FPS; then [B] in order to advantage the disadvantaged, we select the next section of the class using the WPS; and [C] in order to ensure that we reach our class demographic mix, we select the best qualified applicants (using the FPS) from applicants in categories where a parent was classified under apartheid.

The Council's remains unequivocally committed to retaining an emphasis on redress in UCT's admissions policy; (i.e. to a policy of affirmative action that provides for redress and deals effectively with the legacy of South Africa's past); and to the twin goals of recruiting the best students and recruiting a diverse student body.

Senate reports: Objective 2.10

Teaching & learning

The Senate reports to Council on teaching & learning for the prior year in the 4th quarter. The report that Council received in 2014 covered the 2013 academic year, and the report for 2014 will come to Council in late 2015. The 2013 report dealt with a comprehensive approach to improving undergraduate success and throughput; a measure of the success that has been achieved thus far was the reduction in the number of students excluded at the end of 2014 for failing to meet minimum readmission requirements. The Vice-Chancellor's report details the action plan to ensure that we give substance to our commitment to teaching excellence.

¹¹ The full details of the 2015/2016 admissions policy may be found on the website at www.uct.ac.za

Research and Innovation

Our vision for UCT is for a research-led institution moving toward the goal of being a research-intensive university. Towards the end of 2014 we adopted, on Senate’s recommendation, a new ten-year research strategy which aims to move UCT towards being research intensive.

The following figures from the comprehensive 2014 Research Report recently submitted by the Senate on the research work of the University¹² show how research activity continues to grow. This report gives evidence for the claim that UCT’s research endeavour is centred on and grounded in Africa. If further evidence for this were needed it would be found in the titles of theses passed for higher degrees in 2015; a remarkable concentration of research endeavour. Important developments in the area of research were the establishment of offices for *postgraduate studies* and for *research integrity* and a revamp of the University’s procedures and rules on research ethics.

This table shows how UCT is becoming increasingly research-led.

	2010	2011	2012	2013	2014
<i>Accredited publication units</i>	1 188	1 253	1314	1390	1549
<i>Value of research contracts processed by the Research Office</i>	R550 million	R722 million	R682 million	R978 million	R1.179 billion
<i>Number of research contracts processed by the Research Office</i>	1 056	1 360	1217	1702	2113
<i>SARChI research chairs</i>	26	28	33	33	33
<i>Postdoctoral Research Fellows</i>	235	252	286	302	338
<i>NRF rated researchers</i>	336	379	415	457	480

As important as these numbers are, it is the *impact* of this work and its *quality that are more important*; so the Council was pleased in January this year to receive the Department’s report following a previous independent study¹³ both of which show that UCT remains unrivalled among South African universities in the impact of its research.¹⁴ Another important statistic is the number of over 330 post-doctoral fellows at UCT. They represent a critically important part of UCT’s research endeavour.

¹² See <http://www.research2013.uct.ac.za/> and for a report on e-research see <http://www.eresearch.uct.ac.za>

¹³ Johan Mouton’s *A Bibliometric Analysis of the State of Research at UCT*

¹⁴ *Report on the Evaluation of the 2013 Universities’ research output. DHET, January 2015*

Social responsiveness and engaged scholarship

One of the goals we set in 2009 was to expand and enhance our contribution to South Africa's development challenges through engaged, policy-relevant research and teaching, as well as by expanding opportunities for students to become directly involved in socially-responsive learning. The 2013/2014 report on Social Responsiveness¹⁵ gives a snapshot of some of this work, illustrating how the expertise of staff and students is being put to work in communities. It gives a range of unusual examples of how members of the University are working to apply their scholarship to the benefit of communities.

The six strategic goals set in 2009

These six goals, appropriately ambitious and challenging, were:

- internationalisation, with an Afropolitan niche;
- transformation, towards non-racialism – involving redress, diversity inclusiveness and the recognition of African voices;
- a desired size and shape: 28 000 students in 2020, a greater proportion of postgraduates and significantly increased undergraduate throughput¹⁶;
- a vision for the development of research at UCT: greater impact and greater engagement;
- enhanced quality and profile of our graduates; and
- enhanced and expanded contribution to South African development challenges.

These goals have been reviewed. The review's findings, together with the need to foreground transformation, will provide the basis for the next five year strategic plan which is to be developed in the second half of 2015.

Financial aid: Council's commitment and the challenge facing the University: Objective 2.3

A key Council responsibility is to ensure access by students by means of a comprehensive financial aid scheme that takes into account students whose families have varying financial means.

In July 2016 we as a Council reach the end of our four-year term. The members of Council continue to show exemplary commitment to, and interest in, the work of the University, and there is detail on this in the Council statement on corporate governance. Though we come from a range of constituencies, we must all act in the best interests of the University – we do not serve as *representatives* and we do not hold mandates or mandated positions. The need for us to see ourselves as Council members and not as representatives applies whether we are appointed or elected by the SRC, or the Minister, or the Premier, or Convocation, or the Senate or any other.

¹⁵ http://www.socialresponsiveness.uct.ac.za/usr/social_resp/reports/SR_report_2013_2014.pdf

¹⁶ Throughput defined as the proportion of an incoming class that leaves UCT with a degree.

The Ombud

The University Ombud is now an established UCT institution and again the formal report presented to the Council on the Ombud's work – work that is informal, institutional and confidential – has shown how important this institution is in helping all those who come up against hurdles and difficult situations within the University.¹⁷

Section 3 Challenges for the year ahead

Transformation

The Council has recently received a comprehensive report on transformation. This shows how far we have come, highlighting significant achievements. But it also shows how far we have to go, how slow the change is in the demographic representation in the academic staff, particularly at the levels of professor and associate professor. The student-led campaigns of 2015 have brought home to all of us how strongly black students and staff at UCT feel about issues of transformation. This is an area that is receiving attention from the Chancellor, the Council, the Vice-Chancellor and all sectors of UCT. Transformation will thus be the organising framework of the next five-year strategic plan.

Leadership and transition

This Council is now a year away from the end of its term. We have to look to who will lead and who will constitute the Council for the next term of office (July 2016 to June 2020). That process has begun.

We have an experienced and competent executive team that includes the Vice-Chancellor and his four Deputy Vice-Chancellors. Professor Soudien who was reappointed as a Deputy Vice-Chancellor has been chosen to go to higher places: we congratulate him on his appointment as CEO of the HSRC. Two new deans (Professor Sakhela Buhlungu in Humanities and Associate Professor Suellen Shay in the Centre for Higher Education Development) began initial five-year terms of office at the start of 2014. This year we have lost Professor Don Ross (dean of Commerce), Professor Wim de Villiers (the Health Sciences dean) who took up the position of Vice-Chancellor of our neighbour, the University of Stellenbosch; Professor Francis Petersen, who is now a DVC, has been replaced as dean of Engineering & the Built Environment by Professor Alison Lewis. The Vice-Chancellor has initiated the succession processes for the posts of deans of Health Sciences, Commerce and Law (current dean's term ends in December 2015). At the end of 2014 the Council secured appointments for the positions of Registrar and Executive Director: Finance which will fall vacant at the end of 2015.

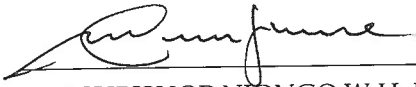
In this regard I wish to pay tribute to all the members of Council, especially the members of EXCO (Deputy Chair Debbie Budlender, Lucille Meyer, Trevor Petersen (the chair of the Finance Committee), Francis Petersen (until October), Paula Ensor, Owen Kinahan, the 2013/2014 SRC President (Mangi Gondwe), the 2014/2015 SRC President (Mr Ramabina Mahape) and the Vice-Chancellor, Dr Max Price.

I would like to also extend thanks to the members of all committees, but in particular I would like to mention five important committees: the Remuneration Committee (chaired by Bakar Jakoet); the

¹⁷ The report is available at <http://www.ombud.uct.ac.za>

Finance Committee (chaired by Trevor Petersen); the Human Resources Committee (chaired by Buyani Zwane); the University Building & Development Committee (chaired by Owen Kinahan); and the Audit Committee (chaired by Ian Farlam).

To the members of the Council who serve without reward and in particular to the members of EXCO and the committee chairs, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.



ARCHBISHOP NJONGO W H NDUNGANE

CHAIR OF COUNCIL

20 June 2015

Note: The following details of work achieved that was funded in whole or in part by State infrastructure grants is included for information

The Engineering and Architecture Buildings

The New Engineering Building was completed in 2013.

The extensions and renewals to the **Architecture Building (budget R52 million)** were completed in 2014 within budget. The agreed 1st year undergraduate enrolment target (85 BAS) was met in 2014.

Extensions and renewals to the **Civil Engineering Building**, completed in the 2nd term of 2014, added 7 200 assignable square metres (ASM's) of space, and is expected to be within budget. This was an R84 million project (assisted by a DHET grant of R40.9 million).

Nuclear Engineering: During 2014 undergraduate nuclear engineering courses continued as in previous years. The development of a viable long-term strategy has been initiated.

Research laboratory equipment for life sciences

An equipment grant enabled equipment to be purchased, commissioned and be fully operational. Savings and favourable currency movements allowed UCT to acquire a set of Automated Flash Chromatography systems at a cost of R2 446 650 which will improve productivity in synthetic research.

Student residence – 882 student beds

Obz Square was completed on time, within budget and according to specification on 15 November 2011 and was fully occupied by the first day of the first semester 2012. Five hundred and sixty-four workers were employed during construction, and 78 new jobs were created. This project provided 882 beds for student accommodation. The final cost of the project was R415 million. (This amount does not include the cost of land.)

Teacher Training

Progress – An infrastructure grant allowed the establishment of two specialist Foundation Phase academic staff posts in the School of Education. These have been filled.

Disability /Universal access

A grant of R1.43 million is contributing towards improved universal access. Classroom standards now have induction loops to allow students, who are hard of hearing, to receive audio signals, the lecturer's voice and sound recordings. The multiyear classroom facilities project made significant progress in 2014 and the DHET project 9a subset was completed.

Cooperative Projects: housing

A small block of flats was acquired during 2012. The extension and upgrade of this block (of which R5.5 million is in the form of a DHET infrastructure grant) is planned for completion in October 2015 and will provide accommodation for staff from the Universities of Venda and Fort Hare undertaking higher degree studies at UCT.

Health Sciences: Paediatric core facility

R4 million of the DHET grant was used to complete the UCT share of this joint facility at the Red Cross War Memorial Children's Hospital. DHET approval of a virement of R5.779 million from this project to the Avenue Road project has been obtained.

Life & Physical Sciences, and Laboratories

The R11 million grant has allowed UCT to establish a new undergraduate analytical teaching laboratory; to proceed with the Classroom Renewal Project (CRP); and to provide, for multi-disciplinary teaching a Virtual Microscopy system, a Heartworks Simulator; and Equipment in the Clinical Skills Training Unit. The Laboratory funding has provided the new Geotechnical Laboratory, which will greatly improve research output, to improve training in solid state chemistry with the purchase of an XRD temperature chamber, a solid state NMR probe and a Fourier Transform Infrared spectrometer (FTIR).

Student Housing – R26.779 million

While site development plans have been submitted and zoning approval has been secured for 332 beds, work has yet to be commissioned.

Teacher Education

The University hopes to be able to acquire the Rustenburg Girls Junior School to provide space for the relocation of the Education cluster and has requested a virement of the DHET R55 million allocation for this. The order of magnitude of costs at this stage is R200 million. The University Council has provisionally appropriated the balance of the project cost. The Provincial Cabinet has approved exploratory work for this transaction; and a Project Implementation Committee (PIC) has been appointed.

Little Theatre

Work on extensions to the Little Theatre has been completed. The estimated cost of the project is R13.4m of which DHET contributed R6.0 million and UCT R7.4 million.

New major upper campus lecture theatre

This project did not progress beyond Stage II as planning permission was refused. Planning permission was granted at the end of 2014 and the work has begun. The original estimated cost for the project was R52 million of which DHET contributed R21.2 million.

REPORT ON UCT OPERATIONS DURING 2014 BY THE VICE-CHANCELLOR, INCORPORATING THE SELF-ASSESSMENT REPORT OF THE EXECUTIVE

2014 was the last year of our Strategic Plan 2010 – 2014. An evaluation¹⁸ of the Plan was undertaken based on an analysis of progress made in relation to 57 indicators. Both quantitative and qualitative assessments were done.

A. Teaching and Learning:

The Institution's commitment to teaching excellence, student learning and success, an enhanced curriculum, and the oversight of creating an enabling environment for this, has largely been driven by the focus areas identified in the Senate Teaching and Learning Committee's (TLC) Action Plan, developed in 2012.

Progress in the focus areas of the 3-year Action Plan include the monitoring of Teaching Development Grants, establishing an effective tutoring system, improving throughput in service courses and courses identified as *impeding graduation*, expanding the use of educational technology and discussions about curriculum reform.

Teaching Development Grants

- The total allocation of the Teaching Development Grant, which UCT received for 2014/15 amounted to R17,875,690. This included an unspent amount of R6,448,829 from the 2013/14 allocation assigned to 15 of the 17 approved projects. UCT also received R3,358,092 from the Collaborative Grant. The Extended degree in Humanities was approved for funding in 2014, which means that all faculties now benefit from these funds.
- The Teaching Development Grants enabled the University to introduce 38 interventions across the University to improve the quality of teaching and learning. We do not yet have data available on the FTE's for 2014, or the success rates of the programmes, as we are awaiting the final audited figures.
- Results from evaluations of the tutoring and mentoring projects that have been introduced indicate progress towards the attainment of the targets set for the end of the 2016/17 period. The Humanities target of improving course pass rates so that 75% of the class achieves >55% has already been achieved. At the end of 2014, 78.82% of the class achieved a pass rate of >55%.
- Two of the projects involved the appointment of additional staff to expand opportunities for professionalising teaching. It is too soon to assess the impact of these posts. A research project was undertaken using diagnostic information from the National Benchmark tests to inform and improve teaching and learning in first year Mathematics.

A notable development for the First Year Experience (FYE) project for 2014 was the appointment of its Director, Dr Danielle Fontaine, who took up her position in October. Much of 2014 saw the FYE project focus on Early Assessment, establishing faculty Vula sites, Extended Orientation, and Digital Literacy training as the identified projects for addressing the overall objectives of the FYE.

¹⁸ The evaluation and its executive summary can be accessed at <http://www.uct.ac.za/about/intro/goals/>

Establishing an effective tutoring system

After considering the report of the CHED Tutoring Systems Development Task Team, which recommended that in order to establish an effective tutoring system, the Institution needed to create a climate where tutors are valued and remunerated for all activities that they are involved in, the Committee resolved to organise workshops on tutor training and appointment processes in the faculties, with the outcome of identifying the spectrum of tutoring activities that currently take place, so that appropriate contractual processes could be developed and implemented.

Improving throughput in service courses and courses identified as impeding graduation

In contributing to improving throughput, the Teaching and Learning Committee used poor student success rates to identify courses impeding graduation and 'service courses'. CHED and the Institutional Information Unit worked with faculties in a research-led manner in this regard. All faculties reported to the Committee on their activities for improving throughput in these courses. Detailed presentations from each faculty in 2014 explored the complexities of these courses, and the need for analysis at the course level. The case studies and interventions in each faculty are being consolidated into a framework and CHED is collating discussions on methodologies for interrogating student performance data and reporting.

Data on specific *service courses* where the failure rate, combined with a marginal pass rate, was 20% or more over a 3-year period were also considered by the Committee. In discussing the reasons for student performance on these courses, we agreed that it would be useful to develop a set of principles that promotes a good relationship between service receivers and providers. A Service Course Working Group was established to consider examples of good practice with the objective of developing a best practice agreement.

Curriculum reform

The Curriculum Review Task Team continued its work to develop a concept document to realise the Strategic goal of enhancing the quality and profile of our graduates. A draft concept document identified two imperatives: catering for diversity through the provision of flexible learning pathways and consideration of whether there are sufficient opportunities for breadth in the existing curricula. Consultation with the Deans and the newly elected Students' Representative Council at the end of 2014 informed a revision of the document to foreground breadth initiatives. It is clear that curriculum reform will need to take place as part of higher level transformation discussions and processes currently underway.

Expanding the use of educational technology

We took significant steps in 2014 in designing and running informal and formal courses and qualifications, which are offered wholly or partly online. Four distance-mode, blended learning qualifications were accredited, two of which commenced in 2015. We initiated the development of MOOCs (Massive Open Online Courses), which are overseen by an advisory group that is to establish criteria for the identification of appropriate topics. The monitoring and evaluation of these courses will be used to develop an understanding of how best to service the growing need to offer blended and online courses, especially at the postgraduate level.

The ongoing Laptop Project aims to ensure that all students in selected courses have a laptop or tablet, and to ensure that curricula take advantage of those classes where every student has his or her laptop. There are 480 students with laptops in first-year Chemical Engineering, Physics, Law and second-year Architecture. Laptop ownership for these courses is mandatory and financial aid students registered for these courses have been provided with a laptop by the University.

Student numbers

The unduplicated headcount enrolment at the end of 2014 was 26 355. This is the highest in UCT's history, but was short of target enrolment. The postgraduate enrolment (9 306) represented an increase of 3,5% over the equivalent enrolment in 2013.

Enrolments in professional first Bachelor's degree programmes made up 30% of the total undergraduate figure in 2014. Master's and Doctoral enrolments together (6 060 in total) made up 23% of the total student enrolment. Enrolments at the Master's and Doctoral levels (4 466 and 1 594 respectively) both reached their highest levels in 2014.

We admitted 3 887 first-time-entering undergraduate students; 86% of the NSC writers within this group had NSC scores for their six best subjects equal to or greater than 420 (i.e. at least 70%).

Demographic statistics

Headcount Enrolments 2009 - 2014 showing percentage growth on Base

	2009	2010	2011	2012	2013	2014	% Change
SA African	5068	5323	5744	6012	6256	6251	23.3%
SA Coloured	3623	3653	3687	3530	3608	3624	0.3%
SA Indian	1630	1681	1671	1701	1731	1820	11.7%
SA White	8984	9183	8992	8814	8483	8148	-9.3%
International	3821	4171	4268	4802	4290	4703	23.1%
Unknown	886	1003	1146	1191	1962	1809	104.2%
Total	24012	25014	25508	26050	26330	26355	9.8%

There was an overall increase of 9.8% of enrolments between 2009 and 2014. Amongst the 26 355 students enrolled in 2014, 31% were SA white, 24% were SA black, 14% were SA coloured, 7% were SA Indian and 18% were international. Whilst SA African enrolments increased by 23.3% between 2009 and 2014, white enrolments decreased by 9.3%. There was also a marked (23.1%) increase in international enrolments.

Headcount enrolments 2009 - 2014 by race, with percentages of total

	2009	2010	2011	2012	2013	2014
SA African	5068	5323	5744	6012	6256	6251
% of total incl. International	21.1%	22.2%	23.9%	25.0%	26.1%	26.0%
% of total excl. International	25.1%	25.5%	27.0%	28.2%	29.0%	28.9%
SA Coloured	3623	3653	3687	3530	3608	3624
% of total incl. International	15.1%	14.6%	14.5%	13.6%	13.7%	13.7%
% of total excl. International	17.9%	17.5%	17.4%	16.6%	16.7%	16.7%
SA Indian	1630	1681	1671	1701	1731	1820
% of total incl. International	6.8%	6.7%	6.6%	6.5%	6.6%	6.9%
% of total excl. International	8.1%	8.1%	7.9%	8.0%	8.0%	8.4%
SA White	8984	9183	8992	8814	8483	8148
% of total incl. International	37.4%	36.7%	35.3%	33.8%	32.2%	30.9%
% of total excl. International	44.5%	44.1%	42.3%	41.4%	39.3%	37.6%
International	3821	4171	4268	4753	4753	4703
% of total incl. International	15.9%	16.7%	16.7%	18.2%	18.1%	17.8%
Other	886	1003	1146	1240	1499	1809
% of total incl. International	3.7%	4.0%	4.5%	4.8%	5.7%	6.9%
% of total excl. International	4.4%	4.8%	5.4%	5.8%	6.9%	8.4%
Total	24012	25014	25508	26050	26330	26355
Total less international	20191	20843	21240	21297	21577	21652

This is the % of total, including international students

This is the % of total, excluding international students

International Students

	2011	2012	2013	2014
Total UCT students enrolled	25,508	26,050	26,330	26,355
Total UCT students (excl. SSA)	24,664	25,096	25,353	25,408
Total international students (excl. SSA)	3,771	3,929	3,776	3,760
% international students (excl. SSA)	15%	16%	14%	14%
Number of countries represented	111	112	105	102
Number of African countries represented	42	37	42	37
Total SADC students	2,053	2,439	1,955	1,971
% SADC students at UCT	8%	9%	7%	7%
Total Non-SADC International students (excl. SSA)	1,364	1,470	1,821	1,789
Total Non-SADC International students from Africa	648	707	739	730
Total Study Abroad Students	844	954	977	947
Total International Students incl SSA/non-degree seekers	4,593	4,892	4,753	4,703
% All International student registrations at UCT	18%	19%	18%	18%
Total international undergraduates	2,727	2,888	2,756	2544
Total international postgraduates	1,866	2,004	1,997	21

International student numbers (excluding SSA students) fluctuated between 3 600 and 3 929 over the 2010 – 2014 period. In 2014, 102 countries were represented among the international cohort, and 37 of these were countries in the rest of Africa. SADC students made up the largest proportion of international students (53%) whilst international students from other African countries made up 19% of the international enrolment.

Completion and success rates

A total of 7 104 students obtained a degree or a diploma during calendar year 2014. Of these 4 607 were in the human sciences and 2 497 in the natural sciences¹⁹. The number in reporting year 2014 was 6985.

Just over 3% of all undergraduate students were refused readmission on academic grounds at the end of 2014. This is equivalent to that in 2013, and slightly lower than that in prior years. The success rate in undergraduate courses in 2014 was 87.7%, (86.7% in 2013). The success rates according to race shown in the following table.

	Black	Coloured	Indian	White & Undisclosed	International
UG Success Rate in 2014	80.7%	86.7%	87.7%	92.5%	87.0%

¹⁹ The graduate data for 2014 calendar year included graduates attributable to the 2013 reporting year. The 2014 data are provisional from HEMIS sub 2.

Examination of the longitudinal performance of the 2009 first-time entering undergraduate (FU) cohorts, excluding Health Sciences entrants, shows the following:

- 61% of the 2009 FU cohort had completed an undergraduate qualification within five years of registering at UCT;
- 19% of the cohort (in comparison with 16% of the 2008 FU cohort) had been excluded from UCT on academic grounds during the five year period of the analysis;
- The rate of dropout in good academic standing amongst the 2009 FU cohort was 9% (the same as within the 2008 FU cohort).
- 11% of the 2009 FU cohort were still busy with undergraduate studies at the end of 2013. This proportion had stabilised at between 6% and 8% amongst recent FU cohorts. The larger proportion still busy with their undergraduate studies suggest slower progress amongst the 2009 FU cohort but also reflects an increase in the intake into extended degree programmes.

Academic staffing

UCT's 2014 HEMIS staffing submission shows that a total of 981 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents a 10,8% increase over the 2010 figure of 884.

The proportion of full-time academic staff qualified at the doctoral level in 2014 was 72%. A further 23% of all academic staff held master's degrees. The Research section of this report suggests that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

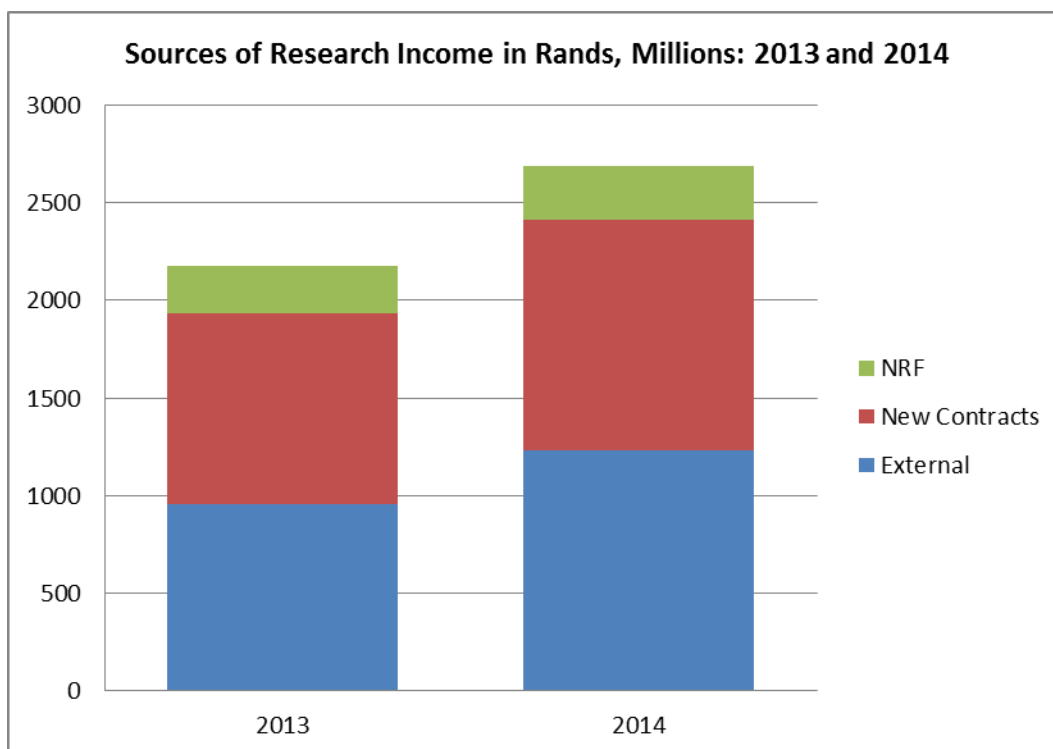
Departmental Reviews

The Quality Assurance Unit (QAU) completed four academic department reviews in 2014. Please see page 51 under the Report on Internal Administration for more details of activities of the QAU.

B. Research and Postgraduate Studies

This section provides a snapshot of UCT's research performance against a range of indicators, including research funding, support to postgraduate students and postdoctoral researchers, the publication count, and NRF rating. It then addresses some of the major activities of the research and innovation office in 2014.

Total research income from external sources amounted to R1.233 billion in 2014, representing an increase of 29% or R276 million year-on-year. The number of new research contracts approved in 2014 increased to 2 113, from 1 702 in 2013, whilst the total value of these new contracts amounted to R1 179.6 million in 2014 (compared to R978.4 million in 2013). Funding through the National Research Foundation (NRF) amounted to R273 million in 2014 compared to R243 million in 2013.



In 2014, 6 780 students were registered for honours, master’s and doctoral degrees at UCT. Of these, 3 186 postgraduate students received awards to a total value of R206 million. This includes 888 international students who received awards to a total value of R58 million.

In 2014, 308 out of 338 registered Postdoctoral Research Fellows (PDRFs) received over R62 million in funding support. This included 152 international PDRFs registered at UCT, receiving fellowships to the value of R31.5 million.

UCT was awarded 1 549 units for 2013²⁰ research publications, which resulted in the University being placed third in the national publication count rankings. This represents an increase of 11.4% from 1 390.89 units awarded the previous year.

The number of NRF rated researchers at UCT continues to increase and there are currently 480 researchers with a rating (compared to 457 in the previous cycle). Two new A ratings were awarded to UCT researchers during this period.

UCT featured in the top 10 universities worldwide in the respective *Times Higher Education* (THE) BRICS and Emerging Economies Rankings (4th) and the Quacquarelli Symonds (QS) BRICS Rankings (9th). This is in addition to maintaining its strong presence in three main global university ranking systems in 2014: *THE* World University Rankings (124), QS World University Rankings (141) and Shanghai Jiao Tong Academic Ranking of World Universities (Top 300).

²⁰ Publications reported to the Department of Higher Education and Training in 2014.

New Research Strategy and enabling environment

- A new research strategy with a ten-year outlook (2015-2025) was approved by Senate late 2014, and will focus on giving substance to UCT's strategic decision to become a research-intensive university.
- Through the Research Administration business process reviews, a new arrangement has been made for staffing to support international partnerships.
- A working group was established to develop proposals for creating an enabling policy environment for interdisciplinarity.
- Work on the research portal has been completed and work has commenced on the establishment of an e-Research Centre.

Research Focus and Impact

UCT recognises the importance and value of focusing its efforts and resources in selected research areas in order to take the quality and impact of research to the next level, and to address local and societal challenges. During the course of 2014, three new interdisciplinary research focus areas were established: big data (particularly in relation to the SKA), shale gas exploration, and neurosciences. In addition to this, UCT is home to 33 Chairs funded through the DST's South African Research Chairs Initiative (SARChI), two Department of Science and Technology/NRF Centres of Excellence (COE), one COE node, and one national Competence Centre. UCT was awarded the UCT/Medical Research Council Flagship Project: Tuberculosis Transmission: Host, Bacterium and Environment in 2014, which brings together clinicians from across the university into a multidisciplinary team to investigate the aerobiology of tuberculosis transmission. Within the university, instruments for achieving focus are the six UCT Signature Themes for research; the URC's accredited research groupings (units, centres and institutes); and the Vice-Chancellor's four strategic initiatives established by the university.

Framework for Research Development

A range of initiatives to support research activities are offered within the University Research Committee's (URC's) Framework for Research Development, which is aimed at providing support to researchers at all stages of their research careers.

The Office for Postgraduate Studies has responsibility for oversight of strategic matters relating to the postgraduate and postdoctoral sections. One of the main tasks for the Office in 2014 was to consolidate the various opportunities for academic and professional skills development for postgraduate students and postdoctoral fellows. Drawing on findings from employers about required graduate attributes and on supervisors' and students' needs, over 125 seminars, workshops, retreats and Massive Open Online Courses (MOOCs) were drawn up and offered. It is estimated that more than 1 400 postgraduates in total have attended the sessions offered in 2014, up from 970 in 2013.

The impact of UCT's Emerging Researcher Programme (ERP) is evidenced by its growth since 2003. By the end of 2014, a total of 654 academics had received some form of support from the ERP since its inception. Fifty-six joined the ERP in 2014 alone.

The Next Generation of Academics in Africa project, funded by the Carnegie Corporation reached the 2nd year of Phase II, and has cemented its presence at UCT and reaped benefits from its investment in Phase I. In 2014 there were 44 Carnegie scholars (32 PhD students and 12 postdoctoral fellows) of

whom 21 were female (23 males), 37 were black (7 were white), and 31 came from the rest of Africa (13 from South Africa).

During the past year, support for mid-career researchers was offered through the Programme for the Enhancement of Research Capacity (PERC) which has established itself as an integral part of UCT's efforts to initiate, develop and strengthen collaborative networks with partners in the global South and particularly in Africa. Three new PERC research grants valued at R410 000 were awarded in 2014 to promote Africa-centred research, with funding from the Andrew W Mellon Foundation.

In addition to the above, a number of collaborative projects were undertaken with other international institutions in 2014, to strengthen research capacity at UCT. These included a collaborative grant writing course with SADC universities and the University of Cologne; a new partnership with Commonwealth universities to pilot a new online programme for early career researchers; and the co-management of an online course in collaboration with the Vrije Universiteit Amsterdam and a number of South African universities.

Finally, the Mellon Visiting and Retired Scholars Mentorship Project came to an end on 31 December 2014. The project enabled 25 visiting and retired scholars to participate as mentors in the Project, contributing to the development of 122 developing and mid-career researchers.

Internationalisation, Global Partnerships and Networks

A policy on Internationalisation was approved by Senate and Council. This provides a framework for a more strategic and targeted approach to international partnerships.

UCT's Afropolitan mission remains of utmost importance. Besides a considerable number of Africa-specific researcher development initiatives described above, there are several main Africa-centred initiatives that saw the light in 2014.

- The conceptualisation of the African Research Universities Alliance (ARUA): UCT and the University of Pretoria were awarded a grant by the Africa-Australia Universities Network (AAUN) to help grow the next generation of academics.
- The Global Partnerships Project (GPP). Launched at UCT in 2014, GPP takes productive, existing research collaboration as a point of departure and aims to formalise and strengthen research partnerships with executive-level agreements, mobility funds and three-way PhD bursary packages. This achieves a triangular relationship between UCT, one global North partner and another partner from the global South. The project will not only strengthen internationalisation, it will also provide co-supervision resources for joint degrees, enhance the student experience and help to leverage third party research funding through collaborative bids.

Given the focus on developing partnerships within BRICS, the University was delighted to be able to sign a Memorandum of Understanding with the State of Sao Paulo.

UCT organised and hosted the World University Network (WUN) Conference in Cape Town and facilitated the participation of African Vice-Chancellors in the WUN Conference. The Vice-Chancellor was elected as Chair of WUN for 2014 - 2016.

UCT's participation in the Southern African Regional Universities Association (SARUA) was strengthened by jointly presenting a conference on educational technology in September 2014 and launching the SARUA Climate Change policy and programme.

Foundations were laid for the recruitment of the first cohort of the ten-year MasterCard Scholars' programme for 2015 (USD\$23 million in scholarships for undergraduate and postgraduate African students). Over the next 10 years, UCT will enrol 300 students – 60 undergraduate and 240 postgraduate – from across Africa. Key staff members were appointed to implement the programme.

UCT also entered into an agreement with the University of Basel to establish three joint research chairs and related postgraduate programmes in medicine discovery, urban studies and social sciences.

2014 saw the hosting of the second two-week "LSE-UCT July School" at UCT, which was attended by 144 students from Asia, Europe, America and Africa.

Increasing the Visibility of our Research

- The importance of increasing the visibility of UCT's research – particularly internationally – gained momentum in early 2014, through the establishment of a senior research communication and marketing post. In addition to an expansion of UCT's evidence-based annual reports, exhibits, nominations of individual and team researchers for accolades of renown, a UCT presence at select national and international fora that relate to research, the past year saw the introduction of the Research e-Newsletter, which reaches an audience of some 15,000 readers.
- Open Access policy was approved in 2014 and the OpenUCT (institutional repository) launched in July and transferred to the Libraries in December 2014 with approximately 10 300 scholarly outputs. Between 31 July 2014 - 31 January 2015, there were 30 470 visitors to OpenUCT.

Intellectual Property (IP) and Technology Transfer

Ongoing investment in UCT's IP management and commercialisation efforts bore fruit this past year, with the largest number of spin-off companies in a year (3), the highest number of invention disclosures received (41), the largest annual IP commercialisation revenue (R6.4 million) and the largest number of national phase patent applications filed (58, of a record 88 patent applications filed).

Office of Research Integrity (ORI)

This critical initiative was launched in 2014. Please see under the report on Research Risk management in the report on p. 53 in the Report on Administration, Operational Structures and Controls.

Postgraduate studies

- There has been an almost 9% overall increase in the total number of postgraduate students (from 8 405 in 2013 to 9 139 in 2014).
- Drawing on findings from employers about required graduate attributes and on supervisors' and students' needs, a range of seminars, workshops, retreats and Massive Open Online Courses (MOOCs) were offered. Well over 1 400 postgraduates attended the sessions offered in 2014.
- Retreats have been organised for PhD students to orientate them to the PhD journey and undertaking research.

C. Social Responsiveness 2013-14

The University Social Responsiveness Committee (USRC) aims to provide a comprehensive picture of engaged scholarship across the University. This was based on the four-yearly performance assessments undertaken by all academic staff.²¹ Summaries of activities of 177 academics are contained in the Report. The information provided is not comprehensive, but the 2013-14 Social Responsiveness (SR) Report provides the best overview to date of engaged scholarship activities taking place across campus. Whilst a proper analysis of the information still needs to be undertaken, the information indicates extensive engagement with international and national professional associations and statutory bodies, and partnerships with various levels of government, development agencies, and commissions. There appears to be an uneven spread of partnerships across faculties with Parliament, and community-based, non-governmental and not-for-profit organisations. Examples of outputs include: Technical reports, evaluations, advice, policies, plans, strategic research, design, popular articles, festivals, exhibitions, and public lectures.

In 2014 the USRC also broadened the focus of the SR Report to include profiles of the activities of a sample of Professional, Administrative, Support and Service (PASS) staff who contribute to the University's social responsiveness agenda. Through foregrounding examples of how PASS staff use their work-related skills and knowledge to contribute to the work of external organisations such as community organisations, development agencies, non-governmental organisations, the University hopes to demonstrate the value of 'skills-based' volunteering.

Promoting the Scholarship of Engagement

Two staff members from the Institutional Planning Department served on a task team on Community Engagement (CE), assembled by the Council on Higher Education to contribute to a report on twenty years of Community Engagement, as part of a 20-year review of Higher Education. A survey was conducted by the two staff members on the extent to which community engagement has become institutionalised within public higher education institutions in South Africa. The findings were incorporated into the task team's review.

UCT was invited by the UNESCO chair in Community-based Research and Social Responsibility in Higher Education to contribute a case study for a book on community-university research partnerships. This book will be published in 2015.

Seminar series

In 2014 the IPD launched a seminar series on 'Curriculum and Poverty and Inequality', under the auspices of UCT's Poverty and Inequality Initiative. The objectives of the series are to:

- Reflect on how universities are contributing to building a new social order premised on different conceptions of human progress;
- Facilitate debate on how academics at UCT engage with issues related to poverty and inequality in South Africa in their curricula; and to
- Reflect on whether our curricula equip graduates to engage with challenges related to poverty and inequality in South Africa in their future working lives.

²¹ The Graduate School of Business did not provide information for the Report.

The seminar series was launched by Professor Melanie Walker from the University of the Free State, with a talk based on her book 'Professional Education, Capabilities and the Public Good'. Three other seminars looked at 'Blind-spots in Undergraduate Teaching' involving academics from Economics, Sociology, Chemical Engineering, Philosophy, Psychology, and Surgery. Dr Rajesh Tandon, the UNESCO Co-chair for community engagement, delivered a Vice-Chancellor's lecture titled 'Knowledge Democracy: Reclaiming voice for all'.

The Knowledge Co-op

The total number of topics submitted since the start of the Co-op stood at 203 by September 2014. The topics come from over 80 partners – largely NGOs, but also some local government units and a few businesses. A number of partnerships with existing community partners have been expanded, with groups submitting new topics since completion of a first project.

Global Citizenship Programme 2014

This programme, open to all students, offers three short courses that can be reflected on the student's transcript under 'continuing education' if all course requirements are met. These are 'Global Debates, Local Voices' (GC1), 'Service, Citizenship and Social Justice' (GC2), and 60 hours of self-organised community service with a reflective process running parallel to the service (GC3). There is also a credit-bearing version of GC1 and GC2 called 'Social Infrastructures (SI): Engaging with communities for change' (SI).

GC1 had 116 registrations in semester one, with 57 completing all aspects of the course. GC2 is currently under way, with 90 students registered. GC3 has about 36 students registered to complete 60 hours of community service. The SI course was full, with 60 students registered, and ran very successfully in Winter Term.

Partnerships with the Western Cape Government (WCG)

The work of the Joint Task Team between the WCG and Cape Higher Education Consortium (CHEC) focused largely on:

- *Climate change/sustainability and adaptation*

Two projects have been pursued in this area. The first is a study undertaken on 'Skills Development for the Green Economy', the results of which were shared at a workshop in August with representatives from the four universities and the WCG. The second project focused on the 'Nexus between food, water, energy and other natural resources with particular emphasis on the Berg River'.

- *Innovation for social inclusion*

Two strands are being followed the first on social inclusion and the second on digital inclusion. Calls for proposals for research projects were distributed to the four universities.

- *Strengthening Knowledge Partnerships for Regional Development.*

A dialogue was organised by the UCT Poverty and Inequality Initiative in September 2014 with multiple stakeholders on 'Youth and Entrepreneurship'.

Vice-Chancellor's Social Change Initiatives

Schools Improvement Initiative

- The *Ikwezi Lead Teacher (LT) Programme* completed its first full year of operations which identified a cohort of 120 Lead Teachers drawn from the partner primary schools and provided for

them a first round of university-certified short courses. By year-end, 140 teachers had successfully completed one or more of the short courses on offer through the programme.

Poverty and Inequality Initiative

- A national think tank on Poverty and Inequality comprising several SARChI chairs from across the country, independent consultants, and staff from the National Planning Commission was established with UCT providing the secretariat for this initiative.
- The Poverty and Inequality Initiative (PII) also assessed the gaps in its work. Work on Youth and Social Cohesion were identified as underdeveloped but crucial areas, both at UCT and in the national space. The decision was made to build these themes and the PII appointed two theme leaders to lead these processes. Under their guidance both themes hosted national launch workshops and developed multi-and interdisciplinary programmes for these areas.
- A PII Seminar series was launched to showcase UCT's PII-related research and also to provide a platform for researchers across a range of disciplines to engage on common topics, and provide multi-faceted input into the same social problem. Some seminars were used for rigorous discussion and debate in respect of curriculum reform in this area. During 2014 a total of 15 seminars were held, of which four were curriculum focused.
- In 2014, the PII audited all the offerings relating to poverty and inequality in the University and put together handbooks that highlight the possibilities for including such courses in all degree curricula. These handbooks will be available at registrations from 2015 forwards and there will be information campaigns around such options. This collation of current opportunities forms the basis for discussions in 2015 about gaps in the curriculum and possible interdisciplinary courses and programmes.

Organisation of the Talloires Network Conference

UCT participated in a Local Organising Committee responsible for organising the Talloires Network's International Conference in Stellenbosch in November 2014. It was attended by over 300 people from all over the world. The Talloires Network is a growing global coalition of universities that are committed to enhancing their civic role. Currently it consists of 315 institutions in 72 countries with a combined student enrolment of over 6 million.

D. Transformation

A revised Admissions Policy was approved for 2015/2016 which introduces a hybrid model for ensuring redress and diversity in undergraduate admissions. In terms of this model a portion of the class selected will be the very highest performing students nationally, regardless of their race or degree of disadvantage. In order to reflect a wider diversity of social class backgrounds, a disadvantage score will be used to increase the proportion of first-generation university students, students from poor schools and from poorer households. Finally offers will also be made within race-redress defined applicant pools to ensure that the class is constituted to meet the diversity targets for the class set by the Faculty Board, Senate and Council.

During 2014 findings of the 2012/13 Student Experience Survey were presented to stakeholders and various University Committees. Most respondents 'strongly agreed' that that they were "proud to be a UCT student". This is one of the overwhelmingly positive responses in the survey, where the vast majority of students responded positively. While two-thirds of the students reported that they felt

valued at UCT, 761 students across all race groups reported that they did not feel valued as individuals in the University.

Student moderators of a dialogic process on intercultural communication and diversity were trained to implement a programme in the residences, in the first instance and then rolled out campus wide.

Accessible hearing technology continued to be installed in more venues as part of the classroom facilities upgrade which is continuing apace. A total of 33 venues were fitted with high quality induction loop technology, increasing the number of venues which are now accessible to people using hearing aids and/or cochlear implants.

As at the end of 2014, 182 individuals in leadership and management positions had undergone a 360° feedback process, 127 individuals had received coaching. Regular follow up monitoring and evaluation of both the 360° process and the coaching interventions indicate significantly positive experiences and noticeable results in terms of impact on leadership effectiveness and role fulfilment.

An Employer of Choice Strategy has been developed and widely consulted. Approval for implementation has been secured and the strategy will be rolled out in 2015. An Organisation Development (OD) function is now well established and OD interventions have included workshops on leading with a mentoring mind-set, attended by both academic and PASS staff, departmental team development interventions, the introduction of succession planning and career-pathing.

HAICU was successful in raising funds to provide time and space for each faculty (through their designated staff members) to receive training from HAICU in discipline specific HIV contextual education (including intersections with gender, gender based violence, sexual orientation and other issues). Through peer education with Rainbow UCT leaders about Lesbian Gay Bi-sexual Queer Trans Intersex (LGBTI) issues, 279 students have been reached through risk reduction intervention strategies plus 441 students through various awareness raising events between October 2014 and March 2015.

The process of staff recruitment and selection was reviewed. Through the revised Employment Equity Representatives process, Employment Equity representatives receive advanced training, which includes a focus on how to activate a dispute resolution process where needed. The question of trust in the ad hominem promotion system is being addressed through discussions in Faculty Boards. An outcome of these discussions is an agreement to expand the composition of the Remuneration and Promotions Committees (and their working groups where relevant) to ensure representation in terms of gender, race and rank. The Dean of CHED conducted a review after the most recent round of ad hominem promotions and submitted a report of her observations of the ad hominem promotion system in practice with a particular focus on how teaching is assessed, recognized and rewarded.

E. Senior staff appointments in 2014

The following senior appointments and renewals of appointments were made in 2014.

- Dean of Humanities – Professor S Buhlungu – as Dean from 1 January 2014 – 31 January 2018
- Renewal of the appointment as Dean of Law – Professor PJ Schwikkard – extension from 1 January 2014 to 31 December 2015
- Renewal of the appointment as Deputy Vice-Chancellor, Professor RT Nhlapo – 1 August 2014 to 30 September 2014
- Renewal of the appointment as Deputy Vice-Chancellor, Professor D Visser – with effect from 1 January 2014 to 31 December 2016
- Renewal of the appointment as Director of the Graduate School of Business, Professor W Baets – with effect from 1 July 2014 to 30 June 2019
- Deputy Vice-Chancellor – Professor F Petersen – 1 October 2014 to 30 September 2019
- Registrar-designate, Mr R Pillay, to start 1 January 2015 and to be Registrar from 1 January 2016
- Selection of Executive Director Finance designate, Mr A Francis, to start 1 January 2015 and to be Executive-Director Finance from 1 January 2016

F. Investing in infrastructure

The following buildings were completed: New Engineering Building, New Snape Teaching and Learning Building, Ex-Air, the Rugby Club, and the Valkenberg Hotel.

By the start of the 2015 academic year, a total of 57 centrally-bookable classrooms (or 31% of 181) were equipped with the new UCT Standard. The majority of these are large, raked and located on Upper Campus.

The MySpace@UCT project has led to the expansion of social spaces across different campuses.

Wireless access has been expanded to increase densification specifically in support of MySpace@UCT.



DR MAX PRICE

VICE-CHANCELLOR

20 JUNE 2015

REPORT OF THE INSTITUTIONAL FORUM

Institutional Forum (IF) mandate

The IF of a public higher education advises the Council on issues affecting the University, including but not limited to, the following:

- a) The implementation of the Act and the national policy on higher education
- b) Race and gender equity policies
- c) The selection of candidates for senior management positions
- d) Codes of conduct, mediation and dispute resolution procedures and
- e) The fostering of an institutional culture which promotes tolerance and respect for fundamental human rights and creates an appropriate environment for teaching, research and learning.

In terms of the University of Cape Town Statute, the IF also has to perform such functions as are determined for it, by Council.

In 2014 Council made the IF a focus at a workshop. Three questions were considered at this workshop, viz. what can Council do to strengthen and hear the IF, what does Council want and expect from the IF, and what are the roles and responsibilities of Council members on the IF? The outcomes of this workshop were reported to the March meeting of the IF.

In 2014 the UCT IF met ten times. These meetings consisted of an Induction Workshop, the four (4) required meetings for the year and five (5) special meetings to consider the following:

1. Extending the contract of the Deputy Vice-Chancellor Professor Nhlapo.
2. The appointment of a Deputy Vice-Chancellor.
3. The proposed Outsourcing Code of Conduct
4. The selection committee for the post of Registrar and the procedures for the appointment of the Registrar.
5. Procedures for the appointment of an Executive Director: Finance and the process followed in the re-appointment of the Dean of Science.
6. The invitation to the IF to sit in on the Employment Equity Five Year Review with the University Transformation Advisory Committee.

Issues considered by the IF

In addition to its prescribed statutory obligations, important issues addressed at the IF for 2014 included the following:

The question of food prices for students on campus. At issue were two questions: why the food prices were as high as they were, and the tendering process. The issue had been referred to Properties and Services (P & S) and reports were brought to the IF, but despite meetings between P & S and the SRC

it was felt in the IF that more information was required. With the support of an SRC Task Team and the input of a consultant, a report is due to be compiled and brought to the IF for consideration.

The Outsourcing Review. This was discussed at two meetings of the IF and on both occasions stimulated a great deal of discussion. While the IF accepted the recommendations of the Review, and in particular the recommendation that outsourcing continues at UCT, it expressed itself strongly on the Code of Conduct and suggested that the Code be revised. It suggested that the salaries of outsourced workers be aligned to UCT salaries. It also felt that transformation, quality and socio-economic factors were not sufficiently highlighted in the Review.

Employment Equity matters. The Transformation Services Office (TSO) provided the IF with updates on work in the faculties and departments on the development of the University's Five Year Review and its 2015-2020 plan. The IF provided advice to the Vice-Chancellor on the wording of the employment equity statement in job advertisements.

The composition of committees: Following an assessment by NEHAWU, and a report brought to the IF by Professor Francis Petersen regular attention was paid to the composition of University committees. NEHAWU argued that committees consisted mainly of white males. The IF considered various suggestions about changing the way in which committees are composed and offered the suggestion that the size of all committees be expanded to ensure racial and gender inclusion. This matter was referred to HR for assistance. In 2015 a recommendation was also made that Council appoint a Task Team to review the composition all committees.

Following another assessment by NEHAWU, the suggestion was made that the University should develop what one member described as a 'Balanced Score Card' to be used to evaluate and display progress made in the University with respect to teaching, financial well-being, research and diversity. It was reported to the IF that HESA was developing a Transformation Barometer. The suggestion was made that the IF should support this process.

Admissions Policy. Several meetings of the IF focused on the University's proposals for the 2015/2016 Admissions Policy. The proposals generated intense debate and discussion. At its June meeting the IF gave its support to the principles underpinning the Admissions Policy Proposals, but was divided in terms of the timing for the adoption of the policy. Several members of the IF expressed the opinion that adoption of the policy was premature. A Task Team was set up in the IF with the SRC to look at issues in the new policy that remained unclear.

Transformation charter. The SRC under the leadership of SRC Co-Chair Ms Jessica Breakey took the lead in the process of developing a Transformation Charter and presented a draft Transformation Charter to the IF. It was agreed that further discussion on this matter was required to enable it to be taken forward.

Other issues considered by the IF in 2014 included:

- The updating of the UCT website.
- Transformation activities at a national level and particularly the role of HESA.
- Drafting Standing Rules for the IF.

- The University's strategy for the retention of A and B1 NRF Rated Researchers.
- The possibility of UCT changing its gender classification system to reflect gender identities beyond simply male and female.
- Leave and retirement policies at UCT.
- SRC election rules.
- Policy reviews on appointments of senior staff, executive staff, the Vice-Chancellor, and deans.


Assessment of the IF for 2014

Discussion in the IF in 2014, despite not meeting its quorum requirements on several occasions, was robust. The discussions, particularly around the Admissions Policy proposals and the Outsourcing Policy, saw the constituencies of the students and the staff bodies vigorously engaging with the proposals put before them. Out of these discussions came not just an awareness of the difficulty of the issues under consideration in the policy proposals, but also the sense that the issues had to be reviewed repeatedly.

With respect to the issue of the processes for constituting selection committees, members of the IF regularly made important contributions which enhanced clarity and fairness

Co-Chair 

Co-Chair 


Co-Chair 

COUNCIL STATEMENT ON CORPORATE GOVERNANCE

The purpose of this statement is to give a brief overview of the University's governance structures, legal status and corporate governance practice.

Legal persona and capacity

The University is autonomous and is a legal persona with full juristic capacity by virtue of its incorporation as a university (originally by an Act of the Union Parliament of 1916 when Parliament incorporated the South African College, and now in terms of the Higher Education Act, 1997 (the Act) and the Institutional Statute of the University of Cape Town published under that Act). This legislation places the governance of the University in the hands of a Council, provides for the Council's composition and powers, and provides for the role and powers of the Senate and the role and functions of the Institutional Forum.

The Council is required to make this report by virtue of provisions in the Act and the regulations published in terms of the Act, on 9 June 2014, Government Gazette No 37726.

The Council considers that it has materially complied with these reporting requirements.

The Council and governance structures provided for in the Act

The University of Cape Town grew out of the South African College, which had been established in 1829. The institution became a University in 1918 under a 1916 Act of the Union Parliament. That, and successive legislation, gave way to the Higher Education Act, 1997, No 101 of 1997 (the Act), and the promulgation in terms of the Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as subsequently amended). The Act deals *inter alia* with public higher education institutions, of which the University is one.

The Act requires a public higher education institution to have a Council, a Senate, a structure to advise the Council on student matters, an Institutional Forum, and a Students' Representative Council. The Act, read with the Institutional Statute, defines the role, powers and composition of each.

The Council governs the University in terms of the Act and the Statute. It consists of 30 members, of whom 18 (60%) are external or independent (in that none may be a student or a staff member) and 12 internal. The term of office (other than for the student members who serve for one year, and the Vice-Chancellor and Deputy Vice-Chancellors who serve *ex officio*) is four years. The current term for Council members ends on 30 June 2016.

While the Council governs the University, the Senate has jurisdiction over the academic functions of the University. The Senate consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 340 members in 2014. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

The Institutional Forum brings together (in a body of 30) ten student members chosen by the Students' Representative Council, ten staff members chosen by trades unions and staff bodies, and ten members representing Council, Senate and executive leadership. It advises the Council on issues

affecting the University as required by the Act.

The Council is supported by specialist committees and working groups.

The matters reserved for decision by full Council are those specified in the Act (changes to the Institutional Statute, adopting institutional rules, acquiring or disposing of fixed property, setting fees, and specified financial transactions), those listed in the Institutional Statute (paragraph 12(5)), and matters that Council has reserved to itself. Beyond this, Council has powers of delegation and has made use of these powers to delegate or assign its powers and functions to a committee of Council, a member of Council, or an officer of the University (paragraph 12(4) of the Statute). Schedules of delegated authority are reviewed annually by Council, and were revised by Council in December 2013 for 2014, including the adoption of a comprehensive suite of defined authorities, policies and procedures governing the University's procurement processes.

In order to promote accountability and transparency, Council publishes the papers of the Senate (including the monthly Principal's Circular), the Institutional Forum, and many UCT committees on an open governance intranet. Council papers, other than those dealing with commercial interests, are available to staff, trades unions and student bodies.

The Council as currently constituted complies with the requirements of the law.

The Council's key functions and responsibilities are to ensure that:

- The University has clear strategic goals and objectives.
- The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving the goals and objectives.
- The University financial position is sound in the short- and long-term.
- No fees are set, and no financial appropriations made, without Council approval.
- Risk management and internal controls are in place.
- All the University's members (staff, students, and alumni), donors, customers, and suppliers are treated in an appropriate manner.
- The University complies with all relevant laws, regulations and accounting policies.
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted and have appropriate terms of reference and reporting procedures.

Members of Council are not remunerated. Should a Council member need to travel outside Cape Town to attend a meeting however, he/she may be reimbursed for the travel expenses incurred.

Ethics in decision-making and in University work

The Council is committed to behaving ethically and with integrity in all its dealings.

The Council is committed to high standards of corporate governance. Care is taken to ensure:

- that the University complies with the governance prescripts contained in the Act and the Institutional Statute.

- that the mandates of committees are clear, written, consistent with the legislation and fully adhered to.
- that full and accurate records are kept of the proceedings of Council, Senate, the Institutional Forum and their applicable committees.
- that where decisions are made under delegated authority the written authority limits are not exceeded.

As is reported below, the delegated authorities are reviewed periodically – usually annually.

In order to ensure that there is neither an actual nor a perceived conflict of interest, and that decisions are made independent of the personal interests of members, each Council member, all senior managers, and all Committee members are required: (i) to make an annual declaration of interests; (ii) to declare any conflict or potential conflict ahead of discussion of relevant issues; and (iii) to recuse themselves should any such conflict of interest arise. In addition all Council members must subscribe to the Council's code on conflicts (or potential conflicts) of interest before the first meeting of Council in each year.

An amendment to the Higher Education Act in 2011 extended the requirement to disclose potential conflict of interest to all staff. For this purpose the University has defined 'staff' as being those employees where the University has made a contribution to the Unemployment Insurance Fund.

The importance of ethical behaviour is particularly relevant in all the University's academic work. Two standing committees of Senate, supported by faculty-level ethics committees, promote and ensure the highest ethical standards in teaching and research with particular regard to human subjects of research and to animal experimentation. A third committee ensures that both ethical and bio-safety issues are dealt with in matters related to genetically modified organisms. Revised controls and systems for ensuring that these are effective were adopted by Senate and Council in 2012, and further refined in 2014 and are being implemented through a new Office of Research Integrity.

As a further step to ensure both fairness in all institutional dealings with staff, students and third parties, and to promote probity, the Council has established an Ombud's Office. The full-time Ombud has been in office for three full years and is an established internal service.

Council and its Executive Committee

Council is supported by a standing Executive Committee (EXCO) to which Council has delegated specific formal decision-making functions. Council meets at least five times each year and EXCO meets monthly from February to November in those months in which Council does not meet.

The EXCO consists of the Chair and Deputy Chair of Council, the Chair of the University Finance Committee, four members of Council (two of whom must be external members and one of whom must be a student member) and the Vice-Chancellor.

The tables overleaf sets out the number of Council and EXCO meetings held in 2013 and each Council member's attendance record: (the list below deals with membership as it was in 2014).

Council attendance records in 2014

2014	Feb *	March	Jun	Jul*	Aug	Sept	Oct *	Dec	% Attendance
S Barsel	P	P	P	Ap	P	Ap	Ap	P	62.5
G Bloch	P	P	P	Ap	P	P	Ap	P	75
G Bloor	P	Ap	P	Ab	Ap	P	Ap	P	50
E Brooks	P	P	P	P	P	Ap	P	P	87.5
DJ Budlender (Deputy Chair)	P	P	P	P	P	P	P	P	100
Y Dwane	Ap	Ap	Ap	Ab	Ap	P	Ap	Ap	12.5
IG Farlam	P	P	P	Ap	P	P	P	P	87.5
JJ Gauntlett SC	P	P	Ap	Ap	P	P	Ap	P	71
M Gondwe	P	P	P	P	P	P	P		100
B Jakoet	Ap	P	P	P	P	P	Ap	Ap	62.5
S Kidson	P	P	P	P	Ap	P	P	Ap	75
O Kinahan	P	P	P	P	P	P	P	P	100
S Klopper	P	P	P	Ap	Ap	Ap	P	P	62.5
AP le Roex							Ap	P	50
R Mahapa								P	100
LY Meyer	P	Ap	P	P	P	Ap	P	P	75
NWH Ndungane (Chair)	P	P	Ap	P	P	P	P	P	87.5
RT Nhlapo	P	P	P	P	P	P			100
R Omar	P	P	P	Ap	Ap	P	Ap	P	62.5
CME O'Regan	Ap	P	P	Ap	Ap	P	Ap	Ap	37.5
F Petersen	P	P	P	P	P	P	P	P	100
TD Petersen	P	P	P	P	P	P	P	P	100
MR Price	P	P	P	P	P	P	P	P	100
H Raubenheimer	P	P	P	P	Ap	P	Ap	P	75
J Rousseau	P	P	P	P	P	P	Ap	P	86
U Rivett	P	P	Ap	Ap	P	P	Ap	P	62.5
T Setiloane	Ap	Ap	Ap	Ap	Ap	Ap	Ap	P	12.5 (illness)
A Sopitshi	Ap	P	P	Ab	P	P	Ap		50
C Soudien	P	P	P	Ap	P	P	P	P	86
A Spoor								P	100
DP Visser	P	P	P	P	P	P	P	P	100
S Zungu	Ap	P	Ap	Ap	P	P	Ap	Ap	37.5
B Zwane	P	P	Ap	P	Ap	P	Ap	P	62.5
						P	=		Present
						Ap	=		Apology
							=		Not a member for these meetings
						Ab	=		Absent

*These were special meetings of the Council

EXCO attendance records in 2014

2014	Feb	April	May	July	Oct	% Attendance
DJ Budlender	P	P	P	P	P	100
M Gondwe	P	P	P	P	P	100
S Kidson					P	100
O Kinahan	P	Ap	P	P	P	80
LY Meyer	P	P	P	P	P	100
NWH Ndungane (Chair)	P	Ap	P	P	P	80
F Petersen	P	P	P	P		100
TD Petersen	P	P	P	P	P	100
MR Price (Vice-Chancellor)	P	Ap	P	P	P	80
			P Present Ap Apology Not a member for these meetings Ab Absent			

The Office bearers of the Council

The Chair: The Most Revd. NWH Ndugane GCOB MTh PhD (hc) DD(hc) DHumLet (hc) DSocSc(hc) Dlitt(hc) D Litt(hc)

The Deputy Chair: Ms D J Budlender BA(hons) MA BSc DSocSc(hc)

Membership according to the corresponding paragraph of the Institutional Statute

The following table is inserted in compliance with para 7 (4) (ii) of the reporting regulations and gives the representative constituency and the provision in the University's Institutional Statute in terms of which each member holds or held office as a member of Council.

2014	Appointed by	Section of the Statute in terms of which the member was appointed	Attendance % record in 2014
S Barsel	Minister	Para13(1)(g)	62.5
G Bloch	Convocation	Para13(1)(j)	75
G Bloor	City Council of Cape Town	Para13(1)(i)	50
E Brooks		Para13(1)(e)	87.5
DJ Budlender (Deputy Chair)	Convocation	Para13(1)(j)	100
Y Dwane	Appointments Committee	Para13(1)(m)	12.5
IG Farlam	Convocation	Para13(1)(j)	87.5
JJ Gauntlett SC	Convocation	Para13(1)(j)	71
M Gondwe	SRC	Para13(1)(f) to 30.11.2014	100
B Jakoet	Appointments Committee	Para13(1)(m)	62.5
S Kidson	Senate	Para13(1)(c)	75
O Kinahan	Premier of W Cape	Para13(1)(h)	100
S Klopper	DVC ex officio	Para13(1)(b)	62.5
AP le Roex	Senate	Para13(1)(c) from 1.10.2014	50
R Mahapa	SRC	Para13(1)(f) from 1.12.2014	100
LY Meyer	Donors	Para13(1)(k)	75
NWH Ndungane (Chair)	Minister	Para13(1)(g)	87.5
RT Nhlapo	DVC ex officio	Para13(1)(b) to 30.9.2014	100
R Omar	Minister	Para13(1)(g)	62.5
CME O'Regan	Appointments Committee	Para13(1)(m)	37.5
F Petersen	Senate DVC ex officio	Para13(1)(c) until 30.9.2014 Para 13(1)(b)from 1.10.2014	100
TD Petersen	Appointments Committee	Para13(1)(m)	100
MR Price	Vice-Chancellor	Para13(1)(a)	100
H Raubenheimer	Convocation	Para13(1)(j)	75
J Rousseau	Senate	Para13(1)(c)	86
U Rivett	Academic staff	Para13(1)(d)	62.5
T Setiloane	Donors	Para13(1)(k)	12.5 (illness)
A Sopotshi	SRC	Para13(1)(f) to 30.11.2014	50
C Soudien	DVC ex officio	Para13(1)(b)	86
A Spoor	SRC	Para13(1)(f) from 1.12.2014	100
DP Visser	DVC ex officio	Para13(1)(b)	100
S Zungu	Convocation	Para13(1)(j)	37.5
B Zwane	Appointments Committee	Para13(1)(m)	62.5

The Council Appointments Committee

The Council Appointments Committee considers nominations for certain vacancies in the Council in terms of paragraph 46 of the Statute, and appoints five members of the Council. No vacancies arose during the reporting year. The Committee was not required to make an appointment in 2014.

The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external members of Council, independent members and the Vice-Chancellor. It met four times in 2014, and both internal and independent auditors have unrestricted access to the Committee.

A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the University Audit Committee. The University Audit and Risk Management Committees continued with a comprehensive review of the risk measures in place to manage and mitigate identified risks. The University Audit Committee's responsibilities are to:

- Ensure that there is an effective process for assessing and managing risk;
- Assess the financial statements for reasonability and accuracy, and for compliance with accounting policies and regulations laid down by the Minister under the Act;
- Recommend to Council the approval of the Annual Report, incorporating the Annual Financial Statements;
- Review and approve the scope of the internal audit programme;
- Recommend the appointment and retention of the independent external auditors;
- Review the scope of the audit conducted by the independent external auditors; and
- Review on its own and with the help of internal audit, the adequacy and effectiveness of internal control.

A comprehensive risk policy framework has been adopted by Council on the advice of the Risk Management and University Audit Committees.

The University Finance Committee

The University Finance Committee (UFC) is a standing committee of Council and is chaired by an external member of Council. The UFC advises Council on financial strategy, makes recommendations on revenue and capital budgets, and monitors and reports quarterly on progress against these budgets. The committee met six times during 2014. In addition there were two meetings where the Committee met jointly with two other committees, once with the University Audit Committee and once with the University Strategy Forum.

The Council Remuneration Committee

The Council Remuneration Committee (RemCom) is a standing committee of Council and consists of external Council members, the Chairs of the University Audit, Human Resources and Finance Committees, and the Vice-Chancellor (except for matters relating to the Vice-Chancellor). An additional independent member has also been co-opted to the committee. RemCom is responsible for:

- Advising the Council on remuneration policy;

- Setting mandates for consultation and negotiations on remuneration and conditions of service with staff bodies and trade unions;
- Evaluating the performance of the Vice-Chancellor and senior staff; and
- Determining the remuneration of the senior leadership group members in terms of the performance management system.

The Remuneration Committee reports to Council each year setting out the decisions taken, thus ensuring transparency with regard to executive and senior staff salaries. The compensation of each member of the senior leadership group is published in the Annual Financial Statements. RemCom met three times during 2014.

The University Student Affairs Committee

The University Student Affairs Committee (USAC) is a standing committee of Council established in terms of section 27 (3) of the Act. It includes one member of the Executive, two Council members, members of the academic staff (appointed by Senate) and student representatives. It is chaired by a Deputy Vice-Chancellor and advises the Council on student matters. Council requires the USAC to report twice a year on student concerns and to relay how these are addressed. USAC met six times in 2014.

The University Human Resources Committee

The University Human Resources Committee (UHRC) is a standing committee of Council that advises Council on HR policy, employment equity policy and plans, and provides information on staff issues and staff concerns. The committee met four times during 2014. An external Council member chairs the UHRC.

The University Information and Communication Technology Committee

The University Information and Communication Technology Services Committee (UICTC) is a standing joint committee of Senate and Council. It was established in recognition of the vital role of ICTS in teaching, research, administration and communication. This committee is responsible for formulating strategy proposals for ICTS at UCT.

It is chaired by a Deputy Vice-Chancellor, and it includes members of Council, members of the academic staff appointed by Senate, the Executive Director: Finance, the Registrar, and SRC-Appointed members. It has successfully overseen the University's migration to a new email platform, continues to oversee the enterprise content management (ECM) project, and through ICT Services has taken on responsibility for teaching venue upgrades and provisioning. The UICTC met five times in 2014.

The University Building and Development Committee

The University Building and Development Committee (UB&DC) is a standing committee of Council and advises Council on development of the physical plant and oversees major capital projects.

This committee includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings. The committee is chaired by a member of Council and met eleven times during 2014.

The University Strategy Forum

The University Strategy Forum is a standing joint committee of Senate and Council chaired by the Vice-Chancellor and consists of Council members, and elected Senate, staff and student representatives. This standing committee advises Senate and Council on strategy and met twice in 2014, including one meeting where the Committee met jointly with the University Finance Committee.

REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS

(Incorporating the Report on Risk, the Management of Risk and Quality Assurance)

The University maintains systems of internal control to mitigate identified risks, to ensure the integrity of our core activities of teaching and research, and to safeguard our assets. The University has a documented organisational structure and division of responsibilities, coupled with established policies and procedures that are communicated throughout the institution. Organisational structures are not static and are continually under review by management, but the essential elements are stable.

Information systems utilising modern information technology are in use throughout the University. These have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security. There were no major changes to any of the University's key administrative systems during the period under review, although these systems are in a state of regular review and adaptation to meet new demands. The development, maintenance and operation of all systems are under the control of competent, trained staff.

The University applies what it considers to be acceptable standards to protect privacy and ensure control over all data, including disaster recovery and back-up procedures, while at the same time complying with the intention and the spirit of the Promotion of Access to Information Act to make available information and data that should be in the public domain, as befits a public institution.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the preparation of financial statements and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The University's independent auditors, Ernst & Young, assess the key accounting systems on an annual basis and have found that, while controls are generally adequate, there are areas where the control environment can be improved. These have been brought to the attention of the University Audit Committee (UAC) and of management, and are being attended to. Ernst & Young have reported on the progress made in addressing these issues, indicating where items have been resolved, partly resolved or not yet resolved. In certain instances management may be comfortable to accept a particular risk; these instances require the assent of the UAC.

It is the role of Internal Audit to monitor internal control systems and to assist line management in ensuring the adequacy of such controls. The Council, through the UAC, provides oversight of the preparation, integrity and fair presentation by management of the financial statements and of the financial reporting process.

Committee structures

The University Audit Committee is a standing committee of the Council, which in terms of its constitution consists of at least three (or more) members (who should be financially literate) of whom at least two should be members of Council other than the Executive Officers, staff or students.

The UAC is chaired by Justice I Farlam who is an external member of Council and, as such, has direct

access to all Council matters. Council has stipulated that it requires a report from the UAC at every meeting.

Attendance at University Audit Committee meetings during 2014 is given in the table below.

University Audit Committee (UAC)		April	May	Aug	Nov	%
Justice I G Farlam	Chair & Council Member	P	P	P	P	100
Mr G Bloor	Council Member	Ap	Ap	Ap	Ap	0
Ms F Jakoet	Member (independent)	P	P	P	P	100
Advocate A C Mopp	Member (independent)	P	P	P	Ap	75
Dr M R Price	Member (Vice-Chancellor)	P	P	Ap	P	75

P = Present	Ap = Apology	Abs = Absent	LoA = Leave of absence
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The University also has a standing Risk Management Committee (RMC) which is chaired by the Vice-Chancellor with an external member of the Audit Committee as an assessor member. This committee reports to the UAC.

Attendance at Risk Management Committee meetings during 2014 is given in the following table.

Risk Management Committee (RMC)	Feb	May	Sept	Nov	%
Dr M R Price (VC and Chair)	P	P	P	P	100
Professor E Uliana (Deputy Chair)	P	P	P	P	100
Professor S Klopper	P	P	P	P	100
Professor D Ross	P	Ap	Ap	P	50
Professor F Petersen	Ap	P	P	P	75
Mr H T Amoore	P	P	P	P	100
Mr A Theys	P	P	P	P	100
Ms M Khan	P	P	Ap	P	75
Ms G Kruger	P	P	Ap	Ap	50
Ms L Rhode (Director Internal Audit – assessor member)	P	P	P	P	100

P = Present	Ap = Apology	Abs = Absent
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Assessing and managing risk

The Council approved “Risk Policy Framework” (RPF) is intended to ensure that the RMC’s brief covers the full range of risk, including risk associated with core business, and therefore directly concerned with institutional sustainability. The RMC and the UAC formulated the policy framework and agreed that a comprehensive view of risk that includes the academic enterprise is required. Accordingly, annual reports are being received from the Quality Assurance Committee (QAC) and the University Research Committee (URC), thus ensuring coverage of the University’s core business areas.

As noted in the Annual Financial Review, the University operates on tight financial margins and is particularly sensitive to any initiatives which may have an impact on its sources of revenue. As such, changes to the funding formula, correctly-set enrolment and throughput targets, and the setting of fees are areas of risk to which management applies a considerable amount of its time.

Financial and contractual risk decisions are taken within delegated authority limits approved by Council. The UAC is satisfied that, at a macro level, risks have been identified and appropriately addressed. The UAC remains committed to ensure that a risk awareness culture is promoted more actively. Extending risk awareness within the University must remain a major focus of risk management.

Academic and research risk

Quality Assurance for Teaching and Learning and Support Departments

The role of the Quality Assurance Committee (QAC) is to:

- Ensure that effective quality management systems and policies are in place across the institution;
- Ensure key institutional and departmental recommendations from internal and external review bodies are addressed;
- Promote and innovate practices related to quality improvement and enhancement; and
- Advise Senate on matters relating to alignment with the national and institutional quality assurance requirements.

The key areas deemed to be possible quality assurance risks are discussed further below:

Training programmes to develop academic leadership

The Committee was concerned that opportunities for developing academic leadership within the institution may not be adequate. The Human Resources Department was requested to conduct a national and international institutional benchmarking exercise to determine good practice. The Committee further requested that the Human Resources Department assess the training needs for current and possible future academic leaders and provide feedback to the QAC. It was reported that at a national level, activity in this area was limited and much more was being done within the international arena. It was further reported that within the institution, a need for mentorship and coaching in leadership roles exists and that these needs will be addressed as part of the new academic Head of Department (HoD) induction programme in 2015.

Feedback mechanisms in place for Permanent professional, Administrative and Support Services (PASS) departments

The Committee wished to assess whether adequate mechanisms for obtaining feedback on services provided by PASS departments were in place. It was reported to the Committee that while departments were aware of the importance of having such systems, it was evident that parts of the University did not have adequate systems in place. A formal proposal will be developed in 2015 detailing suggestions on how departments can evaluate their services on a regular basis.

External examination system

The QAC requested feedback from the Examinations and Assessment Committee on whether the external examiner system was sufficiently rigorous. The Committee was informed that the Examinations and Assessment Committee had conducted a review of the external examination system, including the templates sent to external examiners. The Committee was satisfied that all the faculties were addressing weaknesses that had been identified, for example with respect to the scope of the work of external examiners and the use of the feedback. The Committee will continue to review this periodically given its centrality to quality assurance.

Feedback on 2014 departmental reviews

Seven departmental reviews were conducted in 2014 (five academic and two PASS departments). A key concern for the QAC, based on the reviews that were conducted, was inadequate attention to transformation issues within most of the departments that were reviewed. On the academic side particular concerns were noted about the lack of transformation in the staff and student cohorts. Transformation issues are receiving more attention in the 2015 review. Overall, the QAC was satisfied that the process of conducting departmental reviews is an effective part of the institution's quality assurance system.

Quality Assurance for Research

The University has well-established quality assurance mechanisms in place for research that include both qualitative and quantitative measures. External peer evaluation of outputs is the most significant mechanism of assessing research quality and it is the responsibility of individual researchers to ensure that their work is subjected regularly to peer-review. This can take the form of ratings by external agencies, assessment through periodic review of research groupings, publication in peer-reviewed journals, personal and departmental accreditation through professional associations, external examination of research theses, and professional evidence of esteem concerning the creative and performing arts.

The university's research management systems demonstrate this quality imperative through consistent emphasis on peer-evaluation, as reflected in:

- Peer-evaluation as a key component in our internal research funding programmes.
- The peer-screening mechanisms to enhance the quality of our applications for agency funding.
- The cyclical peer-review of all accredited research groupings.
- The foregrounding of peer-reviewed research publications in our annual Research Reports.
- The recognition awarded to NRF-rated researchers, who by definition, are ranked according to their peer-evaluated status.
- The external examination of postgraduate dissertations; and
- The on-going self-evaluation of our research management systems through the University and Faculty Research Committees.

Quality assurance reviews of University Research Committee (URC) -accredited research groupings

The URC implemented a peer-review process in 2003 for all URC-accredited research groupings. Each grouping is reviewed once every five years by a panel that includes at least two external experts who are internationally recognised leaders in the relevant field. The review report is produced by the external panellists. The Committee on Research Reviews (CRR) manages the accreditation process, and together with the relevant dean and director engages with the report after which a faculty position is formulated and endorsed by the CRR.

10 research groupings were reviewed in 2014.

Ethics and Compliance in Research: the Office of Research Integrity (ORI)

The framework for the responsible conduct of research at UCT is built from a culture of research practice and individual responsibility among UCT's exemplary researchers. The framework is formally composed of policies, committees that engage in both institutional oversight and deliberation on specific matters of research protocol, support from the Office of Research Integrity, and documentation consisting of protocol-specific information as to the nature of a research project, the ethical implications of the project, and the attention and management appropriate to ethical considerations.

Since its establishment, the Office of Research Integrity (ORI) has worked to ensure the policy environment at UCT supports the responsible conduct of research. In the past year, the ORI shepherded the UCT Policy and Procedures for Breach of Research Ethics Codes and Allegations of Misconduct in Research to adoption by Council in September 2014, collaborated with HR and Student Affairs to revise and clarify the standard operating procedure, Ethics Clearance and Permission to Engage UCT Staff and/or Students or Identifying Individual-Level Data thereof in Research (Standard Operating Procedure), and provided coordinating support for the ongoing efforts to:

1) ensure authorisation by the South African Veterinary Council of key personnel who conduct animal research, and

2) respond to the US National Institutes of Health's pro-active review in 2014 of the University's policies and procedures regarding financial conflicts of interest.

In addition to its policy work, the ORI supports the Senate Ethics in Research Committee (EiRC) and the Senate Animal Ethics Committee (SAEC). These two committees exist to ensure the ethical character of research conducted at UCT and/or by UCT key personnel that involves animals and/or human research participants and subjects, respectively. The ORI also works directly and collaboratively with faculty-level research ethics and animal ethics committees as well as individual researchers to promote responsible conduct of research and in particular to foster ethics in research beyond the purview of the EiRC and SAEC. For the coming year, the ORI aims to complete its conflicts of interest policy work, extend the key procedures authorisation and compliance programme within both the Faculty of Science and the Faculty of Health Sciences, and advance the following policies, each relating to research as an endeavour of principled intellectual engagement and bearing an intention of responsiveness to current needs among researchers for guidance in conducting themselves and their work:

- UCT Policy and Standard Operating Procedures regarding Experimental Use of Non-Human Primates (revisions to better accommodate off-site research).
- Faculty-level policies that implement the newly adopted UCT Policy and Procedures for Breach of Research Ethics Codes and Allegations of Misconduct in Research; and
- The UCT Whistleblowing Policy for Academic Misconduct in Research.

Soft funded researchers

A large percentage of the institutional output is generated by soft-funded researchers and the improved throughput of postgraduate students is the direct result of these staff members. To ensure that the University maintains its competitive edge, there are efforts to review some of the conditions of service of these researchers.

Eleven Risk Domains

The University has a comprehensive register of major risks, covering all eleven identified risk domains. Identified risks are added and removed as and when the RMC deems it necessary based on inputs from the appropriate senior university officer responsible for each domain. Risks related to each of the following broad operational areas for which risk schedules must be prepared by the officers listed below, and are regularly assessed by the RMC.

- Commercial (Executive Director: Finance)
- Communication and Marketing (Executive Director: Communications & Marketing)
- Financial (Executive Director: Finance)
- Human Resources (Executive Director: HR)
- Information Technology (Executive Director: ICTS)
- Property and Services, including crime and safety of people (Executive Director: Properties & Services)
- The Student Experience (Executive Director: Student Affairs)
- Student and Student Related Risk (Academic, academic record, throughput rates etc.) (Registrar)
- Legal Compliance and Litigation (Registrar)
- Development & Alumni (Executive Director: Development and Alumni)
- Reputation risk (Executive Director: Communication & Marketing)

The register records the identified risk, its possible impact and the probability of occurrence both before and after mitigation. The risk parameters regarding impact and probability are continually reviewed and amendments and refinements to the methodology effected. The management of risk at the University continues to evolve and the RMC is confident that the processes and reporting developed leads to greater effectiveness.

Various risks schedules were reviewed during the year and RMC found the controls in place to be sufficient to mitigate against any potential risk.

Whistle blowing hotline

As a responsible public university committed to a clean administration, we appointed a whistle blowing hotline agent (also referred as an ethics hotline) to start operating from 2015. The hotline is intended to protect people at UCT, as well as the operations, assets and the reputation of UCT, against unethical conduct. Whistle-blowers are protected by law. The Protected Disclosures Act no 26 of 2000 makes provision for procedures in terms of which employees may disclose information anonymously regarding unlawful or irregular conduct by their employers or fellow employees. It is for this reason that all matters reported on the hotline will be referred to the Risk Management

Committee to ensure that the necessary investigations have been carried out. Where corruption, fraud and/or abuse of property or assets are proven, the committee will ensure that the necessary action is taken against the perpetrators.

Student financial aid

Risk of inadequate student financial aid remains a concern for the University on two fronts. Firstly, the contribution from the National Student Financial Aid Scheme (NSFAS) has not kept pace with the need in the higher education sector with the result that a number of universities had student protests related to inadequate funding; a situation which is likely to continue in the short to medium term as various engagements with government officials, including from the National Treasury, indicate that the sector is unlikely to receive any significant increase in funding. Secondly, the NSFAS embarked on a transformation project which resulted in changes to the way in which the entity has been operating since its inception. Following a Ministerial Review of NSFAS in 2011, a number of recommendations were made to improve its efficiency and establish a direct relationship with students. UCT was one of the institutions selected for piloting this new model and reconfigured its processes to meet requirements set out by NSFAS. However, the University was suddenly dropped from the pilot without any acceptable explanation and only after the funding cycle had already started. This meant reverting back to its pre-pilot processes. Owing to the internal controls in place and the capacity in the Financial Aid Office, the risk of total collapse was averted and no single student was affected during this process. Discussions are on-going with NSFAS for UCT to be included in the pilot, as this will ensure that the University is better prepared once the system is ultimately rolled out to all universities.

Sexual harassment and discrimination

The prevalence of sexual harassment in universities both locally and internationally has garnered some attention. The University has a dedicated office, the Discrimination and Harassment Office (DISCHO) which is available to assist the UCT community in matters of discrimination, sexual harassment, harassment in general, domestic violence, and rape. The University has extensive policies, practices and protocols that deal with sexual harassment which are constantly being updated. While the statistics provided by the office show that staff and students are aware of the services offered by the University, the RMC recognises that more can still be done to ensure far greater awareness and understanding of sexual harassment and discrimination. It is for this reason that there will be more engagement and interaction with all key stakeholders in the coming months through roadshows.

Risks arising from long term leases

The University received confirmation from the Western Cape Provincial Government renewing a number of long term leases on a number of student residences. Following the 2014 National and Provincial Elections some Members of the Executive Council (MEC) moved to other portfolios and another retired. This delayed the confirmation from the Provincial Government as the new MEC coming into the portfolio had to familiarise himself with the matter and the relevant documents prior to taking this to the Provincial Cabinet for ratification.

Delegated Authorities

Schedules of delegated authority are set by Council after review by the Audit Committee, and cover financial authorities, human resource matters, procurement, research contracts and legal matters and compliance. Internal audit periodically reviews and reports on adherence to these authorities. During the year under review, the Audit Committee and Council updated the schedule of authorities covering human resource matters (ranging from authorities on appointments to pay levels, and individual pay).

Joint Investment Committee (JIC)

The University has an established Joint University/UCT Foundation Investment Committee (JIC). This Committee, as the name implies, is appointed jointly by the University and the UCT Foundation and advises both bodies on investment strategy, the appointment of investment managers in terms of that strategy and in setting the mandates within which those managers operate.

In addition to its membership comprising Members of Council and Trustees of the Foundation, the JIC has co-opted additional members nominated by reason of their expertise in the field of investment. The JIC has also engaged the services of a firm of actuarial consultants to assist in monitoring the investment performance against benchmarks set and against the returns achieved by similar funds monitored by the consultants.

Legal Compliance

The University is subject to an array of Acts and regulations and the RMC believes that this is a key risk area requiring systematic attention. Accountability for legal compliance rests with the Registrar, and responsibility has been assigned to the Director: Legal Services and Secretariat (an appointment in the Registrar's Office) who has been tasked with undertaking continuous review of compliance, reporting to each RMC meeting. These reviews have identified areas where the University may not have been compliant and management has taken corrective action. The resolution of these compliance issues is being monitored by the RMC.

Litigation Register

A Litigation Register has been developed that is intended to reflect all litigation or arbitration matters facing the University, including matters relating to the CCMA and the Labour Court. The Litigation Register is reviewed at each meeting of the RMC.

Health and safety

The Executive Director of Properties and Services reports at each meeting of the RMC on the significant issues emanating from the Physical Risk Co-ordinating Committee (PRCC). The PRCC has two sub-committees of its own, the Genetically Modified Organisms Committee and the Radiation Control Committee

The RMC monitors actions taken by management to mitigate any risks identified and takes cognisance of external reports (e.g. the OHSAS report).

Crime

The Committee receives detailed reports at each meeting of the RMC regarding crime both on campus and in the neighbouring precincts. The incidence of serious crime on campus has been significantly reduced and our attention has as a result extended to safety in the vicinity of the campus.

Crime off campus has also decreased, as a consequence of the establishment of the Groote Schuur Civic Improvement District (GSCID), which has led to a decrease in the levels of crime in the Rondebosch Shopping area and along Main Road. In addition the University has, at its expense, established a Residential Security Initiative to cover the Observatory, Mowbray, Rosebank and Rondebosch residential areas where a major portion of the students live. This has enabled the CID to extend its highly visible security operations to a greater area, again with the intention of lowering crime levels.

Insurance update

The University seeks to insure against loss in risk areas. The transfer of risk through the means of insurance is the responsibility of the Executive Director: Finance who, in terms of the Risk Policy Framework (RPF), has established an Insurance Working Group. The report of this sub-committee on risks, premium renewals and cover obtained is reviewed annually by the RMC. Cover is provided in terms of our insurance policies and through TERISA, a self-insurance scheme run for the benefit of South African public tertiary institutions.

A valuation of the University's buildings, performed by an external quantity surveyor, has been undertaken and has informed the estimates of required insurance cover made.

The RMC was satisfied that all reasonable steps were being undertaken to ensure that the University has appropriate insurance cover.

Business Continuity

The RMC has also considered the risks associated with business continuity and identified information technology, fire, epidemics, contamination, student unrests, staff unrests, flooding, power, strikes by staff, student on student violence and terror attacks, as areas requiring a brief business continuity plan.

Presentations have been made with regard to Contamination, Epidemics, Information Technology and Communications, Fire, and Riots and Strikes. The development of the detailed business continuity plans in each of these areas is still in progress.

Audit Committee

The key responsibilities of the Audit Committee were listed in the Council's Report on Corporate Governance.

Areas of focus of the Audit Committee

The Audit Committee is required by Council to ensure that management has adequate controls in place over assets, risk and financial systems and controls generally, and has systems to allow for timely and accurate financial reporting that comply with all applicable requirements. The Audit Committee agreed that the areas of focus should be presented in a three year plan format and aligned with the Internal Audit plan.

Internal Audit and the Internal Audit plan

The main factors considered in developing the internal audit plan are the key risk areas within the University and the requirements of management, the Audit Committee and the external auditors. The audit plan is designed to take into account the available resources and the skills set of current staff, ensuring that appropriate audit staff is assigned, in particular to the more complex and high priority assignments. The Audit Committee approves the scope of internal audit assignments on an annual basis. Internal Audit continues to deliver on the agreed audit plan and meet with stakeholders in order to understand their key risks and adapt the audit plan accordingly.

Tax risks

Both the Risk Management and Audit Committee continued to assess the identification and management of PAYE and VAT compliance. As most of these issues are common to the Higher Education sector, a major intervention has been the University's staff involvement in a tax task team established under Higher Education South Africa, (HESA). This team is recognised by the SA Revenue Services (SARS) as the contact body for tax issues related to the higher education sector. A major focus of the SARS and the HESA tax team has been to establish an agreed basis for the identification of the VAT status of activities, particularly in the research area.

It must be noted that the purpose of engaging with SARS as an industry has been to reduce VAT risks by eliminating uncertainties.

In April 2012 SARS issued a binding class ruling on the treatment of VAT in the Higher Education Sector. The greatest impact of the SARS ruling is on contract research in that, where there is student involvement in the research activity, this constitutes an educational activity in terms of the VAT Act. As such, this is deemed to be a 'mixed supply', meaning that there are VAT and Exempt activities taking place at the same time. In this event SARS has ruled that the university may only claim 50% of the VAT on bought-in services and goods.

The ruling also affects the ratio of apportionment applied in respect of the VAT on central costs which support both exempt and VAT activities within the university. While the basis of calculation remains the same, a maximum claim of 12.5% is to be imposed. Over the last number of years UCT's apportionment ratio has been in excess of 30%.

This ruling expired in December 2014 and has now been extended to 31st December 2015 on the proviso that at least 70% of HEI institutions complete their apportionment ratio calculations up to 31st December 2013. This will enable SARS to re-assess the impact of the ruling and, in particular, the 12.5% cap on the apportionment claim. It is hoped that the extension will also provide the opportunity to reach clarity regarding the VAT treatment to be applied to the assets of the University, both at the time of purchase and when there is deemed to be a change in use of the asset.

As reported last year a major concern for the sector related to the VAT treatment of the access fees paid to overseas providers of academic digital media. Despite engagement at the highest levels between HESA, supported by the DHET, with SARS and national Treasury, the University has had to account for five years of VAT on the importation of services from across our borders at a cost of R32 million, inclusive of interest.

The VAT on imported services demonstrates the vulnerability of the sector arising from the

complexities and risks associated with VAT compliance. As such, when HESA was invited to make representations to the Davis Tax Committee (“DTC”) on the VAT in the sector with specific emphasis on educational services this opportunity was gladly accepted. Representations were made to the DTC on 9 September 2013 to motivate the zero-rating of educational services. As an alternative to the zero-rating, a reduced VAT rate was discussed. While the zero-rating of educational services was not well-received, the alternative of a reduced VAT rate was, in principle, accepted as fair to all parties involved, being the institution, the fiscus and the students.

During a follow-up meeting to discuss the principle of a reduced rate held at the end of November 2014 it was agreed that, if this principle is supported by the sector, HESA should make a formal submission to the DTC requesting the VAT reform.

In February this year HESA, on behalf of the sector, formally requested the DTC to consider making a recommendation that educational and related activities to be subject to VAT at an as yet to be determined reduced rate, which rate must be determined and agreed to by 31 December 2015. Should this request be granted and the VAT Act amended, the complexities and risks associated with VAT compliance in the sector will drastically reduce.

Going Concern

The Committee, having considered the Annual Financial Statements together with management’s input thereon, has not identified any issues to indicate that the going concern assumptions applied by management were inappropriate.

Extension of the Public Audit Act to include Higher Education Institutions (HEI’s)

The Public Audit Act 2004 (Act No 205 of 2004) authorises the Auditor-General of South Africa (AGSA) to perform the audit of all public entities (as defined in this Act) but allows the AGSA to opt not to do so, which the AGSA had done by notice in the gazette for public universities, provided that they appoint their own auditors in accordance with provisions contained in Section 25 of the Act, read with regulations published under the Act. The Public Audit Act, 2004 requires that the AGSA be consulted regarding these audits. This has led to the AG setting terms for the way audits are done. Up until now the University’s independent auditors have had to express an opinion on the financial statements under the regulations published under the Higher Education Act, Act 101 of 1997, but from now on they will also be subject to the requirements of the AGSA which include:

- Measurement of the performance of the University against predetermined objectives (PDOs). Management will report on whether the University achieved the PDOs, the auditors will audit that information for accuracy and report accordingly.
- Compliance with laws and regulations will be audited. The focus will be on procurement, contract management and human resources; and
- The status of internal control will be reviewed in areas deemed significant to financial information.

The AGSA’s office has indicated that the AGSA will liaise with the DHET regarding the development of the DHET’s reporting manual, which governs this report to ensure that the manual adequately covers the AGSA’s requirements. The manual is currently being revised jointly by both the DHET and HESA.

Rotation of the independent auditors

The University's policy is that, in the ordinary course of events, an audit firm will be appointed for an initial three-year period, followed by a full-scale review of performance after which, if the performance is judged satisfactory, there would be an expectation of annual appointments for a period of five additional years. The University is able to terminate the appointment at any time during the initial three or subsequent five year period. At the end of the second period (i.e. after a total of eight years) the University will seek tenders for the audit appointment. The incumbent audit firm will not be debarred from competing for the appointment. Under the provisions of the Public Audit Act, the appointment of auditors is to be made in consultation with the AGSA. The Audit Committee was satisfied with the performance of Ernst & Young and recommended their re-appointment for the 2014 audit. This recommendation was endorsed by Council and ratified by the AGSA.

The scope of the independent external and internal audits

The Committee reviewed the audit approach and key risk areas of the external audit. It also considered a separate independent report performed by the external auditors on the IT environment with a focus on controls and applications that are critical from a financial audit perspective. During the year the Committee has interacted with Internal Audit in respect of the internal audit coverage plan and continues to review progress against the coverage plan and the findings from the respective audits.

Assurances received and review of the Annual Financial Statements

The Committee received assurance from the independent auditors that there were no material unresolved accounting and auditing matters relating to the audit of the 2014 financial year, and was also assured by the auditors that adequate accounting records were being maintained. The Annual Financial Statements are prepared in terms of International Financial Reporting Standards and in the manner required by the Minister of Higher Education and Training as set out in the manual on annual reporting issued by the Department of Higher Education and Training. All accounting policies have been approved by the Audit Committee and there have been no changes to those adopted in previous years.

The independent auditors have confirmed that there had been no irregularities that they had considered reporting to the Independent Regulatory Board for Auditors.



MR JUSTICE IAN FARLAM

CHAIR OF THE UNIVERSITY AUDIT
COMMITTEE

DATE 20 June 2015



DR MAX PRICE

CHAIR OF THE RISK
MANAGEMENT COMMITTEE

DATE 20 June 2015



MS LIESLE RHODE

DIRECTOR OF INTERNAL AUDIT

DATE 20 June 2015

ANNUAL FINANCIAL REVIEW

Financial Policy

Securing Financial Stability for UCT

Our financial policy is to provide for sustainable operations and the ability to invest in educational initiatives consistent with our mission. We practise conservative financial management, by striving for efficient recurrent operations which generate funds to support strategic initiatives.

UCT plans within a multi-year framework. The financial policy is realised by integrating the following areas:

- We target a surplus from Council-controlled recurrent operations to fund new initiatives and provide a hedge against unforeseen circumstances.
- Capital expenditure is undertaken in terms of the strategic framework, and is constrained by affordability as evidenced by available cash resources and borrowing capacity.
- Debt finance is used conservatively if required and further constrained by the ability to service the debt, in terms of both the interest and capital repayments.
- Investment income after deducting all financing costs, being volatile in nature, is only used to seed new initiatives and other strategic choices.

Financial Management

UCT pays particular attention to financial management, seeking to ensure a combination of good practice, stewardship and forward projection that provides the university with the financial resources needed to meet its objectives. The comprehensive university financial plan consists of seven distinct yet interrelated components:

- Continuing educational operations;
- Research and other operations similarly dependant on specific funding;
- Staff and student housing operations;
- Investment income and financing expenditure;
- Capital expenditure;
- Capital structure and financing; and
- Cash flow planning.

Highlights 2014

Continuing educational operations

Continuing Educational Operations encompasses the main recurrent operating activities that provide and support teaching and learning.

Total recurrent operating income increased by R167 million (7.7%) to R2, 334 million, mainly from an increase in tuition and other fee income of R105 million (11.4%) to R1, 025 million. State subsidy, the largest income source, again provided a lower than inflation increase of R36 million (3.3%) to R1, 104 million. The increase in tuition fees comprised a general increase of 10.7%, (R94 million); increased enrolments generated a further R11 million, mainly in the Faculties of Commerce and Law.

Expenditure grew by R170 million (7.6%) to R2, 394 million, mainly due to an increase in personnel costs of R150 million (10.8%) to R1, 543 million. Expenditure other than personnel increased by R20 million (2.4%) to R851 million. Financial aid and scholarships from the operating budget increased by R13 million (9.9%) to R139 million. Other operating expenses decreased by R0.765 million (-0.11%) to R676 million.

Our undergraduate students received R538 million in total financial support, up from R505 million in 2013. This support comes from various sources; corporate and other external bursaries support students to a value of R259 million, and NSFAS provided loans amounting to R105 million. UCT contributed R117 million from Council controlled funds. In addition, income from endowments and other funds available to the University contributed R57 million.

The recurrent operations generated a deficit of R60 million, following a deficit of R57 million in 2013 and a surplus of R23 million in 2012. This slide is mainly a consequence of the reductions in state subsidy; were it not for the increases in fee rates and in additional enrolments the situation would have been significantly worse.

Research and other operations similarly dependant on specific funding

Research and other Specifically Funded Activities are usually outside the decision rights of University management (who nevertheless usually retain governance and monitoring rights and often approval rights). While these activities are of important academic and social value they add considerably to the financial risk of the University particularly in respect of cash flows and accounts receivable management.

Revenues increased by 29.5% to R1,975 million. Government-related grants increase by 43.7% from R295 million to R423 million, while contract research continues to expand, growing by 23.1% to R833 million. The University has experienced substantial growth in research activity for an extended period which has placed significant demands on hard-core

administrative departments, which in most cases received little real increases in resources. As these departments become over-stretched the risk of reputational damage increases.

A record of 88 patent applications was filed in 2014, the bulk of these being for national phase applications (58) of which many have been paid for by commercial partners via license arrangements. The realisation of viable innovative opportunities is imminent.

Income from donations and gifts amounted to R329 million compared to the R180 million raised in 2013, which incorporated a single major bequest.

Staff and student housing operations

The Staff and Student Housing Unit is required to cover its costs and provide enough resources for long-term maintenance and, ideally to contribute towards extending the housing stock thereby providing greater access to UCT.

However given the recent capital programme, which has substantially expanded the housing stock with the addition of the Graça Marcel and OBZ Square residences, the Housing Sector is unable to fund any further expansion. As such, any further expansion of the residence sector will need to compete with all other calls for capital inputs across the university.

Recurrent fee revenue increased by 12.4% to R338.6 million, while generating a recurrent surplus of R9.5 million failed to meet its debt repayment obligations. The increased fee revenue in student housing resulted primarily from increased fees of 15.38% on Catering Accommodation, 13.68% on Self-catering Accommodation and 7% on food. Increases in operating costs were mainly due to the increased student numbers and increased utility costs. The continual failure to capitalise on the vacation accommodation opportunities and the commercial space has compromised the servicing of the debt.

Capital structure and financing

Capital Expenditure of R307 million was in line with that for 2013. Practical completion of the new Teaching & Learning Building adjacent to the New Engineering Building was achieved as at end of the year with six classrooms (130 seats each) available for use as of August 2014. Enabling works on the much needed large lecture theatre commenced in December 2014 after the Heritage Western Cape accepted a revised proposal in October 2014.

Capital Structure and Financing is informed by the relationship between reserves and borrowings, the extent to which these are underpinned by assets, limitations on their alienability and their liquidity. This defines our borrowing capacity which is constrained by the ability to service the debt.

The capital projects outlined above, partly funded by infrastructure grants from the

Department of Higher Education and Training, have been financed without recourse to external borrowings. This is made possible by being alert to, and taking advantage of, timing opportunities, careful cash planning and management, and being prepared to accept a modicum of financial risk. Liabilities total R1,420 billion against total assets of R8,231 billion; a debt ratio of 0.17. In fact, since the end of 2014 the University is free of interest bearing debt.

Cash flow planning

The Cash Flow cycle at UCT has a low point at the end of January and peaks in July/August after the bulk of the fees and most subsidies have been received. Careful planning and management of our cash is crucial in generating interest income and in providing the capacity to undertake projects, subject to a revised financial assessment at such time.

Sustainability

The Financial Sustainability of UCT is a function of recurrent operations and free cash reserves. While the operating margins are low, the risk is somewhat mitigated as we know the bulk of our income (subsidy and fees) early in the operating cycle, if these are significantly different from plan we would have the opportunity to react and adjust our operations accordingly. For the fifth consecutive year our free cash reserves are within the guidelines contained in our financial policy. However, the real reductions in state funding provide a warning against complacency and emphasise the importance not only of being within our free cash reserve target but that we should edge towards the upper half.

Of the overall operating surplus of R676 million reflected in the Consolidated Income Statement, R571 million arises from specifically-funded restricted activities. While these activities contribute to the mission of the University, they do not often provide for sustainability and rather draw on the infrastructure. The table below shows a *deficit* on Council-controlled unrestricted operations in 2014 of R60 million (2013 – R57 million deficit). The *surplus* attributable to Council-controlled unrestricted funds, as reflected in the Consolidated Income Statement on page 73, is R93 million, (to R40 million in 2013), arises largely because of investment income R171 (R111 million in 2013) and explains the difference between this *surplus* and the *deficit on operations* referred to above.

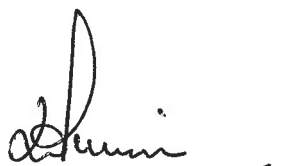
Recurrent Unrestricted Council Controlled Operations 5-year Review (R million)

	2014	2013	2012	2011	2010
Recurrent income	2,335	2,167	2,024	1,877	1,719
State appropriations-subsidies & grants	1,104	1,069	1,027	1,002	903
Tuition and other fee income	1,025	920	830	735	654
Sales of goods & services	198	169	153	117	146
Private gifts & grants	8	9	14	23	16
Recurrent expenditure	2,395	2,224	2,001	1,791	1,686
Personnel	1,543	1,393	1,274	1,154	1,046
Other operating expenses	677	676	587	526	505
Bursaries	139	127	114	90	110
Depreciation and minor capital items expensed	36	28	26	21	25
Recurrent Operating (Deficit) \ Surplus	(60)	(57)	23	86	33

Future Challenges – 2015 and beyond

State subsidies in respect of Council controlled activities grew by 3.3%, a little less than in 2013 but still a reduction in real terms. The economic circumstances are such that this trend is likely to continue and possibly worsen. The circumstances are risky for all parties; to date our policies and practices have enabled us to continue operating with minor disruption, but would not be able to do so indefinitely. Research related grants grew by 43.7% (2013 - 16.4% reduction), while contracts grew by 22% (2013 – 16.3%). The long-term goal of UCT is to be research intensive and this growth trajectory is in line with this objective. To mitigate the risk of this continued intensified research a project has been initiated with the objective of improving all research related support, and is underpinned by the selection of an appropriate IT system for the effective administration of research, at all steps in the research value chain. The Finance Department has a concurrent project to assess the suitability of its organisational structures and skill levels within Central Research Finance to support such intensified growth and related administration systems.

The interfaces among subsidy, fees and expenditures are in a state of tension. Plans have been implemented to curtail cost and enhance income so as to return to the policy target operating surplus by 2018, however further curtailment may still be necessary before then to ensure financial sustainability beyond 2018.



MR. TD PETERSEN

CHAIR: FINANCE COMMITTEE

JUNE 2015



PROFESSOR EO ULIANA

EXECUTIVE DIRECTOR: FINANCE

**COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

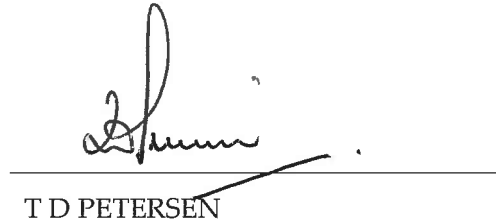
The annual financial statements for the calendar year 2014 presented on pages 72 to 117 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations gazetted by the Minister of Higher Education and Training in terms of the Higher Education Act, 1997, and include amounts based on judgements and estimates made by management as more fully laid out in the notes to the financial statements. The Council has also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the annual financial statements.

The Council had adopted the 'going concern' basis in the preparation of the annual financial statements. The Council has no reason to believe that the University of Cape Town is not a going concern in the foreseeable future based on forecasts and available cash resources. The Council believes that the financial statements confirm the viability of the institution.


The financial statements have been audited by Ernst & Young Inc. who have been given unrestricted access to all financial records and related data, including minutes of the meetings of Council and all its committees. Council believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements set out on pages 72 to 117 were approved by the University Council on 20 June 2015 and are signed on its behalf by:


ARCHBISHOP N W H NDUNGANE

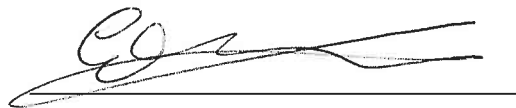
CHAIR OF COUNCIL


T D PETERSEN

CHAIR OF THE UNIVERSITY
FINANCE COMMITTEE


DR. M R PRICE

VICE-CHANCELLOR


PROFESSOR E O ULIANA

EXECUTIVE DIRECTOR: FINANCE

20 June 2015

UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997, and the Statute of The University of Cape Town, promulgated under Government Notice No. 1199 of 20 September 2002 and as amended by Government Notice 259 of 26 February 2004; 476 of 20 May 2005; 748 of August 2010; and 408 of 23 May 2012

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



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Ch. Reg. No. 2005/00208/21

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have audited the consolidated financial statements of the University of Cape Town as set out on pages 72 to 117, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in fund balances and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Council's responsibility for the consolidated financial statements

The Council is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, and for such internal control as the Council determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act (PAA) of South Africa and the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Cape Town as at 31 December 2014, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation as well as internal control. We performed tests to identify reportable findings described under each subheading but not to gather evidence to express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the reliability of the reported performance information for the following selected objectives presented in the annual report of the University for the year ended 31 December 2014:

- To achieve the approved enrolment targets for 2014 and 2015, as well as the graduate outputs targets, in line with the Senate and Council growth strategy for UCT up to 2020 as set out in the table on page 6;
- To ensure that the 2014 earmarked teaching- and research-development grants are utilized for the purposes for which they have been awarded as set out in the table on page 6;

- To achieve a budget for 2015 that complies with the Council's financial plan for sustainability; this will require careful cost savings, attention to the revenue side of the budget and a surplus on operations in 2015 of between 1% and 2% as set out in the table on page 9.

We evaluated the reported performance information against the criterion of reliability. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete. We did not raise any material findings on the reliability of the reported performance information for the selected objectives.

Compliance with laws and regulations

We performed procedures to obtain evidence that the University has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in the Higher Education Act of South Africa.

Internal control

We considered internal control relevant to our audit of the consolidated financial statements, report of the Chair of Council and compliance with laws and regulations but not to gather evidence to express an opinion or conclusion on the effectiveness of the University's internal control.

Matters of internal control considered are limited to significant deficiencies that would result in a basis for a modification of the audit opinion, or any findings reported with regard to the report of the Chair of Council, or any matters identified as non-compliance with laws and regulations included in this report.

Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control as described above.

OTHER REPORTS

Agreed-upon procedures engagements

We conducted twenty-two agreed-upon procedure engagements during the year ended 31 December 2014. Three additional audits were completed by internal audit and eleven by other independent audit firms. These agreed upon procedures engagements were performed at the request of various entities providing funds to the University of Cape Town.

Special audits

We conducted two special audits during the financial year. Another independent audit firm completed one additional audit. These audits were signed off in terms of the entity specific accounting policies and were performed at the request of various entities providing funds to the University of Cape Town.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Tina Lesley Rookledge
Registered auditor
Chartered Accountant (SA)
Date: 20 June 2015

UNIVERSITY OF CAPE TOWN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 R'000	2013 R'000
ASSETS		8,230,671	7,297,339
Non-current assets		6,572,923	5,948,176
Property, plant and equipment	5	2,442,407	2,212,079
Investments	6	4,126,048	3,731,740
Investments in associates	7	-	-
Non-current receivables and prepayments	8	4,468	4,357
Current assets		1,657,748	1,349,163
Inventories		585	627
Accounts receivable and prepayments	9	234,410	242,052
Loans to employees	9	-	75
Student fees receivable	9	58,667	55,127
Cash at bank and cash equivalents	10	1,364,086	1,051,282
ACCUMULATED FUNDS AND LIABILITIES		8,230,671	7,297,339
Accumulated funds		6,810,769	6,124,971
Non-distributable funds		3,177,374	2,982,774
Endowed funds		2,020,347	1,864,399
Revaluation reserve		1,157,027	1,118,375
Restricted funds designated for specific activities		2,150,088	1,745,250
Education and general		1,990,057	1,597,603
Student and staff accommodation		160,031	147,647
Unrestricted council controlled funds		1,483,307	1,396,947
Non-current liabilities		987,230	787,958
Deferred revenue	11	476,488	364,348
Provisions – employee benefits	12	510,742	423,610
Current liabilities		432,672	384,410
Accounts payable and accrued liabilities	13	319,236	282,942
Deferred revenue	11	15,602	11,452
Student deposits		56,236	49,482
Provisions – employee benefits	12	41,598	40,534

UNIVERSITY OF CAPE TOWN
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in R'000)

Education and General						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2014 TOTAL	% Change
Recurrent revenue	2,432,378	1,974,811	4,407,189	338,621	4,745,810	16.6
State appropriations-subsidies and grants	14 1,104,176	423,326	1,527,502	-	1,527,502	12.1
Tuition and other fee revenue	1,025,131	-	1,025,131	300,951	1,326,082	11.7
Income from contracts	-	833,194	833,194	-	833,194	22.1
Rendering of services	197,623	235,584	433,207	32,738	465,945	5.9
Donations and gifts	7,506	328,713	336,219	-	336,219	77.8
Sub-total	2,334,436	1,820,817	4,155,253	333,689	4,488,942	16.2
Interest and dividends	15 97,942	153,994	251,936	4,932	256,868	24.4
Recurrent expenditure	2,362,018	1,619,063	3,981,081	329,094	4,310,175	10.7
Personnel	16 1,543,096	637,081	2,180,177	44,858	2,225,035	10.2
Other operating expenses	17 675,696	653,801	1,329,497	246,911	1,576,408	10.6
Financial aid and scholarships	139,098	298,219	437,317	-	437,317	11.8
Depreciation	5 36,420	29,962	66,382	5,033	71,415	21.3
Sub-total	2,394,310	1,619,063	4,013,373	296,802	4,310,175	10.7
Net finance costs	(32,292)	-	(32,292)	32,292	-	(100)
Finance costs	-	-	-	-	-	(100)
Interest on internal borrowings	(32,292)	-	(32,292)	32,292	-	-
RECURRENT SURPLUS	70,360	355,748	426,108	9,527	435,635	150.7
NON-RECURRENT ITEMS	39,802	199,874	239,676	635	240,311	(49.0)
Loss on disposal of property, plant & equipment	(1,247)	(3,472)	(4,719)	(309)	(5,028)	(56.2)
Realised profit on sale of investments	42,512	247,169	289,681	975	290,656	31.3
Fair value movement on fair value through profit and loss financial instruments	-	(2,160)	(2,160)	-	(2,160)	(90.2)
Impairment of available-for- sale investments	(1,463)	(41,663)	(43,126)	(31)	(43,157)	63.3
NET OPERATING SURPLUS	110,162	555,622	665,784	10,162	675,946	101.7
Transfer from endowed funds	(17,292)	15,070	(2,222)	2,222	-	-
SURPLUS FOR THE YEAR*	92,870	570,692	663,562	12,384	675,946	101.7

* This surplus should be read in conjunction with the Annual Financial Review with particular reference to sustainability and designated activities.

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in R'000)

	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2014 TOTAL
Surplus for the period	92,870	570,692	-	12,384	675,946
Other comprehensive income:					
Other comprehensive income to be reclassified to surplus or deficit in subsequent periods	-	-	38,652	-	38,652
Unrealised movement in market value-available for sale investments	-	-	286,151	-	286,151
Reclassification adjustment for items included in income statement	-	-	(247,499)	-	(247,499)
Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods	(28,800)	-	-	-	(28,800)
Actuarial losses on post-retirement medical aid benefit obligation	(28,800)	-	-	-	(28,800)
TOTAL COMPREHENSIVE INCOME	64,070	570,692	38,652	12,384	685,798

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in R'000)

	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	TOTAL
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	
FUND BALANCES AS AT 1 JANUARY 2014	1,864,399	1,118,375	1,597,603	147,647	1,396,947	6,124,971
Total comprehensive income	-	38,652	570,692	12,384	64,070	685,798
Surplus for 2014	-	-	570,692	12,384	92,870	675,946
Other comprehensive income	-	38,652	-	-	(28,800)	9,852
Transfers between funds	155,948	-	(178,238)	-	22,290	-
FUND BALANCES AS AT 31 DECEMBER 2014	2,020,347	1,157,027	1,990,057	160,031	1,483,307	6,810,769

UNIVERSITY OF CAPE TOWN
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in R'000)

Education and General						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2013 TOTAL	% Change
Recurrent revenue	2,241,928	1 525 194	3 767 122	301,379	4,068,501	6.7
State appropriations- subsidies and grants	14 1,068,519	294,605	1,363,124	-	1,363,124	5.0
Tuition and other fee revenue	920,390	-	920,390	266,920	1,187,310	10.5
Income from contracts	-	682 439	682,439	-	682,439	12.9
Rendering of services	169,255	239,944	409,199	30,729	439,928	16.8
Donations and gifts	9,363	179,793	189,156	-	189,156	(28.1)
Sub-total	2,167,527	1,396,781	3,564,308	297,649	3,861,957	6.8
Interest and dividends	15 74,401	128,413	202,814	3,730	206,544	4.5
Recurrent expenditure	2,193,738	1,409,128	3,602,866	291,894	3,894,760	11.0
Personnel	16 1,393,281	587,099	1,980,380	39,279	2,019,659	10.1
Other operating expenses	17 676,461	531,634	1,208,095	217,042	1,425,137	12.8
Financial aid and scholarships	126,552	264,546	391,098	-	391,098	10.8
Depreciation	5 28,056	25,849	53,905	4,960	58,865	4.3
Sub-total	2,224,350	1,409,128	3,633,478	261,281	3,894,759	11.0
Net finance costs	(30,612)	-	(30,612)	30,613	1	(96.0)
Finance costs	1	-	1	-	1	(96.0)
Interest on internal borrowings	(30,613)	-	(30,613)	30,613	-	-
RECURRENT SURPLUS	48,190	116,066	164,256	9,485	173,741	(43.0)
NON-RECURRENT ITEMS	1,045	160,317	161,362	(57)	161,305	101.6
Loss on disposal of property, plant & equipment	(5,065)	(6,308)	(11,373)	(99)	(11,472)	35.2
Realised profit on sale of investments	8 454	212,782	221,236	92	221,328	71.8
Fair value movement on fair value through profit and loss financial instruments	-	(22,122)	(22,122)	-	(22,122)	(16.3)
Impairment of available-for- sale investments	(2,344)	(24,035)	(26,379)	(50)	(26,429)	90.2
NET OPERATING SURPLUS	49,235	276,383	325,618	9,428	335,046	(13.0)
Transfer between funds	(9,571)	9,555	(16)	16	-	-
SURPLUS FOR THE YEAR	39,664	285,938	325,602	9,444	335,046	(13.0)

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in R'000)

	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2013 TOTAL
Surplus for the period	39,664	285,938	-	9,444	335,046
Other comprehensive income:					
Other comprehensive income to be reclassified to surplus or deficit in subsequent periods	7,500	-	512,491	-	519,991
Unrealised movement in market value	7,500	-	707,390	-	714,890
Reclassification adjustment for items included in income statement	-	-	(194,899)	-	(194,899)
Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods	(600)	-	-	-	(600)
Actuarial losses on post-retirement medical aid benefit obligation	(600)	-	-	-	(600)
12					
TOTAL COMPREHENSIVE INCOME	46,564	285,938	512,491	9,444	854,437

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in R'000)

	Non-Distributable		Funds Restricted for Specific Activities	Unrestricted Funds		TOTAL
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	
FUND BALANCES AS AT 1 JANUARY 2013	1,683,945	605,884	1,507,800	138,203	1,334,702	5,270,534
Total comprehensive income	-	512,491	285,938	9,444	46,564	854,437
Surplus for 2013	-	-	285,938	9,444	39,664	335,046
Other comprehensive income	-	512,491	-	-	6,900	519,391
Transfers between funds	180,454	-	(196,135)	-	15 681	-
FUND BALANCES AS AT 31 DECEMBER 2013	1,864,399	1,118,375	1,597,603	147,647	1,396,947	6,124,971

**UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 R'000	2013 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from students, government and private sources		4,050,747	3,430,679
Cash paid to employees and suppliers		(3,692,829)	(3,395,669)
Cash generated from operations	20	<u>357,918</u>	<u>35,010</u>
Investment income – interest	15	210,560	165,482
Investment income – dividends	15	46,308	41,062
Finance costs		-	(1)
Net cash inflows from operating activities		<u>614,786</u>	<u>241,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(306,967)	(243,544)
Proceeds on disposal of property, plant and equipment		165	1,802
Net additions to investments		<u>(111,391)</u>	<u>(53,260)</u>
Net cash used in investing activities		<u>(418,193)</u>	<u>(295,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long term interest bearing borrowings		-	(23)
Government grants received during the year	11	<u>116,211</u>	<u>58,105</u>
Net cash (outflows)/inflows from financing activities		<u>116,211</u>	<u>58,082</u>
Net increase in cash and cash equivalents		312,804	4,633
Cash and cash equivalents at beginning of period		<u>1,051,282</u>	<u>1,046,649</u>
Cash and cash equivalents at end of period	10	<u>1,364,086</u>	<u>1,051,282</u>

1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of Council on 20 June 2015.

The principal activities of the University relate to teaching, research and the providing of residential accommodation to students.

2. Basis of preparation

The consolidated annual financial statements have been prepared on an historical cost basis, except where stated otherwise (refer to accounting policies). The consolidated annual financial statements are presented in South African Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year, except where the University has adopted the IFRS amendments that became effective during the year.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Various new and amended IFRS and IFRIC interpretations that have been issued and are effective have been adopted by the University but have no material impact as they are not applicable to its current activities.

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

This listing of standards and interpretations issued are those that the University reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the University's financial assets, but no impact on the classification and measurement of the University's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The University is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2. Basis of preparation (continued)

2.1. Statement of compliance

The consolidated annual financial statements of the University of Cape Town and its related entities have been prepared in accordance with IFRS and in the manner required by the Minister of Higher Education and Training in terms of S41 of the Higher Education Act 101 of 1997 (as amended).

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its related entities as at 31 December each year. The financial statements include the operations of the related entities listed below.

Entity	Nature of ownership
The University of Cape Town Foundation	A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary
The UCT Lung Institute (Pty) Limited	A wholly owned subsidiary of the University of Cape Town

The financial statements of related entities are consolidated from the date on which the University acquires effective control, up to the date that such effective control ceases.

The University controls an entity when it exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the University controls another entity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses. When there is a disposal or loss of control of a related entity, the consolidated financial statements would include the results for the part of the reporting period during which the University had control. Any difference between the net proceeds on disposal and the carrying amount of the subsidiary is recognised in the surplus for the period.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss. All inter-University balances, transactions, unrealised gains and losses resulting from intra-University transactions, are eliminated in full.

2. Basis of preparation (continued)

2.3. Segment information and accumulated funds

A segment is a recognised component of the University that is engaged in undertaking activities and providing services that are subject to risks and returns different from those of other segments. Segmentation provided in profit or loss of these financial statements is in terms of the guidelines prescribed by the Department of Higher Education and Training and is specifically not in terms of IFRS 8. The operating businesses are managed separately but fall under the oversight of the University of Cape Town's executive leadership.

2.3.1. Endowed funds income

Income from specific endowments, comprising investment income and realised profits arising from the sale of investments, is recognised in the Consolidated Income Statement as designated for specific purposes in the period in which it accrues.

It is the University's policy to utilise only a portion of this income and to re-invest the un-utilised portion in the underlying endowed funds in order to preserve the real value of the capital base.

2.3.2. Segment information and accumulated funds

Funds made available to operations, whether Council controlled or designated, which cannot be utilised due to a specific event not having occurred, are also capitalised. The utilisation of these funds for operational purposes and the capitalisation of all un-utilised funds, are effected by transfer within the Statement of Changes in Fund Balances.

2.3.3. Revaluation reserve

The revaluation reserve records fair value changes on available-for-sale investments.

2.3.4. Specifically funded activities restricted (Education and General)

The specifically funded activities restricted consist mainly of research activity. Decision making rights over income earned and related expenses rest with researchers. Council retains an oversight role with regard to ensuring that expenditure is in accordance with the mandate received from funders and University policies.

2.3.5. Unrestricted Council controlled funds

The Council controlled segment predominantly represents the teaching component of the University. Decision making rights relating to income earned in this segment rest with Council.

2.3.6. Student and Staff Housing restricted

The Student and Staff Housing segment relates to the provision of accommodation to both students and staff. The availability of this accommodation is a strategic initiative aimed at ensuring that students adopt the University as their preferred place of study and that the University is able to attract and retain appropriate staff.

2. Basis of preparation (continued)

2.4. Transfers between funds

Transfers between funds are reflected in two areas

2.4.1. Operational transfers

The transfer of funds is required for operational purposes between the three main operational segments namely, 'Specifically Funded Activities Restricted (Education and General)', 'Unrestricted Council Controlled Funds' and 'Student and Staff Housing Restricted'. These transfers are reflected in the Consolidated Income Statement.

2.4.2. Endowment related transfers

These transfers relate primarily to transfers to or from the endowment as a result of its investment activities. These, together with the distributions made and investments received, are reflected in the Consolidated Income Statement. The transfers are also reflected in the Statement of Changes in Fund Balances.

3. Significant accounting judgements and estimates

The preparation of the University's consolidated annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at reporting date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the University's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effects on the amounts recognised in the financial statements.

3.1. Judgement

3.1.1. Investments

Judgements over Fair Value

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, as appropriate. Management determines the classification of its financial assets at initial recognition. When the fair value of investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques based on recent equity transactions. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Judgements over Control

In assessing the control over investments, the purpose and design of the investments were considered, as well as the identification of the activities of the investee that significantly affect the returns of the investee, management identified how decisions about these activities are made and concluded on whether UCT has the rights to direct these activities. In addition

3. Significant accounting judgements and estimates (continued)

3.1. Judgement (continued)

3.1.1. Investments (continued)

consideration was given to whether or not UCT is exposed, or has rights, to the variability associated with the returns of the investee and lastly management considered whether or not UCT has the ability to use its own power of the investee to affect its own returns.

3.2. Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

3.2.1. Impairment

The University assesses whether there are any indicators of impairment for all assets at each reporting date.

The University classifies certain assets as available-for-sale and recognises movements in their fair value in other comprehensive income.

When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the Consolidated Income Statement. An investment is considered to be impaired if either the fair value at year end is more than 30% below cost or the fair value has been below cost for a period of twelve months.

At 31 December 2014 an impairment loss of R43.1 million (2013: R26.4 million) had been recognised for available-for-sale assets.

The carrying value of available-for-sale assets at 31 December 2014 was R4,122 million (2013: R3,720 million). Refer Note 6.

3.2.2. Depreciation

At the end of each financial year management reviews property, plant and equipment to assess whether the estimated useful lives and estimated residual values applied to each asset are appropriate.

The useful lives of assets are estimated by reviewing the degree to which assets are fully depreciated but still remain on the assets register and are in use. The University for the most part uses its asset until future rewards no longer accrue.

Typically assets are assessed as having no residual value when calculating the depreciable amount because assets are of little value at the time they are sold or decommissioned.

3. Significant accounting judgements and estimates (continued)

3.2 Estimation uncertainty (continued)

3.2.3. Gratuity provision academic staff

The University pays a gratuity on retirement, retrenchment or death in special circumstances. In order to estimate the probability of incurring this liability, management make assumptions in respect of the number of University staff that will reach retirement. In addition, to calculate the fair value of the liability the University needs to make assumptions regarding both expected future salary increases and a suitable discount rate. More details on these assumptions are provided in Note 12. The carrying value of the gratuity provision for academic staff at 31 December 2014 was R71.0 million (2013: R56.0 million).

3.2.4. Post-retirement medical aid benefits obligation

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued based on the projected unit credit method. For the purpose of the valuation at 31 December, key assumptions were made in respect of the discount rate, expected inflation on medical aid contributions, expected age of retirements and mortality rates. More details on these assumptions are provided in Note 12.

The carrying value of the post-retirement medical aid obligation at 31 December 2014 was R401.8 million (2013: R333.6 million).

3.2.5. Student fees receivables

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. The estimate of current balances that may be handed over is based on outstanding balances at 31 December of the preceding year as a percentage of the total expected fees. The provision is therefore based on past write-off experience as well as the current year's performance. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2014 was R58.6 million (2013: R55.1 million), refer Note 9.

4. Summary of significant accounting policies

4.1. Foreign currency translation

The consolidated annual financial statements are presented in South African Rands, which is the University's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the exchange currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange currency rate ruling at the reporting date. All differences are taken to surplus or deficit in the year in which they arise.

4. Summary of significant accounting policies (continued)

4.1. Foreign currency translation (continued)

Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss shall be recognised directly in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised directly in surplus or deficit, any exchange component of that gain or loss shall be recognised directly in surplus or deficit.

4.2. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

4.2.1. State appropriations - subsidies and grants

State subsidies and grants for general purposes are recognised as income in the financial year to which they relate.

Subsidies and grants for specific research purposes are recognised as income in the financial year in which they accrue to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately in the Consolidated Income Statement.

Subsidies and grants relating to specific expenses are not offset against the expense but are included in the disclosure of 'State appropriations - subsidies and grants' (refer Note 14).

Where the grant relates to an asset, it is recognised as deferred revenue and released to income in equal annual amounts over the expected useful life of the relevant asset.

4.2.2. Designated income from contracts, grants and donations

Revenue received for designated specific purposes arises from contracts, grants and donations. Such revenue is recognised in the Consolidated Income Statement in the financial period in which it accrues to the University in accordance with the relevant agreement.

Capital inflows for endowment purposes are included in the Consolidated Income Statement in the period in which they are received.

4.2.3. Tuition and residence fees

Tuition and residence fees charged are applicable to one academic and financial year and are recognised in that year.

4.2.4. Interest income

Revenue is recognised as interest accrues, using the effective interest method which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

4. Summary of significant accounting policies (continued)

4.2. Revenue recognition (continued)

4.2.5. Dividends

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

4.2.6. Rendering of services

Revenue, involving the rendering of services, is recognised to the extent that the service has been provided and it is probable and can be reliably measured. Revenue includes rentals earned, short course fees and club subscriptions. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered.

4.3. Retirement benefits

4.3.1. Defined contribution retirement plan

Employer contributions to the University of Cape Town Retirement Fund are recognised in the Consolidated Income Statement in the year in which they are made.

4.3.2. Medical aid benefits

Employer contributions to a medical aid fund are recognised as an expense in the period during which the employees render services to the University.

4.3.3. Post-retirement medical aid benefits – defined benefit plan

The University has an obligation to provide certain post-retirement medical aid benefits to its eligible employees and pensioners. The University is required to provide a defined amount of the medical aid contribution due. The plan is not funded.

The present value of the future medical aid subsidies for past service costs is actuarially determined annually in accordance with IAS 19 Employee Benefits.

The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions.

The liability is recognised at the reporting date. Any curtailment benefits or settlement amounts are recognised against income as incurred. The defined benefit liability is the present value of the defined benefit obligation. Actuarial gains and losses are recognised in other comprehensive income in the year they arise.

4.4. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

4.5. Research costs

Research costs are expensed as incurred.

4. Summary of significant accounting policies (continued)

4.6. Library acquisitions

Library books and other library materials are written off in the year in which they are acquired.

4.7. Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an asset comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

Subsequently, property plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the University and the cost of the item can be measured reliably.

Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Donated assets are initially recorded at fair value at the date of donation.

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

Property, plant and equipment is depreciated on a straight-line basis estimated to write each asset down to its estimated residual value over the estimated useful lives of the assets which range as follows:

	2014	2013
Buildings	75-200 years	75-200 years
Leasehold improvements	Lease period	Lease period
Land improvements other than buildings	30 years	30 years
Motor vehicles	15 years	15 years
Furniture and equipment	5-50 years	5-50 years
Computers and hardware	5-10 years	5-10 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus in the period in which the asset is derecognised.

4.8. Impairment of non-financial assets

The University assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the University makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4. Summary of significant accounting policies (continued)

4.8. Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

4.9. Financial assets and liabilities

Financial assets and financial liabilities are initially recognised in the Consolidated Statement of Financial Position when the University becomes party to the contractual provisions of the instrument. The trade date method of accounting has been adopted for 'regular way' purchase or sale of financial assets. The trade date is the date that the University commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

Financial assets and liabilities are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition the measurement of financial assets and liabilities depends upon the class of instrument as follows:

Financial assets in the scope of IAS 39 are classified as either available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through surplus or deficit and loans and receivables, as appropriate. The University determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

4.9.1. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that have been either designated as available-for-sale or are not classified in any of the other categories (loans and receivables, held-to-maturity investments and financial assets at fair value through surplus or deficit). Such assets comprise investments in listed equity shares, quoted interest bearing corporate and government bonds, quoted unit trusts, unlisted equity investments and money market deposits.

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in the revaluation reserve (through other comprehensive income) until the investment is de-recognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in funds is included in the net surplus for the period.

4. Summary of significant accounting policies (continued)

4.9. Financial assets and liabilities (continued)

4.9.1. Available-for-sale financial assets (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date.

4.9.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets comprise student fees receivable, accounts receivable in terms of contracts, student loans and loans to employees. These assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents are initially measured at fair value. They are subsequently measured at amortised cost. For the purpose of the Statement of Cash Flows cash and cash equivalents consist of cash on hand and balances at banks, net of outstanding bank overdrafts, and short-term deposits.

4.9.3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are accounted for as held for trading instruments. The Foundation makes limited use of derivative financial instruments such as futures and option contracts to hedge its risks associated with equity exposures.

A derivative is a financial instrument whose value changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into. Subsequent to initial recognition, derivatives are re-measured at fair value.

Fair values are obtained from quoted market prices and dealer price quotations in active markets gains and losses on realisation or re-measurement are recognised in profit or loss. All derivative instruments of the University are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

4.9.4. Financial Liabilities

Financial liabilities comprise accounts payable and accrued liabilities, deposits and interest bearing loans and borrowings.

Accounts payable and accrued liabilities are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

4. Summary of significant accounting policies (continued)

4.9.4. Financial Liabilities (continued)

Deposits provided by prospective and current students are treated as current liabilities until the revenue falls due. Deposits are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the surplus or deficit when the liabilities are de-recognised as well as through the amortisation process.

4.10. De-recognition of financial assets and liabilities

4.10.1. Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the University's consolidated statement of financial position) when:

The rights to receive cash flows from the asset have expired;

The University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the University has transferred substantially all the risks and rewards of the asset, or

(b) the University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the University has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the University continues to recognise the transferred asset to the extent of the University's continuing involvement. In that case, the University also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the University has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the University could be required to repay.

4. Summary of significant accounting policies (continued)

4.10. De-recognition of financial assets and liabilities (continued)

4.10.2. Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is currently a legally enforceable right to set off the recognised amounts; and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.11. Impairment of financial assets

The University assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

4.11.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly, or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Consolidated Income Statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the University will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

4. Summary of significant accounting policies (continued)

4.11. Impairment of financial assets (continued)

4.11.1. Assets carried at amortised cost

In relation to student fee receivables, a provision for collective impairment is made each year based on management's estimate of the amount of total current year student fee debt that it expects to hand over to external debt collectors, and the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over in current and prior years. Impaired debts are derecognised when they are assessed as uncollectible.

4.11.2 Available-for-sale financial assets

In the case of financial instruments classified as available-for-sale (AFS), objective evidence would include a significant or prolonged decline in the fair value of the investment below cost.

'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment is recognised and measured as the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised. Reversals of impairments in respect of equity instruments classified as available-for-sale are not recognised in profit; but are recognised directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss is reversed through the income statement.

4.12. Investment in associates

The University's investment in its associate company is accounted for using the equity method of accounting. An associate is an entity over which the University has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or jointly control these policies. If the University holds, directly or indirectly, 20% or more of the voting power of the investee, it is assumed that the University has significant influence unless it can be clearly demonstrated that this is not the case.

Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the University's share of the surplus or deficit of the associate after the date of acquisition. The University's share of the surplus or deficit is recognised in the surplus for the year.

If the University's share of losses of an associate equals or exceeds its interest in the associate, the University discontinues recognising its share of further losses.

4. Summary of significant accounting policies (continued)

4.1.2 Investment in associates (continued)

After the University's interest is reduced to zero, additional losses are provided for, and a liability recognised only to the extent that the University has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses, the University determines whether it is necessary to recognise any additional impairment loss with respect to the University's net investment in the associate.

Where there has been a change recognised directly in the equity of the associate, the University recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Funds. Unrealised gains and losses resulting from transactions between the University and the associates are eliminated to the extent of the interest in the associate. The reporting dates of the associates and the University are identical and the associate's accounting policies conform to those used by the University for like transactions and events in similar circumstances.

4.13. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the replacement cost of inventories. Cost is determined in accordance with the weighted average cost method.

Inventories are made up of consumables.

4.14. Provisions

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

Where the University expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

4.15. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of; whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependent on a specified asset;
or
- (d) There is a substantial change to the asset.

4. Summary of significant accounting policies (continued)

4.15. Leases (continued)

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

4.15.1. University as a lessee

Finance leases, which transfer to the University substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the University will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

4.15.2. University as a lessor

Leases where the University does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5. Property, Plant and Equipment

Year ended 31 December 2014

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
Carrying amount						
01 January 2014	1,529,825	388,308	36,736	17,949	239,261	2,212,079
Cost						
Cost 1 January 2014	1,691,561	578,710	101,452	28,832	239,261	2,639,816
Additions	66,556	108,590	27,087	4,414	100,320	306,967
Transfers	185,740	-	-	-	(185,740)	-
Disposals	(1,073)	(13,030)	(3,271)	(1,010)	(73)	(18,457)
Cost 31 December 2014	1,942,784	674,270	125,268	32,236	153,768	2,928,326
Accumulated depreciation						
Balance 1 January 2014	161,736	190,402	64,716	10,883	-	427,737
Disposals	(577)	(8,962)	(3,063)	(631)	-	(13,233)
Depreciation charge	22,504	33,319	13,463	2,129	-	71,415
Balance 31 December 2014	183,663	214,759	75,116	12,381	-	485,919
Carrying amount						
31 December 2014	1,759,121	459,511	50,152	19,855	153,768	2,442,407

Year ended 31 December 2013

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
Carrying amount						
01 January 2013	1,476,067	345,759	27,329	19,283	172,241	2,040,679
Cost						
Cost 1 January 2013	1,619,354	521,845	100,600	30,285	172,241	2,444,325
Additions	55,062	78,509	21,489	3,000	85,484	243,544
Transfers	18,464	-	-	-	(18,464)	-
Disposals	(1,319)	(21,644)	(20,637)	(4,453)	-	(48,053)
Cost 31 December 2013	1,691,561	578,710	101,452	28,832	239,261	2,639,816
Accumulated depreciation						
Balance 1 January 2013	143,287	176,086	73,271	11,002	-	403,646
Disposals	(639)	(13,954)	(18,047)	(2,134)	-	(34,774)
Depreciation charge	19,088	28,270	9,492	2,015	-	58,865
Balance 31 December 2013	161,736	190,402	64,716	10,883	-	427,737
Carrying amount						
31 December 2013	1,529,825	388,308	36,736	17,949	239,261	2,212,079

5. Property, Plant and Equipment (continued)

A register of land and buildings is available for inspection at the business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the approval of the Minister of Higher Education and Training. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act. The University's buildings and land improvements have an insured value of R11.5 billion (2013: R9.8 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R72.7 million (2013: R73.9 million).

	2014 R'000	2013 R'000
6. Investments		
Investments comprise the following categories:		
AVAILABLE FOR SALE INVESTMENTS		
Listed investments		
Local equities	1,514,573	1,447,428
Collective investment schemes	52,969	640,916
Local mutual funds	33,539	18,805
Local capital markets	679,995	396,124
International investments	1,232,513	1,137,890
Mutual funds	838,789	789,459
Collective investment schemes	393,724	348,431
Unlisted investments		
Money market deposits — local	600,581	71,513
Money market deposits — international	569	60
Straight Access Technologies Holdings (Pty) Ltd (16%)	7,500	7,500
Total available for sale investments	4,122,239	3,720,236
FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Listed investments		
Local equity-linked derivatives	3,809	11,504
TOTAL INVESTMENTS	4,126,048	3,731,740

No investments have been pledged as security during the current year.

Fair value hierarchy

As at 31 December 2014, the University held the following financial instruments measured at fair value. The University uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

6. Investments (continued)

Assets measured at fair value

Year ended 31 December 2014	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Investments				
Local equity shares	1,514,573	1,514,573	-	-
Collective investment schemes	52,969	52,969	-	-
Local mutual funds	33,539	33,539	-	-
Local capital market interest bearing investments	679,995	672,995	7,000	-
Local equity-linked derivatives	3,809	-	3,809	-
International mutual funds	838,789	838,789	-	-
International collective investment schemes	393,724	393,724	-	-
Money market deposits - local	600,581	-	600,581	-
Money market deposits - international	569	-	569	-
Local unlisted entities	7,500	-	-	7,500
Total	4,126,048	3,506,589	611,959	7,500

During the reporting period ended 31 December 2014 (2013: nil), there were no transfers between levels. Derivative instruments are entered into with reputable financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices. The portfolio managers make limited use of futures and option contracts for hedging purposes to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

Level 2 investments consist of call bonds, money market instruments, and equity linked derivatives. Management based the valuation of the call bonds on recent credit ratings of the companies issuing the instruments.

The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The University enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employs the use of market observable inputs. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the University's own non-performance risk. As at 31 December 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The fair values of the remaining AFS financial assets are derived from quoted market prices in active markets. Unlisted call bonds are valued using quoted bond yields.

Level 3 unlisted equity investments were valued based on previous recent market transactions adjusted where necessary for significant changes to the business subsequent to the date of these transactions. As no reasonable change in these adjustments would give rise to a material impact on OCI, no sensitivities to these inputs have been presented.

The fair values of the unquoted ordinary shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments

6. Investments (continued)

As at 31 December 2013, the University held the following financial instruments measured at fair value:

Assets measured at fair value

Year ended 31 December 2013	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Investments				
Local equity shares	1,447,428	1,442,488	4,940	-
Local collective investment schemes	640,916	640,916	-	-
Local mutual funds	18,805	18,805	-	-
Local capital market interest bearing investments	396,124	380,124	16,000	-
Local equity-linked derivatives	11,504	11,504	-	-
International investments mutual funds	789,459	789,459	-	-
International investments collective investment schemes	348,431	348,431	-	-
Money market deposits - local	71,513	71,513	-	-
Money market deposits - international	60	60	-	-
Local unlisted entities	7,500	-	-	7,500
Total	3,731,740	3,703,300	20,940	7,500

7. Investments in associates

The University has the following interest in associates

Name of Associate	% of interest	Nature of activities	Principal place of business
UCT Medical Centre (Pty) Ltd	26	The University has an interest in UCT Medical Centre (Pty) Ltd, which is a private hospital.	Cape Town – South Africa
PST Sensors (Pty) Ltd	45	PST Sensors (Pty) Ltd, is positioned as a technology solutions provider and works with its partners and customers to produce printed silicon electronics.	Cape Town – South Africa

There have been no changes in percentage holding from the prior year.

The University does not account for its share of the losses of the associates if its share of the losses exceeds its interest in the associate. The reversal of the write down of the UCT Medical Centre (Pty) Ltd will commence once the 26% proportional share of the deficit of R16.3 million (2013: R19.03 million) has been eliminated by profits earned.

UCT Medical Centre (Pty) Ltd

	2014 R'000	2013 R'000
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Less: accumulated losses	(2,411)	(2,411)
Carrying value	-	-

7. Investments in associates (continued)

UCT Medical Centre (Pty) Ltd (continued)

Associate's statements of financial position:

	2014 R'000	2013 R'000
Non-current assets	33,429	29,657
Current assets	21,680	18,174
Non-current liabilities	(85,148)	(90,676)
Current liabilities	(11,774)	(9,352)
Net liabilities	<u>(41,813)</u>	<u>(52,197)</u>
Net liabilities	(41,813)	(52,198)
Accumulate losses	(62,841)	(73,183)
Non-distributable reserves	21,028	20,985

The following amounts represent the University's share of assets and liabilities, and the share of profits of the associates.

University share of accumulated losses	(16,339)	(19,027)
University share of net liabilities	(10,871)	(13,571)

	2014 R'000	2013 R'000
Associate's revenue and losses:		
Revenue	88,004	75,133
Cost of sales	(31,814)	(28,674)
Administrative expenses	(51,657)	(44,748)
Net finance costs	(2,954)	(1,557)
Profit before tax	1,579	154
Income tax expense	13,939	743
Profit for the year	<u>15,518</u>	<u>897</u>
University's share of profits (26%)	4,035	233

PST Sensors (Pty) Ltd

The University's share of net liabilities is R163,000 (2013: R190,000) and the share of profit/(losses) of the associate is R30,000 (2013: (R200,000)).

8. Non-current receivables and prepayments

The University of Cape Town Ukukhula Trust	<u>4,468</u>	<u>4,357</u>
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The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 6.12% (2013: 5.52%).

9. Accounts receivable and prepayments

	2014	2013
	R'000	R'000
Research receivables	87,912	75,632
Other trade receivables	42,854	36,974
Trade receivables total	<u>130,766</u>	<u>112,606</u>
Property deposits and guarantees	506	506
Prepayments	20,187	42,375
Prepayment – Tertiary Education Research Network of South Africa (TENET)	-	352
Research funding accrual	51,071	57,695
Sundry receivables *	<u>31,880</u>	<u>28,518</u>
Accounts receivables and prepayments	234,410	242,052
Loans to employees	-	75
Student fees receivables	<u>58,667</u>	<u>55,127</u>
	<u><u>293,077</u></u>	<u><u>297,254</u></u>

Accounts receivables are non-interest bearing and are generally settled on 30 day terms. The trade receivables total is net of the impairment provision.

* Sundry receivables consist of amounts due from UCT societies and organisations, which operate through UCT, but do not form part of UCT's activities. UCT facilitates their transactions on their behalf.

Trade receivables

As at 31 December, the age analysis of trade receivables is as follows:

Amounts in R'000	Up to 30 days	30 - 60 days	60 - 90 days	90 -180 days	180 days plus	Total
2014	69,001	22,064	15,246	12,965	11,490	130,766
2013	44,121	24,838	15,991	19,876	7,780	112,606

Debtors past 60 days are considered past due but not impaired. See note 18.5 on credit risk of trade receivables, which explains how the University manages and measures credit quality of trade receivables.

As at 31 December, trade receivables at a nominal value of R4.6 million (2013: R4.2 million) were impaired and fully provided for.

Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired R'000	Collectively impaired R'000	Total R'000
At 31 December 2012	937	858	1,795
Charge for the year	4,019	-	4,019
Used	(531)	-	(531)
Unused amounts reversed	<u>(398)</u>	<u>(646)</u>	<u>(1,044)</u>
At 31 December 2013	4,027	212	4,239
Charge for the year	4,343	20	4,363
Used	(2,486)	-	(2,486)
Unused amounts reversed	<u>(1,542)</u>	<u>-</u>	<u>(1,542)</u>
At 31 December 2014	<u><u>4,342</u></u>	<u><u>232</u></u>	<u><u>4,574</u></u>

9. Accounts receivable and prepayments (continued)

Student fees receivable

The student fees receivable is net of impairment provision. The rate of interest charged to students was a fixed rate of 1% (2013:1%) per month. This rate of interest is charged on prior year unpaid student fees and on current year outstanding student fees that are not paid by 30 June of the current year.

As at 31 December, the age analysis of student fees receivables, all of which are due, is as follows:

All amounts in R'000	2014 Fees	2013 Fees	2012 Fees	2011 Fees	Total
2014	50,261	5,686	1,918	802	58,667
All amounts in R'000	2013 Fees	2012 Fees	2011 Fees	2010 Fees	Total
2013	48,438	4,444	1,376	869	55,127

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2015 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

As at 31 December, student receivables with a nominal value of R36.1 million (2013: R29.1 million) were impaired and fully provided for.

Movements in the provision for impairment of student fees receivables were as follows:

	2014 R'000	2013 R'000
	Collectively impaired	
Balance at 1 January	29,156	26,092
Charge for the year	12,580	7,000
Unused provision released	-	-
Used	(5,660)	(3,936)
Balance at 31 December	<u>36,076</u>	<u>29,156</u>

10. Cash at bank and cash equivalents

Cash at bank and in hand	33,605	47,221
Short-term bank deposits - Local	<u>1,330,481</u>	<u>1,004,061</u>
	<u>1,364,086</u>	<u>1,051,282</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hour notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

At 31 December 2014, the University had no available undrawn borrowing facilities (2013: R Nil).

The weighted average effective interest rate on local short-term bank deposits was 6.12% (2013: 4.50%).

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are as stated above.

11. Deferred revenue

11.1 Government grants

	2014 R'000	2013 R'000
At 1 January	366,928	316,426
Received during the year	116,211	58,105
Released to the income statement	<u>(3,344)</u>	<u>(7,603)</u>
	479,795	366,928
Current portion	<u>(3,307)</u>	<u>(2,580)</u>
At 31 December	<u><u>476,488</u></u>	<u><u>364,348</u></u>

This represents capital grants for infrastructure received from the Department of Higher Education and Training (DHET). These grants must be spent in accordance with the provisions of the projects as approved by the DHET.

11.2 Project Income

Project income		
At 1 January	8,872	4,739
Received during the year	12,295	21,027
Released to surplus for the year	<u>(8,872)</u>	<u>(16,894)</u>
	12,295	8,872
Current portion	<u>3,307</u>	<u>2,580</u>
At 31 December	<u><u>15,602</u></u>	<u><u>11,452</u></u>

The deferred project income relates to the deferment of project income mainly within the UCT Lung Institute (Pty) Limited.

12. Provisions – employee benefits

Gratuity provision for academic staff	71,000	56,000
Leave provision for administrative and support staff	79,540	74,544
Post-retirement medical aid benefit obligation	<u>401,800</u>	<u>333,600</u>
Total provisions – employee benefits	<u>552,340</u>	<u>464,144</u>
Current portion – gratuity provision academic staff	(2,500)	(2,500)
Current portion – leave provision for administration and support staff	(22,998)	(22,034)
Current portion – post-retirement medical aid obligation	<u>(16,100)</u>	<u>(16,000)</u>
Total current provisions – employee benefits	<u>(41,598)</u>	<u>(40,534)</u>
Total non-current provisions – employee benefits	<u><u>510,742</u></u>	<u><u>423,610</u></u>

12. Provisions – employee benefits (continued)

12.1. Gratuity provision academic staff

This relates to the policy to pay a gratuity on death, retrenchment or retirement where a member of the academic staff has not taken study and research leave. Study and research leave may be granted to allow academic staff uninterrupted research work, usually away from Cape Town, and is not regarded as a vacation.

In estimating the liability, management has used the following assumptions in calculating the liability, which are consistent with the prior year:

- Academics 55 years old - Assume all will stay to retirement;
- Academics 45 years old to 55 years old - Assume 70% will stay to retirement; and
- Academics younger than 45 years old - Assume 40% will stay to retirement.

In addition, in order to fair value the liability, management has assumed that future salary increases will be 6.5% per annum (2013: 7.0%) and the discount rate that has been applied is 10% (2013: 9.28%).

A one percentage point change in the assumed rate of increase in future salaries and discount rate would have the following effect on the obligation

	2014		2013	
	R'000	R'000	R'000	R'000
	+1%	-1%	+1%	-1%
Change in liability- salary inflation	8,100	(7,000)	7,200	(6,400)
Change in liability- discount rate	(8,700)	6,000	(6,400)	7,200

12.2. Leave provision for administrative and support staff

An accrual is made for the estimated liability for annual leave as a result of services rendered by professional, administrative and support staff up to reporting date.

12.3 Post-retirement medical aid benefit obligation

The University's obligations towards post-retirement medical aid benefits, determined in terms of IAS 19 Employee Benefits, are set out below.

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 9% (2013: 9.6%); expected inflation on medical aid contributions of 8.50% (2013: 8.75%). Post retirement mortality is based on PA (90) ultimate mortality tables rated down three years (2013: 3 years).

It is assumed, in both the current and prior year, that 2.5% of members present will retire at each age from 55 to 59 and ages 61 and 62; and 15% of members will retire at age 60; and 10% of members at ages 63 and 64 will retire; with all the remaining members retiring at age 65. The expected average remaining working lives of the employees participating in the scheme is 19 years (2013: 19 years).

12. Provisions – employee benefits (continued)

12.3 Post-retirement medical aid benefit obligation (continued)

	2014	2013
	R'000	R'000
Defined benefit obligation	401,800	333,600
The net expense recognised in surplus is as follows:	49,000	40,400
- Interest on obligation	33,000	26,200
- Current service cost	16,000	14,200
Actuarial losses in other comprehensive income	28,800	600
Actuarial loss/(gain) due to demographic factors	3,700	(5,000)
Actuarial loss on financial factors	25,100	5,600

Reconciliation of the change in the present value of the defined benefit obligation:

Defined benefit obligation at start of year	333,600	302,700
Interest on obligation	33,000	26,200
Current service cost	16,000	14,200
Actuarial losses	28,800	600
Benefits paid by the University in respect of funding obligations	(9,600)	(10,100)
Defined benefit obligation at end of year	401,800	333,600

It is estimated that the benefits payable in respect of funding obligations in 2015 will be R12.6 million (2014: R10.7 million).

A one percentage point change in the assumed rate of increase in medical aid inflation would have the following effect on the defined benefit obligation:

	2014		2013	
	R'000	R'000	R'000	R'000
	+1%	-1%	+1%	-1%
Liability	67,600	(54,300)	54,800	(44,200)
Service cost	5,000	(3,700)	4,000	(3,100)
Interest cost	6,500	(5,200)	5,700	(4,500)

A 50 basis point change in the discount rate would have the following effect on the liability

	2014		2013	
	+0.5%	-0.5%	+0.5%	- 0.5%
Liability	(29,200)	32,900	(23,700)	26,600

The estimated liability for the current and previous four periods is as follows:

All amounts in R'000	Post-employment medical benefits				
	2014	2013	2012	2011	2010
Defined benefit obligation	401,800	333,600	302,700	221,500	187,600

12. Provisions – employee benefits (continued)

12.3 Post-retirement medical aid benefit obligation (continued)

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2014 R'000	2013 R'000
Within the next 12 months	16,100	16,100
Beyond 12 months	385,700	317,500
Total liability	<u>401,800</u>	<u>333,600</u>

13. Accounts payable and accrued liabilities

	2014 R'000	2013 R'000
Trade payables	77,621	68,916
VAT	33,697	2,411
Accrued expenses	45,939	71,672
National Research Foundation grant deposit	98,600	84,400
Payroll	45,430	40,555
Other payables	17,949	14,988
	<u>319,236</u>	<u>282,942</u>
Financial liabilities	279,343	274,497
Non-financial liabilities	39,893	8,445
	<u>319,236</u>	<u>282,942</u>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. The National Research Foundation grant deposit is based on the expenditure claim rate against grants awarded to grant holders at the University and is given to bridge the financing of NRF funded research projects. Regular expenditure claims ensure the preservation of the capital of the grant deposit and the interest earned from such investment support the administration and management of NRF- RISA research funding at the University.

14. State appropriations-subsidies and grants

	2014 R'000	2013 R'000
Subsidy for general purpose	1,044,332	1,069,510
State grants and contracts	479,826	285,990
Subsidy on interest and redemption on state guaranteed loans	-	21
State infrastructure grant	3,344	7,603
	<u>1,527,502</u>	<u>1,363,124</u>

There are no unfulfilled conditions or other contingencies attaching to the subsidies and grants that have been recognised above.

15. Interest and dividends

	2014	2013
	R'000	R'000
Bank interest	89,083	68,721
Interest income on accounts and other receivables	35,825	28,784
Interest on available-for-sale investments	85,652	67,977
Total interest	210,560	165,482
Dividends	46,308	41,062
	<u>256,868</u>	<u>206,544</u>

16. Personnel costs

All amounts in R'000	2014		
	Academic Professional	Other	Total
Wages and salaries	915,192	980,084	1,895,276
Termination benefits	14,468	15,049	29,517
Pension costs	123,147	128,095	251,242
Post-retirement medical aid benefits	24,017	24,983	49,000
	<u>1,076,824</u>	<u>1,148,211</u>	<u>2,225,035</u>

All amounts in R'000	2013		
	Academic Professional	Other	Total
Wages and salaries	846,457	869,878	1,716,335
Termination benefits	4,502	4,627	9,129
Pension costs	125,166	128,629	253,795
Post-retirement medical aid benefits	19,924	20,476	40,400
	<u>996,049</u>	<u>1,023,610</u>	<u>2,019,659</u>

Average number of persons employed during the year	2014	2013
	Number	Number
Full time	4,750	4,245
Part time	1,379	1,842
Students	1,552	1,573
Total	<u>7,681</u>	<u>7,660</u>

These numbers do not include people employed on the joint staff by the Provincial Government of the Western Cape or the National Health Laboratory Services.

17. Other operating expenses

	2014 R'000	2013 R'000
The following items are included in the operating surplus:		
Other operating expenses:		
Library acquisitions	58,707	52,258
Repairs and maintenance	128,026	123,921
Software costs	32,614	32,002
Auditors' remuneration	5,726	5,337
Current year - annual financial statements	2,980	2,871
- prior year under provision	114	222
- other audit services	2,632	2,244
Lease expenses	34,655	36,625

18. Financial risk management objectives and policies

The University's principal financial instruments comprise available-for-sale financial assets, fair value through profit and loss financial assets, accounts receivables, student fees and loans receivable; cash and short-term deposits, accounts payable and accrued liabilities.

The University manages a substantial portfolio of financial assets with a long term view to growing the portfolio in order to provide financial stability and support for new initiatives and strategic choices.

The University may enter into derivative transactions. The University's portfolio managers make limited use of futures and option contracts for hedging purposes only to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

The University has various other financial assets and liabilities such as accounts and student fee receivables and accounts payables, which arise directly from its operations.

Forward exchange contracts may be entered into to mitigate risks relating to transactional currency exposures.

It is, and has been throughout the year under review, the University's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the University's financial instruments are market, credit and liquidity risk.

Council, through its finance and investment committees, reviews and agrees policies for managing each of these risks which are summarised below.

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price, currency and interest rate risk.

The University's exposure to market risk relates primarily to its available-for-sale financial assets. These financial assets are invested in terms of a considered strategy adopted by the University Council and the Board of Trustees of the UCT Foundation, advised by the Joint Investment Committee. The strategy takes into account the risk profile of the individual endowed funds and allocates investment to appropriate asset classes. Portfolios are then allocated to selected portfolio

18. Financial risk management objectives and policies (continued)

18.1 Market risk (continued)

managers who operate under defined mandates. The investment decisions made and performances of these managers are closely monitored by the Joint Investment Committee.

This Committee comprises trustees of the Foundation, members of the University's Council and external members with specific expertise relating to investments. The Committee meets quarterly and receives reports from investment managers on a cyclical basis.

In addition, the Committee has employed the services of an actuarial firm, Towers Watson (Pty) Limited, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

Internal checks are performed regarding the income received and the purchase and sale of investments as reflected on the portfolio statements.

18.2 Price risk

The following table demonstrates the sensitivity of the University's financial assets that are subject to price risk to a reasonable possible change in market values, with all other variables held constant.

All amounts in R millions

Market variance

At 31 December 2014

	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
Local equities	151.5	75.8	15.2	(75.8)	(151.5)	(303.0)
Collective investment schemes	5.3	2.6	0.5	(2.6)	(5.3)	(10.6)
Local mutual funds	3.4	1.7	0.3	(1.7)	(3.4)	(6.8)
Local capital markets	68.0	34.0	6.8	(34.0)	(68.0)	(136.0)
Local unlisted equity investments	0.8	0.4	0.1	(0.4)	(0.8)	(1.5)
International mutual funds	83.9	41.9	8.4	(41.9)	(83.9)	(167.8)
International collective investment schemes	39.4	19.7	3.9	(19.7)	(39.4)	(78.7)

Market variance

At 31 December 2014

	Impact of these variances on profit or loss					
	+10%	+5%	+1%	-5%	-10%	-20%
Equity-linked derivatives	(15.8)	(7.9)	(1.6)	7.9	15.8	31.6

All amounts in R millions

Market variance

At 31 December 2013

	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
Local equities	144.7	72.4	14.5	(72.4)	(144.7)	(289.5)
Collective investment schemes	64.1	32.0	6.4	(32.0)	(64.1)	(128.2)
Local mutual funds	1.9	0.9	0.2	(0.9)	(1.9)	(3.8)
Local capital markets	39.6	19.8	4.0	(19.8)	(39.6)	(79.2)
Local unlisted equity investments	0.8	0.4	0.1	(0.4)	(0.8)	(1.5)
International equities	78.9	39.5	7.9	(39.5)	(78.9)	(157.9)
International mutual funds	34.8	17.4	3.5	(17.4)	(34.8)	(69.7)
International collective investment schemes	144.7	72.4	14.5	(72.4)	(144.7)	(289.5)

Market variance

At 31 December 2013

	Impact of these variances on profit or loss					
	+10%	+5%	+1%	-5%	-10%	-20%
Equity-linked derivatives	(12.9)	(6.4)	(1.3)	6.4	12.9	25.7

18. Financial risk management objectives and policies (continued)

18.3 Interest rate risk

All of the University's interest-bearing borrowings are at fixed rates of interest. The University has a number of receivables (i.e. student fees and loans to employees). For the 2014 year students were charged interest at a fixed rate of 1.0% per month (2013: 1.0%). Interest charged on loans to employees is linked to the prime rate. The amounts owed by staff are negligible.

The University holds a substantial amount of interest bearing investments and interest earning bank deposits. Interest risks relating to the University's investments are managed and monitored by the Joint Investment Committee in the same manner as outlined above.

The following tables demonstrate the sensitivity of the University's financial assets that are subject to interest rate risk to a reasonable possible change in interest rates, with all other variables held constant.

All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on funds employed					
	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
Holdings at 31 December 2014						
Interest bearing collective investment schemes and bonds	124.2	58.9	28.7	(27.3)	(53.5)	(102.1)
Holdings at 31 December 2013						
Interest bearing collective investment schemes and bonds	161.5	76.5	37.3	(35.5)	(69.3)	(132.2)
All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on net surplus					
	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
Holdings at 31 December 2014						
Money market and call deposits	12.0	6.0	3.0	(3.0)	(6.0)	(12.0)
Cash and cash equivalents	27.3	13.6	6.8	(6.8)	(13.6)	(27.3)
Holdings at 31 December 2013						
Money market and call deposits	1.4	0.7	0.4	(0.4)	(0.7)	(1.4)
Cash and cash equivalents	21.0	10.5	5.3	(5.3)	(10.5)	(21.0)

18.4 Foreign currency risk

The University reflects no exposure to foreign currency risk in respect of available-for-sale financial assets because the risk is embedded in its international financial asset holdings, which are exposed to market price risk. The University is exposed to foreign currency risk through certain accounts receivable and payable denominated in foreign currencies. All of the above holdings are in major international currencies.

The University is also exposed to foreign exchange risk to the extent that it does not take forward cover for foreign currency transactions in the course of operations. The University does not have a policy that requires such cover to be taken.

At year end the University had R39.1 million (2013: R38.3 million) of trade receivables and had R0.24 million (2013: R0.23 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

18. Financial risk management objectives and policies (continued)

18.5 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The University trades only with recognised, creditworthy third parties. It is the University's policy that all customers who wish to trade on credit terms are subject to random credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the University's exposure to bad debts is not significant, and there is no significant concentration of credit risk at year end. At year end the maximum exposure is R135.3 million (2013: R116.8 million), and it is the amount before the recognition of the provision for impairment.

The University has stringent policies with respect to not allowing students with outstanding fee balances to either graduate or to register for the new academic year. The outstanding fees balance at year end is widely spread amongst numerous students indicating no particular concentration of credit risk.

With respect to credit risk arising from the other financial assets of the University, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the University's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The University places cash and cash deposits only with major financial institutions with good credit ratings.

18.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The timing and nature of the University's cash inflows and outflows are such that liquidity problems are unlikely to arise. Furthermore, the University has access to funds through either its holding of short-term bank deposits or the un-endowed investments portfolio in the event that any unforeseen events occur. The cash flow position is monitored by management on a weekly basis by means of a cash flow statement.

The table below summarises the maturity profile of the University's financial liabilities at 31 December based on contractual undiscounted payments.

All amounts in R'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
At 31 December 2014					
Trade and other payables	-	279,343	-	-	279,343
At 31 December 2013					
Trade and other payables	-	274,497	-	-	274,497

18. Financial risk management objectives and policies (continued)

18.7 Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the University's financial instruments.

Financial assets	Fair Value		Carrying Value	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Cash	1,364,086	1,051,282	1,364,086	1,051,282
Available-for-sale investments	4,122,239	3,720,236	4,122,239	3,720,236
Financial instruments at fair value through profit and loss	3,809	11,504	3,809	11,504
Account receivables	213,718	198,818	213,718	198,818
Loans to employees	-	75	-	75
Student fees receivable	58,667	55,172	58,667	55,172
Financial liabilities				
Accounts payable and accrued liabilities	311,069	274,497	311,069	274,497
Student deposits	56,236	49,482	56,236	49,482

Management assessed that carrying amounts of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Market values have been used to determine the fair value of listed available-for-sale and financial instruments at fair value through profit and loss financial assets. Fair value of the unquoted ordinary shares has been estimated using recent equity transactions. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

18.8 Capital management

The capital of the University comprises both restricted funds designated for specific purposes and unrestricted funds, being funds that can be employed by Council at its discretion.

The University has a healthy relationship of reserves to assets, however it must be remembered that much of the asset base is held in designated investments and in property which has restricted alienability.

The University's policy is to apply conservative financing. Internal loans are used for managerial purposes at a rate appropriate to the inherent risk. Debt is avoided but, where utilised, the policy is to settle in as short a period as possible, not exceeding 10 years, except in exceptional circumstances.

In any event, the operations need to generate a sufficient surplus to meet both the interest on the debt and the capital repayments. This policy is consistent with that adopted in previous years.

19. Commitments

19.1 Capital commitments

Capital commitments at the reporting date but not recognised in the financial statements are as follows:

All amounts in R'000	Contracted	Approved but not contracted for	Total
New Engineering Building	-	15,286	15,286
School of Architecture - Refurbishment	15,949	-	15,949
Teaching and Learning Building	212	-	212
New large lecture theatre	54,457	-	54,457
Little Theatre	8,973	-	8,973
Palm Court – extra floor	12,743	-	12,743
Classroom Facilities	26,273	57,298	83,571
Other	12,897	53,099	65,996
Total 2014	<u>131,504</u>	<u>125,683</u>	<u>257,187</u>
Total 2013	<u>89,356</u>	<u>224,398</u>	<u>313,754</u>

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 18.8 above, utilising current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the use of the R476.5 million (2013: R366.9 million) of Government grants reflected as deferred revenue in note 11.

19.2 Operating lease commitments - University as lessee

The totals of future minimum lease payments under non-cancellable operating leases are as follows:

Year ended 2014	Within 1 year	2 to 5 years	Total
Photo copying machines	2,647	2,277	4,924
Jammie Shuttle	14,442	-	14,442
Rental of properties	18,911	-	18,911
	<u>36,000</u>	<u>2,277</u>	<u>38,277</u>
Year ended 2013			
Photo copying machines	1,817	608	2,425
Jammie Shuttle	15,363	-	15,363
Rental of properties	17,474	-	17,474
	<u>34,654</u>	<u>608</u>	<u>35,262</u>

19.3 Operating lease commitments - University as lessor

The University has entered into non-cancellable commercial property leases. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Year ended 2014	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	<u>3,991</u>	<u>2,294</u>	<u>-</u>	<u>6,285</u>
Year ended 2013				
Rental of premises	<u>5,011</u>	<u>4,429</u>	<u>-</u>	<u>9,440</u>

20. Cash generated from operations

	Note	2014 R'000	2013 R'000
Reconciliation of net surplus to cash generated from operations:			
SURPLUS FOR THE YEAR		675,946	335,046
Adjustments for:			
Depreciation	5	71,415	58,865
Non-cash donations		(1,771)	(383)
Release of deferred revenue	11	(3,344)	(7,603)
Change in employee benefits		58,796	25,939
Increase in employee benefit provisions		87,596	26,539,
Actuarial losses on Post-Retirement Medical Aid		(28,800)	(600)
Utilisation of TENET prepayment		-	352
Loss on sale of property, plant and equipment		5,028	11,472
Investment income – interest	15	(210,560)	(165,482)
Investment income – dividends	15	(46,308)	(41,062)
Finance costs		-	1
Profit on sale of investments		(290,656)	(221,328)
Fair value movement on fair value through profit and loss financial instruments		2,160	22,122
Impairment of available-for-sale investments		43,158	26,429
Changes in working capital			
Accounts receivable, prepayments and loans		4,234	(32,194)
Inventories		42	(134)
Accounts payable, accrued liabilities and deposits		49,778	22,970
Cash generated from operations		<u>357,918</u>	<u>35,010</u>

21. Remuneration of key management

The following disclosure, as required by the Minister of Higher Education and Training, relates to compensation paid to members of the University's executive management team. Remuneration is based on the annualised cost of employment to the University and comprises total cost to the University.

EXECUTIVE MANAGEMENT TEAM DURING 2014					
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Performance bonus	Total for other services
Dr M R Price	Vice-Chancellor	*2,818,638	*3,090,343	200,000	-
Professor D P Visser	Deputy Vice-Chancellor	1,796,631	1,796,631	95,000	-
Professor S Klopper	Deputy Vice-Chancellor	1,796,631	1,796,631	192,000	-
Professor R T Nhlapo	Deputy Vice-Chancellor (1 January 2014 – 30 September 2014)	1,796,631	*1,540,663	-	-
Professor C A Soudien	Deputy Vice-Chancellor	1,796,631	1,796,631	-	-
Professor F W Petersen	Dean: Engineering and the Built Environment (1 January 2014-30 September 2014)	1,795,632	1,339,555	-	-
Professor F W Petersen	Deputy Vice-Chancellor (01 October 2014 – 31 December 2014)	1,786,074	448,908	-	714,430
Associate Professor S Shay	Dean: Centre for Higher Education Development	1,302,420	1,302,420	-	-
Dr M A Sienaert	Executive Director - Research Office	1,408,023	1,408,023	150,000	-
Professor D Ross	Dean: Commerce	1,513,622	1,513,622	65,000	-
Professor S Buhlungu	Dean: Humanities	1,408,022	1,408,022	48,000	82,158
Professor P J Schwikkard	Dean: Law	1,408,022	1,408,022	-	-
Professor W R J Baets	Director: Graduate School of Business	1,711,337	1,711,337	65,000	147,900
Professor E O Uliana	Executive Director: Finance	1,916,158	1,916,158	-	224,317
Ms G Kruger	Executive Director: Communication and Marketing	1,408,021	1,408,021	61,000	-
Dr R Ally	Executive Director: Development & Alumni Affairs	1,407,900	1,407,900	46,000	89,265
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,408,022	1,408,022	150,000	-
Mr H T Amoore	Registrar	1,408,391	1,408,391	115,000	-
Mr A Theys	Executive Director: Property & Services	1,267,218	1,267,218	-	-
Dr M B M Khan	Executive Director: Student Affairs	1,408,021	1,408,021	30,000	-
Ms G M E Thomas	Executive Director: Libraries	1,408,021	1,408,021	-	-
Ms M Hoosain	Executive Director: Human Resources	1,408,021	1,408,021	75,000	-
Professor W De Villiers	Dean of Health Sciences	2,256,659	2,256,659	-	-
Professor A P Le Roex	Dean: Science	1,513,622	1,513,622	161,000	-
Professor B Downing	Acting Dean: Engineering and the Built Environment (1 October 2014 - 31 December 2014)	1,408,022	352,005	-	-

21. Remuneration of key management (continued)

EXECUTIVE MANAGEMENT TEAM DURING 2013					
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Performance bonus**	Total for other services
Dr M R Price	Vice-Chancellor	*2,599,663	*2,867,950	117,000	-
Professor D P Visser	Deputy Vice-Chancellor	1,681,303	1,681,303	125,000	-
Professor S Klopper	Deputy Vice-Chancellor	1,681,303	1,681,303	125,000	2,895
Professor R T Nhlapo	Deputy Vice-Chancellor	1,681,303	*1,916,373	-	-
Professor C A Soudien	Deputy Vice-Chancellor	1,645,000	1,645,000	-	-
Associate Professor N Yeld	Dean: Centre for Higher Education Development (1 January 2013 – 30 June 2013)	1,202,604	601,302	-	-
Associate Professor M R Madiba	Acting Dean: Centre for Higher Education Development (1 July 2013 – 31 August 2013)	236,640	39,440	-	-
Associate Professor S Shay	Dean: Centre for Higher Education Development (1 September 2013 – 31 December 2013)	1,202,604	400,868	-	-
Dr M A Sienaert	Executive Director - Research Office	1,300,112	1,300,112	70,000	-
Professor D Ross	Dean: Commerce	1,397,620	1,397,620	175,000	-
Professor F W Petersen	Dean: Engineering and the Built Environment	1,649,191	1,649,191	75,372	-
Professor M P Ensor	Dean: Humanities	1,414,969	1,414,969	-	-
Professor S Buhlungu	Dean: Humanities (1 November – 31 December 2013)	1,300,113	216,685	-	-
Professor P J Schwikkard	Dean: Law	1,300,112	1,300,112	50,000	-
Professor W R J Baets	Director: Graduate School of Business	1,580,182	1,580,182	85,000	209,420
Professor E O Uliana	Executive Director: Finance	1,794,156	1,794,156	-	257,050
Ms G Kruger	Executive Director: Communication and Marketing	1,302,201	1,302,201	100,000	-
Dr J McNamara	Executive Director: Development & Alumni Affairs (1 January 2013 – 31 August 2013)	1,300,113	866,742	-	-
Dr R Ally	Executive Director: Development & Alumni Affairs (1 September 2013 – 31 December 2013)	1,300,000	541,667	-	-
Mr I B Janse van Rensburg	Information & Executive Director: Information & Communication Technology	1,300,112	1,300,112	-	4,800

21. Remuneration of key management (continued)

EXECUTIVE MANAGEMENT TEAM DURING 2013					
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Performance bonus**	Total for other services
Mr H T Amoore	Registrar	1,300,454	1,300,454	-	-
Mr J W R Critien	Executive Director: Property & Services (1 January 2013 – 30 November 2013)	1,300,112	1,191,769	-	-
Mr A Theys	Executive Director: Property & Services (1 December 2013 – 31 December 2013)	1,170,100	97,508	-	-
Ms M B M Khan	Executive Director: Student Affairs	1,300,112	1,300,112	20,000	-
Ms G M E Thomas	Executive Director: Libraries	1,300,112	1,300,112	40,000	-
Ms M Hoosain	Executive Director: Human Resources	1,300,112	1,300,112	140,000	35,700
Professor S H Kidson (1 January 2013 to 31 July 2013)	Acting Dean of Health Sciences	598,848	349,328	-	-
Professor W De Villiers	Dean of Health Sciences (1 July 2013 – 31 December 2013)	2,025,400	1,012,700	-	-
Professor A P Le Roex	Dean: Science	1,397,620	1,397,620	115,000	-

* This includes R423,151 (2013: R426,097) being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his package as Vice-Chancellor and R193,940 (2013: R235,070) being the deemed value for reporting purposes of the house provided to the Deputy Vice-Chancellor.

**Performance bonus reflects the remuneration approved by the remuneration committee for the year in which the services were rendered to the University. The comparative figures were reported based on the actual cash paid during the period and have therefore been restated to ensure consistency and to more appropriately reflect the measure of the services rendered by the employees during the year under review.

Disclosure, as required by the Minister, is made up of the following lump sum payments in excess of R249,999.

Purpose/reason for payment	Name	Position held	Amount R'000
2014			
Leave encashment at retirement	Prof Nhlapho	Deputy Vice Chancellor	1,256,971
2013			
Leave encashment at retirement	Dr J McNamara	Executive Director: Information & Communication Technology	459,970
Leave encashment at retirement	Mr J W R Critien	Executive Director: Property & Services	505,816
Leave encashment at retirement	Prof M Jacobs	Dean: Health Sciences	***280,875

*** Professor M Jacobs retired at the end of the 2012 financial year but her leave payout occurred in January 2013. No remuneration is paid to members of Council for services as Council members, membership or attendance at meetings, nor is it the policy of the University to pay those whom it appoints as board members, trustees or directors of related or affiliated entities.

21. Remuneration of key management (continued)

The following table represents the disclosure required in terms of IAS 24 in respect of key management:

Compensation of key management	2014	2013
	R'000	R'000
Short-term employee benefits	32,909	26,276
Post-employment pension	7,224	7,225
Termination benefits	<u>1,257</u>	<u>1,247</u>
Total compensation paid to key management personnel	<u>41,390</u>	<u>34,748</u>

The post-employment pension reflected above for key management represents payments made to the University's retirement fund.

22. Retirement benefits

University of Cape Town Retirement Fund

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R251.2 million (2013: R253.8 million). The expense is disclosed in Note 16.

The Fund was formed on 1 January 1996, after the majority of employees had elected to transfer from the Associated Institutions Pension Fund, a defined benefit plan underwritten by the State.

23. Lessee improvements

23.1 Groote Schuur Hospital

The Groote Schuur Hospital, located in the Cape Town suburb of Observatory, has been built on land owned by the University of Cape Town. The initial 99 year lease has 10 years to run with an option to renew of a further 99 years. Lease income on this property is nominal.

Given the absence of any usufructory rights for 110 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

23.2 Pinewood Village

In a similar manner, the Pinewood Village retirement complex, built in the Cape Town suburb of Pinelands, has been erected on ground owned by the University of Cape Town.

The initial lease of 99 years still has 75 years to run with a renewal option of a further 99 years. The original cost of the land is included under property, plant and equipment.

In terms of the lease, ownership of the buildings will revert to the University of Cape Town at the end of the lease. A modest annual income is received from Pinewood Village.

23.3 Valkenburg Property/Cape Courtyard Hotel

The University's Valkenburg property (a combination of freehold and property over which the University has a long lease) was let to the Courtyard Hotel Group for a 25 year period which terminated on 16 April 2014.

23. Lessee improvements (continued)

23.3 Valkenburg Property/Cape Courtyard Hotel (continued)

The University Council took a decision in mid-2013 to hold this property for the long-term, but to seek either a tenant or a management company to run the hotel for a period of up to 15 years, from 2014. The Courtyard Hotel Group had no tenant rights at the end of the lease period. The cost of the land is included under property, plant and equipment, and ownership of the buildings (erected by the former lessee) vested in the University on 17 April 2014.

Following a Council decision in mid-2014 to seek for a management company, a 15 years management agreement for running the hotel was concluded on 12 January 2015 into with Luxury Hotels International South Africa (Pty) Ltd.

24. Related party disclosures

The related party relationships of the University of Cape Town in terms of IAS 24 are as follows:

- Subsidiary entities (refer Note 2.2 – Basis of consolidation);
- Associate company (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 21); and
- National Government (refer Note 11 and Note 14).

The following related party transactions in respect of subsidiary and associate entities occurred during the year under review:

	2014 R'000	2013 R'000
University of Cape Town Foundation		
Grants to the University of Cape Town	95,691	66,805
Unutilised funds reinvested	11,599	9,680
Management fee	2,568	2,395
Endowed funds received from the University of Cape Town	68,894	24,879
University of Cape Town Lung Institute (Pty) Ltd		
Service transactions rendered to the Lung Institute	949	3,802
Services received from the Lung Institute	3,895	1,785

Council members

Due to the nature of the University's operations and the composition of its Council, the Council takes particular care to avoid conflicts of interest, and has an explicit policy requiring disclosure and reporting. Any transaction with third parties in which any council member has a direct or fiduciary interest is subject to this policy. The Register of Direct and Fiduciary interests is updated at least annually.

25. Events after the reporting period

There have been no material non-adjusting events after the year end date.