



ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS

2013

UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997,

and the Institutional 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

as adopted by Council
14 June 2014

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The Council of the University of Cape Town

EXECUTIVE OFFICERS

Dr M R Price (1, 2, 3, 4 & 6) (Vice-Chancellor)
Professor R T Nhlapo (6, 7) (Deputy Vice-Chancellor)
Professor S Klopper (4, 5, 6) (Deputy Vice-Chancellor)
Professor C Soudien (6, 8) (Deputy Vice-Chancellor)
Professor D P Visser (6) (Deputy Vice-Chancellor)

EXECUTIVE DIRECTOR: (FINANCE)

Professor E O Uliana (4)

REGISTRAR and Secretary to the Council

Mr Hugh Amoore (5)

The COUNCIL as at 14 June 2014 consisted of the Executive Officers and the following members

The Most Reverend N W H Ndungane (1) (Chair)

Ms DJ 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)

Mr Justice IG Farlam (2, 3, 6, 8)

Mr JJ Gauntlett SC

Ms N Gondwe (1)

Mr A Jakoet (3, 4)

Professor S Kidson

Alderman OM Kinahan (1, 5)

Ms L Meyer (1, 7, 8)

Ms R Omar (6)

Justice CME O'Regan (6)

Professor F Petersen (1, 6)

Mr TD Petersen (1, 3, 4)

Dr H Raubenheimer (7)

Ms A Sopitshi

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 the Council

The Council is at mid-term as we adopt these statements and as I write this report.

The University's achievements in 2013 are cause for celebration. Students have performed well, research productivity (and quality) remains on the up, and the contributions made by members of the University through socially responsive work and engaged scholarship speak to the ingenuity and commitment that characterise so much of the University of Cape Town and its staff and students. And we rank first among universities on this continent.

That is not to say that we do not have further work to do. Student success and throughput rates are uneven and not at the levels we wish them to be (although the best in the country); funding and facilities for research place increasing demands on us; and though the University's finances are healthy, they will only remain so if we manage the ship even better than we have done. And on top of this, there is the increasingly daunting financial aid challenge, a challenge that we must meet if access to a UCT education is not to be denied to students who cannot otherwise afford it.

And so in reviewing 2013, I propose to look at the extent to which the Council's key objectives for 2013 were met, to record some of the achievements of 2013, to deal with two significant events after the reporting period, (the changes that are to be made to NSFAS funding in 2015, and adoption by the Council of an integrated physical development framework to guide the University in the period to 2030) and to note some key challenges.

Key Objectives for 2013

At the end of 2009 we set six goals for UCT for the years 2010 to 2014. We are now towards the end of this five-year period.

These goals take 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. It is these two *givens* that I propose to review first.

Teaching and learning:

Our enrolment planning compact with the Ministry and the Department of Higher Education & Training required that we achieve a headcount enrolment of 26 063 students in 2013 (converted to a weighted full-time number, of what are termed *teaching input units* that the State will fund by way of input subsidy, of 58 111). Head count enrolment for 2013 was 26 114^{1 2} while the weighted full-time equivalent total was 62 358³.

This is evidence of two things: good enrolment management (headcount total just over target) and an increase in the load students are carrying (i.e. more students are carrying a full load) as a result of which the teaching inputs number is 4247 above target. This shows further that that enrolments in Science Engineering and Technology (SET) and higher degrees (both of which attract higher multiples when weighted numbers are calculated) have increased, which is what we would have hoped. But it does mean that nearly 7% of the potential teaching input units UCT generated will not generate State funding for 2015.

¹ Of these 26 114 students 8 626 students were postgraduates

² This number is from UCT's unaudited 2013 HEMIS provisional 3rd submission to the DHET. The figure in the final 3rd 2013 HEMIS, due on 31 July 2014, submission may differ. This headcount number excludes the unsubsidised AIM students.

³ This number is also from the 2013 provisional HEMIS 3rd submission.

Key Objectives for 2013 (Continued)

The Senate report on teaching & learning (page 39) deals with completion and success rates in some detail. The Ministerial target success rate⁴ for UCT was 84.4% and the actual achieved was 85.57% overall and 87.68% for undergraduates. The Senate's comprehensive *Teaching and Learning Report for 2012* submitted to Council in late 2013 identified very important teaching and learning challenges, declared a greater commitment to the importance of teaching and learning at UCT, and specified 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. These foundation programmes are supported by earmarked State subsidy. For 2013 we had 647 first-year students in Ministerially-approved foundation programmes (in addition to students in our own foundation programmes) against a target of 590. While we know that we need to extend foundation provision (and in 2014 have done so) what is pleasing is the success rate of foundation students in 2013: overall foundation students achieved success rates of over 80% and in foundation courses the success rate achieved was 85%.

What remains of concern is that the success and throughput rates of Black⁵ South Africans at UCT lag behind those of other students at UCT⁶.

The State's earmarked teaching development grants (UCT received just under R8 million for this in 2013) funded 17 projects in 2013 continuing into 2014 and are but one of many strategies aimed at dealing with this challenge.

Clinical training

The University receives an important earmarked grant to augment state subsidies for clinical training. For 2013/2014 (the University's year 2013) this grant was R38.58 million. Of this, R30.5million (or 79% of the grants) was allocated to fund additional clinical staff to support the medical and allied health professions clinical training programmes. The balance was spent on support staff, equipment, and buildings leaving an unspent balance at year end of R1.1 million for which carry over authority has been sought. This earmarked grant is essential if we are to afford to provide the clinical training future health professionals need.

Research and Innovation

The Council and the Senate have a vision for UCT as a research-led institution in the short-term, moving toward the goal of being a research-intensive university in the long-term. The following figures from the comprehensive 2013 Research Report recently adopted by the Senate on the research work of the University show the extent to which research activity continues to grow.

⁴ Ratio of degree credits obtained to enrolled FTEs.

⁵ In this report I use the terms Black, Coloured Indian and White to refer to the members of the South African population defined in this way

⁶ See also p.44 for details in the report on operations

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

	2010	2011	2012	2013
Accredited publication units	1 188	1 253	1 314.40	1 390 ⁷
Value of research contracts processed by the research office	R550 million	R722 million	R682 million	R978 million
Number of research contracts processed by the research office	1 056	1 360	1 218	1 719
Postdoctoral Research Fellows	235	252	286	302
NRF/DST SARCHI research chairs ⁸	28	28	33	33
NRF rated researchers	336	379	415	457

What these data do not *show is the impact of this work or its quality*; a recent independent study⁹ shows that UCT remains unrivalled among South African universities in *the impact* of its research.¹⁰ And perhaps the most marked indications of *quality* are the number (457) of UCT academic staff who are NRF rated (accepted by their South African and international peers as recognised researchers), the number (35) who are NRF A-rated (those who are recognised as world leaders in their fields) and the number of Y-rated researchers (young researchers) which has grown from 26 in 2008 to 72 in 2013. The 302 post-doctoral students at UCT in 2013 represent a critically important part of UCT’s research endeavour.

An important project that is worthy of mention is work being done to build the next generation of academics. This has been funded by Council appropriations, through donors (principally the Carnegie, Mellon, Ford and Claude Leon Foundations) and most recently by the earmarked State Research Development Grants. This has enabled the University to mount our programme for emerging researchers.

Outreach, social responsibility 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. We also undertook to direct the University’s expertise towards what the Senate terms ‘engaged scholarship’ i.e. scholarship that seeks to engage with, and address, the issues facing our society. The detailed 2012 report illustrating this work came to Council in December 2013 and gave a range of examples of how members of the University are working to apply their scholarship to the benefit of communities.

⁷ The final HEMIS audited count was not available at the date of this report, but is expected to exceed this number.

⁸ SARCHI chairs are funded by the DST through the NRF as part of the South African Research Chairs Initiative

⁹ Johan Mouton’s *A Bibliometric Analysis of the State of Research at UCT*

¹⁰ UCT’s number of accredited publication units is not the highest of South African universities.

Financial strength and financial performance

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

Council has a comprehensive financial plan, (published on the UCT website) which foregrounds the following principles.

1. Targeting 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. Requiring each of (i) the staff housing and (ii) the student housing operation to cover its full costs and provide resources for long-term maintenance and the expansion of stock. New stock may be underwritten by the capital budget and is evaluated as described above for structural capital items. Unless explicitly agreed by Council, capital and financing costs for additions to student housing or staff housing stock are met by the budget for student or staff housing respectively.
6. Holding free cash at a level between 20% and 30% of recurrent operating expenditure.

How have we fared in 2013?

Council-controlled operations resulted in a small surplus (R40 million) (compared to R134 million in 2012) of the overall operating surplus of R335 million. *Recurrent operations*, a subset of this – which we target to generate a 3% surplus - generated a deficit of R57 million.

Student housing, while it generated a surplus of R9.4 million, was unable to meet its (internal) debt repayment obligations.

Capital expenditure for 2013 was R244 million, within the limits of the budget and affordability.

For the 4th consecutive year *free cash* reserves are within the guidelines in our financial policy.

What does this mean?

The financial review and the financial statements give the full picture. In summary, we entered 2013 with a small, planned budgeted deficit on *recurrent operations*, and ended the year with a variance of less than one tenth of a percentage, and a small surplus on Council-controlled operations. That surplus was *not* the 3% surplus on recurrent operations that we target for long-term financial sustainability. But *free cash* remains within the targeted range, and we have maintained the discipline of not applying revenues from investments to recurrent operations.

On the other hand, we have a budget for 2014 that is very tight, and that again does not predict the desired surplus on *recurrent operations*. And, following the reduction in state subsidy in 2012 and in 2013, we have had a further reduction in real terms for 2014. The basis of *State funding* is under review following the publication of the report of Cyril Ramaphosa's Ministerial Committee's report. Financial aid is an important part of our strategy, and the future level of support for UCT students from the National Student Financial Aid Scheme (NSFAS) also remains uncertain.

All this points to the importance of managing growth and the budget.

The Vice-Chancellor and his team have task teams in place to tackle these issues. We have a strong balance sheet. We have sound fiscal discipline. And there is recognition 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.

Capital projects, capital spend and State Grants for infrastructure

(a) State Infrastructure funded grants

We have recently submitted a detailed report to the Minister on the work done in 2013 with State infrastructure funding. A summary of what has been achieved is included as a note at the end of my report. The progress has been good. The major development achievement in 2013 was the completion of the New Engineering Building in the 3rd quarter of 2013 bringing much needed relief to a fast-growing area of teaching and research. The major disappointment was our failure to obtain planning approval for the much-needed large lecture theatre for which we have an infrastructure grant; we are now engaging with the heritage and planning authorities in the hope that this will be resolved, and allow construction to begin before the end of 2014. The major outstanding infrastructure challenge in this phase of development is to acquire the Rustenburg Junior School (in part by building a new junior school adjacent to the senior school).

(b) Other capital and capital-related expenditure

The 2013 budget made provision for capital and capital-related expenditure of R145 million (not including the University's commitments to the projects funded in part by infrastructure grants) together with R13 million for capital-related expenditure related to students housing.

An important but relatively small part of this allocation (less than 20%) was devoted to the first phase of a multi-year classroom renewal project. This has already made a significant improvement to the teaching environment, and we were able to allocate a further R28.5 million to this project for 2014 in the 2014 capital budget of R145 million. Capital expenditure is kept within affordability limits and the terms of Council's financial policy. All appropriations for building works are approved in advance by Council as required by the Act.

The six strategic goals set in 2009

The six goals which aim to give UCT a distinct edge and ensure our relevance, encapsulate Max Price's vision which he articulated upon assuming the Vice-Chancellorship in 2008. It is important to note that these six goals assume our over-riding commitment to teaching and learning, to research and to social responsiveness and engaged scholarship. We will be reviewing these six goals during 2014, and progress is summarised in the Vice-Chancellor's self-assessment (see below). But the list of these will give a sense of why they are important to the type of University we hope to be. These six goals, appropriately ambitious and challenging, are:

- 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 throughput¹¹;
- 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.

¹¹ Throughput defined as the proportion of an incoming class that leaves UCT with a degree.

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

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. Many of our students are able to afford tuition and housing fees; but for other students who come from poorer homes, a place at UCT would be an unrealisable dream without a comprehensive financial aid scheme. The State's National Student Financial Aid Scheme (NSFAS) makes an important contribution, but Council believes that in order to cater for all students deserving of a place at the University we must add significantly to what the State provides. In 2013 undergraduate students received R505 million in support, through or from UCT; corporate and external sources provided R229 million, NSFAS R117 million and the Council approved appropriations from UCT funds of R104 million (up from R79 million in 2012). Endowment revenues and other sources added R56 million. This funding allowed bursary and loan funding to those most in need. The extent to which the University must find additional funding, the uncertainties in relation to the future of NSFAS funding, and the year-on-year real reduction in State subsidy that we have experienced in the past decade (with the result that tuition fees make up an increasing proportion of our income) all point to the enormous challenge that we face in continuing to meet our commitment to ensuring equitable access.

Qualifiers

The following table illustrates the numbers of qualifiers for the 2013 academic year. It also shows the extent of UCT's contribution to producing graduates.

	2008	2009	2010	2011	2012¹²	2013¹³
U.G. Diplomas	112	315	288	331	208	192
3yr B degrees	1 556	1 544	1 685	1 738	1942	1 870
Professional B degrees	1 362	1 267	1 294	1 339	1389	1 440
PG Diplomas (pre HEQSF)	646	884	861	937	964	408
Honours & New PG Dips	828	820	874	937	957	1674
Master's	836	868	1 009	1 085	1080	1203
Doctors	151	178	160	163	199	208
Total qualifiers	5 491	5 876	6 171	6 530	6739	6 995
Total students	22 608	24 012	24 772	25 301	25 805	26 114

The following table shows what the University achieved in 2013 against the targets set for UCT in the DHET's enrolment planning cycle.

¹² These 2012 figures are derived from the final 2012 audited submission and reflect an increase in the numbers given in my 2012 report.

¹³ These data are taken from UCT's preliminary reports for 3rd, HEMIS; the audited HEMIS return, due on 31 July 2014, may show small differences.

	Target	Achieved
Headcount enrolment	26 063	26 114
Weighted Full-time equivalent enrolment (funded teaching input units)	58 111	62 358
Graduate total	6768	6995
Success rate (<i>FTE credits as % of FTE enrolled credits</i>)	84.4%	85.57%
Undergraduate success rate (<i>FTE Credits as % of FTE enrolled credits</i>)	84.4%	87.68%

University rankings

We have a mixed response to university rankings. They have inbuilt biases, and they by definition fail to recognise the very different missions of many universities, but they do reflect how UCT ranks among universities of the type UCT aspires to, and they do tell us how we are perceived internationally. It is thus appropriate that we monitor our position in these rankings, and reflect on the reasons behind changes in our ranking. The 2013 rankings again placed UCT first on this continent. The GSB continues to achieve significant peer support, and remains ranked in the Financial-Times' surveys as having the top MBA on the continent and among the world's top 100.

	2008	2009	2010	2011	2012	2013
The Times Higher Education (THE) World University rankings	179	146	107	103	113	126
Quacquarelli Symonds (QS) world university rankings	179	146	161	156	154	145
Shanghai Jiao Tong Ranking of World Universities	Top 300	Top 300	Top 300	Top 300	Top 300	Top 300

Governance

In July 2014 we as a Council reach mid-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.

We hold office for four-year terms, with the exception of the student members who now hold office for one year, and the Vice-Chancellors (DVCs) who are members *ex officio*. Although 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.

At the end of 2012 Parliament passed far-reaching changes to the Higher Education Act that relate to the way in which University Councils govern and that gave rise to concern. A process is now underway involving the Department of Higher Education & Training (DHET), the collective body of chairs of Councils (the University Councils' Chairs' Forum of South Africa – UCCF-SA) and Higher Education South Africa (HESA), which, we hope, will lead to a rational dispensation, balancing the need for Councils to act autonomously with the need for public accountability. We have also made representations for revisions to the regulations in terms of which we report annually to the Minister and through the Minister to the public for our stewardship.

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. The University Ombud, Zetu Makamandela-Mguqulwa, has been instrumental in helping several other higher education institutions think through how best to establish truly independent offices. The Ombud reports direct to me, as Chair, and to the deputy Chair of Council; her office's role is to ensure that all the members of UCT not only are, but see themselves as being, treated equally and fairly.

Admissions policy

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 of the University, including in both national and international media. This debate is rigorous and vigorous, as it should be, and it remains far from concluded. In view of its importance, it seems appropriate that the state of this debate is summarised.

For 2013/2014 our undergraduate redress admissions policy was unchanged; it was designed to ensure

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

Admissions Policy (Continued)

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 2014 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 in an open admissions category and our redress policies did not apply to them, together with international applicants (except where we imposed a limit on international numbers in a class.)

We applied our redress measures to those South African applicants who choose to place themselves in one of the above categories relating to previously-disadvantaged groups.

The objectives of our undergraduate admissions policy for 2014/2015 remain the same but rather than asking applicants to self-classify themselves in race categories many would rather not, we will apply our redress admissions policies to applicants where one of both of the applicant's parents were classified as black South African, Indian South African, Coloured South African or Chinese South African under apartheid.

Research on a redress policy that might move away from race, or in addition to using race (which was the basis for past discrimination), might use other measures of past and present disadvantage has continued and follows on the report presented to Council at the end of 2012 by a Council-appointed Commission headed by a former Council member and former President of the Supreme Court of Appeal, Craig Howie. The report has been placed in the public domain as the *Howie Report* at: www.uct.ac.za/downloads/email/HowieReportonStudentAdmissions.pdf

This has led to the adoption by Council in June 2014 of a new undergraduate redress and admissions policy for 2016, which will use other measures of disadvantage, while retaining race (as defined by whether an applicant's parent was classified as Black, Coloured, Indian or Chinese under apartheid).

Admissions Policy (Continued)

The Council's unequivocal commitment 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 remain.

Transformation

The Council has recently received a comprehensive report on transformation, much of which is summarised in the Vice-Chancellor's self-assessment report (pp.17 to 20) in which he acknowledges that there has been little change in demographic representation at the levels of professor and associate professor. This is an area that clearly requires more attention. It will do so during 2014 as the University must devise a new employment equity plan for the period 2015 to 2020.

Challenges for the year ahead

Our most important challenges relate to: our students who are our first priority; ensuring that we attract and retain talented staff; the need to transform our institution; the need to maintain the University's financial well-being; and the need to provide outstanding leadership and exemplary governance. In 2014 we have the added challenge of taking stock of the six strategic objectives we set in 2009 and charting a course for the balance of Max Price's Vice-Chancellorship (to June 2018) and beyond.

Students

Our first priority is our students. We have a duty to:

- Ensure that we have a fair and defensible admissions policy that makes effective provision for redress and identifies the applicants who have the potential not only to succeed but to do well;
- Ensure that our fee policies, financial aid policies and budgets, and student housing provision (both University-provided and that which we mediate and that is provided by others) meet our needs and the needs of our students, an area of responsibility that is increasingly daunting given both the uncertainties of NSFAS funding and the increasing reliance we have to place on tuition fees to balance the budget in the light of year-on-year real reductions in State subsidy; and, most importantly,
- Ensure that our students get the support that they need to succeed - both inside and outside the classroom.

Leadership and transition

This Council is now mid-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 has been reappointed as a Deputy Vice-Chancellor. The search for a successor to Professor Nhlapo who retires in 2014 is underway. Two new deans (Sakhela Buhlungu in Humanities and Suellen Shay in the Centre for Higher Education Development) began initial five-year terms of office at the start of 2014. And the Vice-Chancellor has initiated the succession processes for the posts of Registrar and Executive Director Finance which will fall vacant at the end of 2015 on the retirement of the present incumbents.

Ensuring effective governance and ensuring good governance

As a Council we must ensure effective governance and give attention to ensuring both that the University's finances are sound and that they are properly applied to meet the University's needs.

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, Owen Kinahan, the SRC President (Mangi Gondwe) 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 Finance Committee (chaired by a former deputy chair of Council, 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

14 June 2014

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 within budget

We expect the extensions and renewals to the **Architecture Building (budget R52 million)** to be complete in July 2014 within budget. The agreed 1st year undergraduate enrolment target (85 BAS) has been met in 2014.

Extensions and renewals to the **Civil Engineering Building**: completion is due in the 2nd term of 2014 and will add 7200 assignable square metres (ASM's) of space, and is expected to be within budget. This is an R84.4 million project (assisted by a DHET grant of R40.9 million). The teaching facilities in this building will be taken into use in the 2nd term of 2014.

Nuclear Engineering: the presentation of the undergraduate nuclear engineering courses continued as in previous years during 2013, with 18 students participating. The development of a viable long-term strategy has been initiated.

Research laboratory equipment for life sciences

This equipment grant has enabled the 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 fully occupied by the first day of the first semester 2012. 564 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 R415m. (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 and we have 223 students.

Disability /Universal access

The grant of R1,43 million will ensure improved universal access. For example new classrooms have been provided with induction loops to allow students, who are hard of hearing, to receive audio signals, the lecturer's voice and sound recordings. We expect to complete this in 2014

Cooperative Projects: housing

A small block of flats was acquired during 2012. The extension and upgrade of this block at a cost of R26, 3 million (of which R5,5million is in the form of a DHET infrastructure grant) is planned for completion in December 2014 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 has been applied 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 Heart works 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 - R26.779m

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

Teacher Education R55m

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 R55m allocation for this. The order of magnitude of costs at this stage is R200m. 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 commenced in December 2013 with completion scheduled for August 2014. The estimated cost of the project is R13.4m of which DHET has contributed R6.0m and UCT R7.4m. The project is expected to be completed within budget.

New major upper campus lecture theatre

This project has not progressed beyond Stage II as planning permission was refused. The appeal has not been concluded, but a provisional alternative plan has been given informal approval by the relevant heritage authority, and we hope to be able to start work in the 2014 December vacation. The original estimated cost for the project was R52m of which DHET has contributed R21.2m

Self-assessment by the Vice-Chancellor of performance for the year ending December

The executive-level goals for 2013 were endorsed by the Council of the University, and this assessment reflects on some of the key initiatives undertaken in 2013 by the executive team. The latter comprises the Vice-Chancellor, Deputy Vice-Chancellors, Deans, Executive Directors and the Registrar. The institution's performance is the aggregate of a number of individual performances.

At the highest level, our goals are to implement already agreed strategies including the following:

- Internationalisation with a particular focus on our African connections.
- A strong focus on undergraduate success through academic development programmes, the first-year student experience, residence-based activities and financial aid.
- Increased numbers of post-graduate students and an improved post-graduate experience.
- Increased volume, quality and impact of research, *inter alia* through stronger international links.
- Institutional transformation, particularly through an affirming institutional climate and an appropriate student admissions policy.
- Impacting on major social problems with a particular focus on school education, violence, poverty and inequality and climate change.

Senior staff appointments in 2013

- Dean of Health Sciences – Professor W de Villiers
- Dean of Humanities – Professor S Buhlungu
- Dean of Higher Education Development – Associate Professor S Shay
- Executive Director of Development and Alumni – Dr Russell Ally
- Executive Director of Properties and Services – Mr Andre Theys
- Finance Department Executive Group – Mr Ashley Francis
- Finance Department Executive Group – Mr Shai Makgoba
- Renewal of Vice-Chancellor's appointment for a second 5-year term
- Renewal of the appointment as Deputy Vice-Chancellor, Professor D Visser
- Renewal of the appointment as Director of the Graduate School of Business, Professor W Baets

Note: of the seven *new* senior appointments, six were from designated groups, five being black.

Internationalisation

At the broad internationalisation level, UCT has been positioned as a key European Union (EU) partner in funded projects. UCT is a participant in several EU-funded collaborations: EMA2SA; EU-SATURN; EUSA-ID; Intra-ACP ARISE; Intra-ACP PAMAPS; Intra-ACP ERMIT.

In terms of the *Afropolitan* niche, UCT maintained a high-level of visibility for our continental partnerships by continuing the vibrant tradition of *Africa Month* celebrations. *Africa Month 2013* was again a huge success in the way it combined scholarly pursuits with cultural self-awareness. The programme of events covered academic disciplines, sport and culture. The *Big African Debate* featured a high profile panel of African scholars sharing their perspectives on the work of Chinua Achebe in a discussion entitled *Things Fall Apart*. In addition there were lectures, seminars, workshops and film shows taking place throughout the month of May culminating in a two-day exhibition highlighting collaborative research on the continent.

The executive team made visits to Nigeria, Tanzania, Kenya, Uganda and Ethiopia, usually accompanied by academics. The PhD programmes supporting students from other African countries funded by Carnegie and Mellon, and post-doc programmes funded by Claude Leon Foundation all made good progress.

Dedication to quality teaching and learning

- UCT continued in its commitment to ensure high-quality teaching, improving and updating curricula, and supporting students in particular through the launch of the *First-Year Experience*, a year-long, systematic programme to guide and support first-year students.
- A key element of this is an early warning system which alerts faculty to students who may be struggling and offers interventions at an earlier stage of the year.
- A number of courses expanded the use of technology with online lectures and course material in a blended mode and online courses have also been prepared to offer to distance students.
- We formalised the expansion of our financial aid to make sure that students who were offered a place on academic grounds and who were eligible for financial aid, would be funded to study at UCT and live in residence. This has been done with the support from our partners, NSFAS, the corporate sector, philanthropists and alumni donors and foundations. UCT also made significant resources available from its own budget.
- During the year progress was made in drafting a Teaching and Learning Strategy which will help the institution address a range of challenges – including helping the institution respond to higher education policies proposed by government.
- One of the year's marked successes was the progress made on classroom renewal which will continue to roll out in 2014. One of the features of upgraded classrooms will be the videoing of lectures – enabling students (especially those whose second language is English) to review lectures and consolidate their notes.

Research excellence

- UCT's research enterprise continued to grow in the number of publications, DHET units, total research grants raised, three publications per researcher.
- The number of National Research Foundation (NRF) rated researchers and South African Research Chairs also increased. Unfortunately UCT was unsuccessful in its bid for a DST Centre of Excellence.
- Research programmes across the faculties also continued to draw funding from a variety of sources – both locally and internationally. In particular, collaborative research preparatory grants with partners in Worldwide Universities Network (WUN) grew.
- The number of projects in collaboration with community partners through the Research Partners initiative grew.
- Established the Office of Research Integrity, appointed the first incumbent to head the post and approved a battery of research ethics policies.

Growing postgraduate numbers

- In line with UCT's 'size and shape' strategy, undergraduate numbers remained roughly constant, while our postgraduate numbers increased significantly. This forms part of our continuing mission as a research-intensive university.
- Established and made an appointment to the post of Director of Post-graduate studies. She is making a significant impact on: the quality of administrative service to post-graduate students across the institution; assisting with bridging programmes for post-graduates into UCT; improving the effectiveness of recruitment and administration of post-graduate students; and assisting at individual, departmental and faculty levels.

Investing in infrastructure:

- Ongoing infrastructural investment saw millions of rands being spent on expanding and modernising the campus, including the library.
- The New Engineering Building was completed.

Institutional Transformation

- Institutional climate survey (a key measure of transformation)
The results of the staff institutional climate census conducted at the end of 2012 were made available during 2013. The purpose of this survey was to gather information from all staff members about various aspects of the work experience and working environment at the University of Cape Town. The survey followed two surveys conducted in 2003 and 2007. This survey stimulated ongoing discussion and debate on how to continue to improve our working environment and organisational culture. On balance, the survey suggests the institution is generally experienced in positive terms and significantly more favourably than in the previous surveys. However, up to 30% of staff members indicated dissatisfied responses to important facets of the university experience. The greatest source of negativity in the institution is about some (not all) elements of its rewards systems and its conditions of work. The next phase of work has started and will focus on investigating the circumstances behind these responses and discussing and recommending possible solutions and interventions.
- Admissions policy
Significant attention has been given to the review of the student admissions policy. This includes attention to policy design, considering multiple permutations, modelling various scenarios, delivering presentations to faculties and other interest groups, and proposing modifications as the data analysis progressed. The admissions issue is a complex and controversial one, and the policy review at UCT has also contributed significantly to the public discussion and thinking about race through the public engagement in UCT's admissions policy debates. Senate and Council have now (May and June 2014) approved the basis for a new admissions policy for 2016.
- A five year review of employment equity was conducted. This showed minimal change in demographic representation at the levels of professor and associate professor, with much more change at the junior levels. Women are better represented and well represented at junior levels, but not at the most senior. This is in preparation for the new five-year EE plan that must be submitted during 2014.
- The Transformation Services Office, which includes offices dealing reactively and proactively with issues of harassment, disabilities, HIV/Aids, multiple transformation committees, and employment equity, has functioned well.

Commitment to social responsiveness

- The appointment of pro-vice-chancellors and directors of strategic initiatives represents one way in which the University is co-ordinating its multidisciplinary resources to address some of the most pressing problems facing our country and continent: crime and violence, climate change, poverty and inequality, and inadequate schooling.
- Social responsiveness is also embedded in the curriculum. Our academics and students work together with communities in need, to find sustainable solutions to a host of problems – enriching community life and demonstrating the strength in these kinds of partnerships.
- The 2013 Social Responsiveness Report elaborates in detail on teaching oriented forms of engaged scholarship.

Environmental awareness and sustainability interventions

UCT continued in its efforts to be environmentally aware and responsible. Two initiatives that were started in previous years remain on-going:

- Transport: Car Pooling (Ridelink) at UCT: The car pooling scheme came about as we embarked on our Campus Access Management Plan (CAMP) and was one intervention to limit the amount of single occupant motor vehicles onto a Campus, already under severe pressure to provide sufficient parking spaces. We have made some progress in promoting the use of busses (the *Jammie Shuttle*) rather than private cars.
- Electricity emissions account for a significant proportion of the UCT carbon footprint. Retrofitting of new technologies, integrated into daily maintenance regimes which have helped to reduce electricity consumption: these include ongoing electrical lighting retrofitting; hot water cylinders; chillers.

Student Affairs

Once again the university was fortunate to have an excellent SRC elected, whose members contributed actively to all the major committees of the university. Student societies, house committees, sports clubs, and development agencies have been active and popular. The Department of Student Affairs underwent a major 5 year review which has placed it in a financially more secure position.

Acknowledgements

I wish to acknowledge the efforts of the Chairperson and Deputy Chairperson of Council, and external members of Council who chair or are members of University committees, all other Council members, my executive colleagues, the valued staff of UCT and the student leaders who have all contributed to the work of the University in 2013.



Dr Max Price
Vice-Chancellor
14 June 2014

Institutional Forum Report for 2013

Introduction

The Institutional Forum (IF) Report to Council is presented in five sections. The first section reflects on the IF's mandate, and how the IF executed its mandate in 2013; section two examines issues the IF considered in 2013; section three analyses activities and progress made in 2013; section four considers the challenges facing the IF; and section five provides some recommendations.

1. IF mandate

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

- a) the implementation of the [Higher Education] 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
- 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
- f) perform such functions as determined by Council.

The UCT IF met four times in 2013 as per schedule, and once in a special meeting to consider the Employment Equity five-year review.

In assessing the performance of the IF for 2013, a review of the issues it considered and the approach it took in relation to these is important. These will provide a sense of how well the IF is fulfilling its statutory obligations.

2. Issues considered by the IF

Some of the issues considered by the IF during 2013 were:

- The selection processes for:
 - Dean of Humanities
 - Dean of Centre for Higher Education Development (CHED)
 - Executive Director: Properties and Services (P&S)
 - Executive Director: Development and Alumni Department (D&AD)
- The reappointment processes for:
 - Director of Graduate School of Business (GSB)
 - Deputy Vice-Chancellor (DVC) Professor Danie Visser
- Food prices for students on campus, including difficulties students experienced in trying to establish why the food prices were so high, and the tendering process; and
- Employment Equity 5-Year Review. The IF noted the slow progress the university was making in changing the demographic profile. The IF requested a report from Human Resources (HR) which benchmarked UCT with other universities regarding their recruitment strategies for black staff and how UCT has done in relation to its peers in the Higher Education sector.

In addition:

- Regular update reports were received about the progress and results of the Institutional Climate Survey.
- Feedback was given about the progress with regard to the admission policy.

- The IF requested an annual report by HR on performance appraisals and what is in place for staff development especially regarding management and interpersonal relationships.
- The IF reviewed policies in respect of appointments of senior staff
- The IF discussed plans for ongoing dialogue regarding transformation issues, such as a Transformation Charter and UCT as a non-racist community.
- The IF considered a report from Professor Francis Petersen about processes to level out racial imbalances in UCT's committees

3. IF activities and progress

The activities of the IF during 2013 included:

- The IF Workshop held on the 14 February to outline and discuss the role of IF
- Initiation of the development of an integrated transformation website.
- A series of workshops on the topic: "When will we know that UCT has been transformed?"

4. Assessment of the IF for 2013

It should be noted that, as reported in 2012, the IF has no independent resources and budget, and is instead dependent on the Transformation Services Office to fund and manage activities.

The IF is a challenging structure. Its mandate is a difficult one. It has to advise the Council on issues which are central to transformation. Its ability to do this effectively depends on its relationship with Council, its leadership and its members' willingness to take on difficult issues. In 2013 the IF was able to put a number of transformation issues on its agenda. The most challenging of these was the state of transformation at UCT. This debate was given impetus by the Employment Equity Review and the Climate survey. The IF considered these reports and concluded that additional efforts were needed to be taken to understand the issues at UCT.

It must be said that the IF has struggled with attendance and has not always managed to be quorate. Serious attention to this challenge will be given in the first workshop to be held in 2014.

5. Suggestions

Suggestions to improve effectiveness include the following:

- The IF should be able to form and appoint ad hoc task groups to investigate issues and report back.
- The IF should not meet only four times a year, but should engage in continual discussion. These discussions could be a mixture of type where individuals are encouraged to share their views and practices on strategically important topics.
- The IF should conduct or commission annual studies, which benchmark UCT's progress regarding transformation.

Questions which could be asked in the research and annual studies include:

- What discussions is the IF leading in transformation?
- What advice is IF giving to Council? How credible is this advice?
- Is the IF concerned with the student success rate?
- Is the IF concerned with the quality of teaching and learning?
- Is the IF concerned with promoting research?
- Has the IF made any submissions to the development of Standard Operating Procedures?
- Has the IF made submissions to Council regarding the budgeting process in relation to transformation?
- What is the IF's impression of the University's decision-making process?

PP Johnston

ASSOCIATE PROFESSOR
KEVIN JOHNSTON

14 JUNE 2014

PP Crain

MS MARISSA VAN
RENSBURG

Crain

PROFESSOR CRAIN
SOUDIEN

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 1 August 2007, Government Gazette No 30132.

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 330 members in 2013. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

The Council and governance structures provided for in the Act (continued)

The Institutional Forum brings together (in a body of 30) ten student members chosen by the Students' Representative Council, ten staff members chosen by trade 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, trade 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.

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

As is reported below, the delegated authorities are reviewed 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 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 two 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 ordinarily meets six times each year (in 2013 there was an additional special meeting) 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 set out attendance records at Council and EXCO meetings held in 2013.

COUNCIL	March	June	July	Aug	Sept	Dec	%
NWH Ndungane (Chair)	P	P	P	P	P	P	100
DJ Budlender (Deputy Chair)	P	P	P	P	P	P	100
S Barsel	P	P	Ap	Ap	Ap	P	50
G Bloch	P	P	P	P	P	P	100
G Bloor	P	Ap	Ap	Ap	P	P	50
E Brooks	P	P	P	P	P	P	100
Y Dwane	P	Ap	Ap	Ap	P	P	50
MP Ensor	P	P	P	P	P	P	100
I G Farlam	P	P	Ap	P	Ap	P	67
J J Gauntlett SC	P	Ap	P	P	Ap	P	67
M Gondwe						P	N/A
L Hallendorff	P	P	P	P	P		100
A Jakoet	P	P	Ap	P	P	P	83
I Kallon	P	P	Ap	Ap	P		60
O Kinahan	P	P	P	P	P	P	100
S Klopper	P	P	P	P	P	P	100
LY Meyer	P	P	P	P	P	P	100
RT Nhlapo	P	P	P	P	P	Ap	83
R Omar	P	P	Ap	P	Ap	P	67
CME O'Regan	P	Ap	P	P	Ap	Ap	50
F Petersen	P	Ap	Ap	P	P	P	67
TD Petersen	P	P	P	P	P	P	100
MR Price	P	P	P	P	Ap	P	83
H Raubenheimer	P	P	P	Ap	P	P	83
J Rousseau	P	P	P	P	P	P	100
U Rivett	Ap	Ap	Ap	P	P	Ap	33
T Setiloane	Ap	P	Ap	P	Ap	P	50
A Sopitshi						Ap	0
C Soudien	P	P	P	P	P	P	100
D P Visser	Ap	Ap	P	P	P	P	67
S Zungu	Ap	P	Ap	P	Ap	Ap	33

B Zwane	P	Ap	Ap	P	Ap	P	50
	= Not a member for these meetings		P = Present		Ap = Apology		Abs = Absent

COUNCIL EXCO	Feb	April	May	July	Oct	Nov	%
N W H Ndungane (Chair)	P	P	P	P	P	P	100
D J Budlender (Deputy Chair)	P	P	P	P	P	P	100
MP Ensor	P	P	P	P	P	P	100
J J Gauntlett SC	P	P	P	P	Ap	Ap	67
M Gondwe						P	n/a
L Hallendorff	P	P	P	P	P		100
LY Meyer	P	Ap	P	P	P	P	83
T D Petersen	P	P	P	P	P	P	100
M R Price	P	P	P	P	Ap	P	83
	= Not a member for these meetings		P = Present		Ap = Apology		Abs = Absent

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 meet in 2013.

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 2013, 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's 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 2013. 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 submits a comprehensive report 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 2013.

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. This standing committee of Council is made up of one member of the Executive, two members of Council, and members of the academic staff (appointed by Senate) and student representatives. It is chaired by a Deputy Vice-Chancellor and is the structure established in terms of the Act to advise 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 five times in 2013.

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 2013. An external Council member chairs the UHRC.

The University Information and Communication Technology Committee

The University Information and Communication Technology 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 2013.

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 Architecture, 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 twelve times during 2013.

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, elected staff and student representatives. This standing committee advises Senate and Council on strategy and met twice in 2013, 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 University. 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 organisation. 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, though 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 letter 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. Steps have been taken to prepare the University for legislation for the protection of data, if and when the Protection of Personal Information Bill become law and affect data on staff and students.

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, EY, to the extent necessary for expressing an opinion on the Annual Financial Statements, 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 could be improved. These have been brought to the attention of the University Audit Committee (UAC) and of management, and are being attended to. EY 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 risk a particular risk; these instances require the acceptance 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. In prior years, the UAC were concerned about the effectiveness of Internal Audit in fulfilling this role and are pleased to report that the University has taken measures to rectify the situation. 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 from members of Council other than the Executive Officers, staff or students'. Following the constitution of the new Council from 1 July 2012, the membership of the Committee changed. The current and past membership of the Committee, which were and are compliant with the constitution, is set out in the table below. Mr Justice I Farlam, who is an external member of Council and, as such, has direct access to all Council matters chairs the UAC. Council has stipulated that it requires a report from the UAC at every meeting.

Committee structures (continued)

Attendance at University Audit Committee meetings during 2013 is given in the table below.

University Audit Committee (UAC)		April	May	Aug	Nov	%
Mr Justice I G Farlam	Chair & Council Member	P	P	LoA	LoA	50
Councillor G Bloor	Council Member	P	P	Ap	P	75
Ms F Jakoet	Member (independent)	P	Ap	P	P	75
Advocate A C Mopp	Member (independent)	P	P	P	P	100
Dr M R Price	Member (Vice-Chancellor)	P	P	P	P	100
P = Present	Ap = Apology	Abs = Absent	LoA = Leave of absence			

The University also has a standing Risk Management Committee (RMC) that 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 2013 is given in the following table.

Risk Management Committee (RMC)		March	May	July	October	%
Dr M R Price (VC and Chair)		P	Ap	P	Ap	50
Professor E Uliana (Deputy Chair)		P	P	P	P	100
Professor S Klopper		Ap	P	P	P	75
Professor D Ross		P	Ap	P	P	75
Professor F Petersen		Ap	Ap	P	Ap	25
Judge I G Farlam (Audit Committee – assessor)		Ap	Ap	Ap	Ap	0
Mr H T Amoore		P	P	Ap	P	75
Mr JWRCritien		P	P	P	P	100
Dr M Khan		P	P	P	P	100
Ms G Kruger		P	Ap	P	Ap	50
Ms L Rhode (Director Internal Audit – assessor)		Ap	P	P	P	75
P = Present	Ap = Apology	Absent				

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 Assessing and managing risk (continued).

Framework and agreed that a comprehensive view of risk that includes the academic enterprise is required. Accordingly, annual reports will be received from the Quality Assurance Committee (QAC) and the University Research Committee (URC), thus ensuring coverage of the University’s

core business areas. In addition, the RPF increased the existing eight risk domains to eleven by adding Legal Compliance and Litigation, Development and Alumni and Reputational Risk. Legal compliance has become a standing item on the agenda of the RMC.

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 through-put 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 Committee (QAC)

The report from QAC regarding academic risk was reviewed by the RMC at its meeting in February 2013. The RMC was satisfied that the necessary quality assurance mechanisms are in place to mitigate academic risk. These structures range from the systems of internal and external examining to structured regular reviews of academic departments by review panels and the reviews of professional programmes by statutory professional bodies.

University Research Committee (URC)

The URC has established a risk sub-committee and a risk schedule was presented to the RMC in November 2013. The RMC requested that the schedule be updated to include mitigating strategies and additional possible risks concerns which were raised by members for consideration by the sub-committee. The URC did not report into the RMC/UAC cluster in respect of research-related risks during 2013, although the sub-committees revised submission was considered by the URC at its meeting in November 2013.

The RMC is satisfied that steps are being taken to manage identified risks to acceptable levels. A key aspect of research risk is to ensure the appropriate ethical conduct of research. A Senate review of the controls over research and research ethics has been undertaken resulting in the adoption of the following:

- A revised Research Policy;
- A revised code for UCT Research Ethics Committee Members;
- A revised UCT Research Ethics Code for research Involving Human Participants;
- A Register of Ethics Approvals for Research Conducted under the Auspices of UCT;
- Revised Terms of Reference for the Senate Ethics in Research Committee;
- New Operating Procedure for Appeals to the Senate Ethics in Research Committee;
- A revised UCT Research Ethics Code for the Use of Animals in research and Teaching;
- Revised Terms of Reference for the Senate Animal Ethics Committee; and
- New Operating Procedure for Appeals to the Senate Animal Ethics Committee.

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. The register records the identified risk, its possible impact and 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 will lead to greater effectiveness in 2014.

Delegated Authorities

The following lists of delegated authorities were substantially reviewed by both the RMC and the UAC and, following amendment, recommended to Council where they were approved at its December 2013 meeting:

- financial authority limits;
- authorities for human resources;
- authorities for research and research-related contracts;
- authorities related to legal proceedings;
- authorities in respect of Memoranda of Understanding and co-operative agreements;
- authorities in respect of short courses and joint qualifications;
- authorities in respect of development agreements and grant applications; and
- authorities delegated to the Registrar.

The proposed delegation with regards to the Intellectual Property Advisory Committee was referred back to management and will be reconsidered in 2014.

The following policies – part of a comprehensive suite of procurement policies and procedures - were also reviewed by the risk cluster and approved by Council at its December 2013 meeting:

- PPP002 – Purchasing Threshold Policy
- PUR007 – Vendor take on practice
- PG001 - Procurement
- PG002 – Green Procurement
- PUR003 – Purchasing
- PUR004 – Quotations, Tenders and Requests for Proposals
- PUR005 – B-BBEE

In addition to the above, 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 of 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 risk area to be managed in the office of 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 a continuous review of compliance, reporting to each RMC meeting.

Legal compliance continued

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 received 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, we believe, of the establishment of the Groote Schuur Civic Improvement District (CID), which had also lowered 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 our 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 had appropriate insurance cover.

Business Continuity

The RMC has also considered the risks associated with business continuity and identified information technology, fire, epidemics, contamination, student riots, staff riots, 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 a work-in-progress.

Ethics and Fraud Prevention

Council requested that the Ethics Policy be revisited and a revised draft policy submitted, in the light of the requirement for this brought about by an amendment to the Higher Education Act, 1997 (Act 101 of 1997). In addition, a Fraud Protocol, dealing with the responsibilities of the University Community in responding to incidents of theft, fraud or similar criminal offences has been reviewed by the RMC.

Both these documents are currently before the Institutional Forum for review and approval prior to being considered by Council.

Audit Committee

The key responsibilities of the Audit Committee are listed on page 27 in the Council Report on Corporate Governance.

Areas of focus of the Audit Committee

As 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 Committee had adopted the following areas upon which to focus its and management's attention during 2013:

- a) align the internal audit coverage plan to the University's risk schedules;
- b) deal with the tax issues, both PAYE and VAT, raised by our tax advisors;
- c) focus on risk associated with research and related funds; and
- d) focus on the effectiveness of controls and the risk associated with the IT environment.

a) 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 taking into account the available resources and the skills set of current staff, ensuring that appropriate audit staff are 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.

b) Tax risks

Both the Risk Management and Audit Committees 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.

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 is both 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.

Areas of focus of the Audit Committee

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%.

During 2013 the emphasis has been 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.

A further major concern for the sector relates to the VAT treatment of the access fees paid to overseas providers of academic digital media. This aspect is still under negotiation with the SARS.

It must be noted that the purpose of engaging with SARS as an industry has been to reduce VAT risks by eliminating uncertainties. This had been achieved, including having SARS indicate their view on the VAT status of particular research grants.

c) Risk associated with research and related funds

Understanding the drivers of risk in the tax arena motivated the Committee to gain a better understanding of the overall control risks associated with research activity and the related funds. Significant support for the correct use of research funding is gained from the various factual findings audits required by funders.

d) Information Technology

A further area of focus has been to ensure that progress has been made in addressing the issues raised by the independent auditors, particularly in the IT environment. We are happy to report that, while work on this continues, much progress has been made.

e) Business Continuity

As reported above, the Risk Management Committee is, in consultation with management, formulating a business continuity plan for consideration by the UAC and, if approved, by Council. This is a work in progress.

Going Concern

The Committee, having considered the Annual Financial Statements together with managements input thereon, have 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:

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

- 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 regulation will be audited. The focus will be on procurement, contract management and human resources;
- 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 this 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 for 2012 constituted the third in the cycle since the re-appointment of Ernst & Young. As such, the Audit Committee conducted a review of the performance of Ernst & Young over the initial three years of their appointment as the University's independent external auditors. The Audit Committee was satisfied with the performance of EY and recommended their re-appointment for the 2013 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 key 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 2013 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 Education. All accounting

Assurances received and review of the Annual Financial Statements (continued)

policies had been approved by the Audit Committee and there have been no changes to those adopted in previous years, other than those stated in the Annual Financial Statements, which were approved. The independent auditors have confirmed that there had been no irregularities that they had considered reporting to the Independent Regulatory Board for Auditors.



Justice Ian Farlam

Chair of the University Audit
Committee

14 June 2014



Dr Max Price

Chair of the Risk
Management Committee

14 June 2014



Ms Liesle Rhode

Director of Internal
Audit

14 June 2014

Report on UCT operations during 2013 by the Vice-Chancellor

A. TEACHING AND LEARNING

The Senate is responsible for the teaching and research work of the University, including the syllabi, curricula and examinations. The Senate undertakes much of this work through the Boards of Faculty, and the faculty structures that deal with curricula (the programme committees), examinations (the faculty examinations committees) and with students whose academic progress is unsatisfactory (the readmission appeal committees).

2013 has seen UCT strengthen its commitment to Teaching and Learning through various initiatives. Under the guidance of the DVC for Teaching and Learning, the Senate Teaching and Learning Committee made key decisions on the development of a revised Language Policy and Language Implementation Plan, the development of an institutional Teaching and Learning Strategy, the strengthening of governance of sub-committees that contribute to the function of the Committee, the enhancement and improvement of students' learning experiences, the management of DHET Teaching Development Grants, the provision of online learning, the establishing of minimum standards for teaching spaces and technology provision and key national policy that required institutional comment. In addition, UCT is constantly grappling, on various levels, with the matter of keeping up with international trends related to academic planning. A key item on the Agenda for 2014 will be (in line with the goal of improving student learning and success and to promote innovation in teaching and learning) the enhancement of the curriculum to meet the challenges of the contemporary world.

Recurring items on the Action Plan

Following on from the development of an Action Plan in 2012, which is used to frame its activities, the Senate Teaching and Learning Committee has been steadfast in the implementation of the Action Plan, by considering and deciding on matters related to student progression, improvements in teaching, curriculum and assessment and the graduateness of students, meaning not just their preparedness academically, but also to meet the challenges of life. Key developments in this area include:

1. The monitoring of success rates in service courses and courses with historic high failure rates. Preliminary work into this has indicated that the performance of students is distinctive in faculties and a nuanced approach is required to address poor student success rates. This matter continues to receive the Committee's attention and is also subsumed in work funded by the Teaching Development Grants.
2. In support of the commitment to creating an enabling teaching environment, the University's Teaching and Learning Charter continues to be widely disseminated in the institution and in the First Year Experience programme.
3. In support of the commitment to promote innovation in teaching and learning, the Curriculum Review Task Team was established to develop a framework to guide discussions about curriculum review. Developing strategies for the promotion of pedagogical innovation is also subsumed in work funded by the Teaching Development Grants.

Recurring items on the Action Plan (continued)

4. In monitoring the item on strengthening research-enriched teaching, a symposium on case studies of research-enriched teaching was held in October 2013 and the Undergraduate Experience Research Task team was launched in May 2014 and includes a 'good practice' website.

The development of key policies

UCT considered and approved a revised institutional Language Policy and Language Implementation Plan, which was developed by the Language Development Group in CHED.

Significant revision to the original Policy included a signal of UCT's commitment to promoting the scholarship of all South African languages. The Language Implementation Plan sets out the integration of Academic Literacy and English with multilingualism, details the English-plus approach taken in the Policy, and sets out a more formal way of working with faculties, EDU's, the University Library and the Centre of Innovation in Learning and Teaching. The Senate Teaching and Learning Committee appointed a task team to conduct a consultative process in order to draft an institutional Teaching and Learning Strategy that would reflect the strategic goals of the university. In drafting the document, the task team settled on three high-level goals and ten objectives. The Strategy was approved in November 2013, and has been drafted as a living document to be revised with a changing landscape, and to serve as a basis for developing teaching and learning strategies in individual faculties. The institution is also in the process of developing a policy on online learning.

Teaching Development Grants

In line with the DHET's new processes on the management of Teaching Development Grants, UCT's recently developed Teaching and Learning Strategy underpinned the University's submission of proposals for grants for 2014/15 – 2016/17, which would form the Teaching Development Plan. Bids for Teaching Development Grants were selected in accordance with the Strategy, and collated to formulate a Teaching Development Plan, which outlined programmes, projects and activities. The Committee constituted a task team to assist with the task of prioritizing applications for the grants from across the University. Sixty one proposals for Teaching Development Grants were received for 2013. The task team agreed on a list of criteria for selection of proposals, which were applied over a series of meetings and consultation processes and the Plan, was submitted to the DHET on 9 December. A total of 38 proposals were submitted to the DHET.

The Committee resolved to evaluate the effectiveness of the interventions being funded by the Teaching Development Grants. Requests for funding for evaluations were received from three faculties. The applications for 2014/15 include a proposal for building evaluation capacity within the University.

Improving the student experience

The institution is committed to understanding and improving the student experience, and supporting the transition from school to university. It is continuing to support the Laptop Project where budget has allowed. It has also gained some insight into the new undergraduate experience, via the annual New Undergraduate Survey, which endeavours to understand the importance of various factors that influence new undergraduates to apply and register at UCT;

Improving the student experience (continued)

to better understand the immediate parental home circumstances of students, and to probe how new undergraduates are adjusting to the UCT environment. One insight that this has provided, is into career (and therefore) qualification choices that students make. This insight has enabled the Committee to support the work of Career Services to develop further resources to enable students to make informed career choices.

Following on from the development of the First-Year Experience (FYE) project in 2012, the FYE Implementation Plan, and the report of the project were supported by the Teaching and Learning Committee, and faculties were encouraged to integrate work of the FYE into existing faculty processes.

Through the newly established Classroom Facilities Advisory sub-committee the University is supporting the development and establishing of design criteria for teaching spaces and minimum standards for technology provision, and the development of strategies and plans for the building, upgrading and refurbishment of classrooms in accordance with approved design criteria and minimum standards. The sub-committee is also working towards a vision of the ideal classroom for 2020 – 2030, which will consider the design of classrooms that are conducive to active learning and flipping the classroom and the use of blended learning.

Teaching and Learning Conference

The 3rd annual UCT Teaching and Learning Conference took as its theme the slogan “Teach. Engage. Learn.” The conference was attended by at least 250 individuals, although this number excludes both “pop-in” attendees and those who did not register due to late arrival. The programme included 60 presentations from all Faculties and a concluding panel discussion on online learning.

Key themes that emerged included:

- Factors impacting on student success: This included presentations on the importance of language issues, academic literacy and intervention programmes;
- Teaching with technology: This included research involving the inclusion of specific hardware such as laptops or iPads, the use of various feedback tools including backchannels and polling sheets and the implications of technology for pedagogy;
- Social responsiveness through curriculum and pedagogy: This included the research of staff members working through such diverse structures such as HAICU, the Global Citizenship programme, Disability Studies, Drama and Fine Art. This stream is emerging and we hope to afford it further attention in future years;
- Maths and numeracy teaching: This included presentations on the inclusion of edtech tools, using games as a tool for teaching Mathematics, application of Mathematics and the intersection of Mathematics teaching, learning and identity;
- Curriculum development and innovation: This included presentations on the design of capstone courses, problem-based learning as a principle for curriculum design and including experiential learning in the formal curriculum.

Conference attendees had quite specific requests for future conferences, including suggestions regarding timing and the possibility of recording conference.

Expansion of opportunities for ICT's in teaching and learning

2013 saw the lecture recording project piloted in 2012 hit the mainstream with 23 venues being equipped and the total number of published recordings of lectures increasing from 499 in 2012 to 1652 in 2013, with a success rate of 92% in the second semester of 2013. Student usage continues to increase. The total number of users accessing lecture recordings increased by 63%, from 3010 in 2012 to 4916 in 2013.

The Centre for Educational Technology received external funding in March 2012 to fund educational technology expertise for developing learning resources, to pay for training to enable educators to use educational technology more effectively, and to buy and adapt specialised software needed to support specific teaching strategies or learning objectives. A new model for Digital Literacy was successfully piloted in 2013 following the retirement of CompAssess and a broader focus on IT and social media skills needed for academic success, aligned with the First Year Experience project.

The Vice Chancellor's Open Education Resources Project began operation on the 1 May 2013.

The goals of the Vice Chancellor's Open Educational Resources (OER) Project are:

- To populate the UCT Open Content directory with new OERs.
- To experiment with student facilitators as OER ambassadors, actively engaging with lecturers and soliciting content from them.

One student coordinator and five student facilitators were appointed during May and June 2013 and are working through materials from the Humanities, Commerce, Science, and Engineering and the Built Environment Faculties. Thirty four resources were added to Open Content.

Response to developing national policies

The Teaching and Learning Committee facilitates institutional responses to higher education policy. In 2013, all higher education institutions were invited to respond to proposals for a flexible curriculum continued in a discussion document prepared for the Council on Higher Education (CHE). A University-wide workshop was held on 24 October 2013. Three dominant positions emerged, with the ultimate concerns being about issues of implementation and the funding model.

Student numbers

The unduplicated headcount enrolment at the end of 2013 was 26 114.¹⁴ This is the highest in UCT's history and was 1% greater than the 2012 enrolment. The postgraduate enrolment (8 626) represented an increase of 5% over the equivalent enrolment in 2012.

Enrolments in professional first Bachelor's programmes made up 31% of the total undergraduate figure in 2013. Master's and Doctoral enrolments together (5 655 in total) made up 21% of the total student enrolment. Enrolments at the Master's and Doctoral levels (4 237 and 1 428 respectively) both peaked in 2013.

We admitted 3 819 first-time entering undergraduate students. 86% of the NSC writers within this group had attained raw NSC scores equal to or greater than 420 (i.e. at least 70%) which suggests that once again a high quality intake was achieved.

¹⁴ This does not include students registered in the AIM programme as this programme is not subsidised. Tables in the following sections do include AIMS students.

Demographic statistics

Headcount enrolments 2009 - 2013 showing percentage growth on base						
	2009	2010	2011	2012	2013	% Growth
SA Black	5068	5323	5744	6012	6255	23.4%
SA Coloured	3623	3653	3687	3530	3606	-0.5%
SA Indian	1630	1681	1671	1701	1731	6.2%
SA White	8984	9183	8992	8814	8480	-5.6%
International	3821	4171	4268	4802	4319	13.0%
Undisclosed	886	1003	1146	1191	1920	116.7%
Total	24012	25014	25508	26050	26311	9.6%

Amongst the 26 311 students enrolled in 2013, 32% were SA white, 24% were black African, 14% were coloured and 7% were Indian and 16% were international. Whilst SA black enrolments grew by 23,4% between 2009 and 2013, coloured and white enrolments decreased by 0,5% and 5,6% respectively. There was also a marked (13%) increase in international enrolments.

Headcount enrolments 2009 - 2013 by race, showing percentage of total

	2009	2010	2011	2012	2013
SA Black	5068	5323	5744	6012	6255
% of total incl. International	21.1%	22.2%	23.9%	25.0%	26.0%
% of total excl. International	25.1%	25.5%	27.0%	28.3%	28.4%
SA Coloured	3623	3653	3687	3530	3606
% of total incl. International	15.1%	14.6%	14.5%	13.6%	13.7%
% of total excl. International	17.9%	17.5%	17.4%	16.6%	16.4%
SA Indian	1630	1681	1671	1701	1731
% of total incl. International	6.8%	6.7%	6.6%	6.5%	6.6%
% of total excl. International	8.1%	8.1%	7.9%	8.0%	7.9%
SA White	8984	9183	8992	8814	8480
% of total incl. International	37.4%	36.7%	35.3%	33.8%	32.2%
% of total excl. International	44.5%	44.1%	42.3%	41.5%	38.6%
International	3821	4171	4268	4802	4319
% of total incl. International	15.9%	16.7%	16.7%	18.4%	16.4%
Undisclosed	886	1003	1146	1191	1920
% of total incl. International	3.7%	4.0%	4.5%	4.6%	7.3%
% of total excl. International	4.4%	4.8%	5.4%	5.6%	8.7%
Total	24012	25014	25508	26050	26311

This is the % of total, including international students
 This is the % of total, excluding international students

International students					
	2005	2010	2011	2012	2013
Total UCT students enrolled	21356	25014	25508	26050	26311
Total UCT students (excl. SSA)*	20666	24003	24597	25088	25432
Total international students (excl. SSA)	3727	3633	3682	3839	3790
% international students (excl. SSA)	17%	15%	14%	15%	14%
Number of countries represented	96	101	111	112	111
Number of African countries represented	31	35	42	37	40
Total SADC students	2546	2163	2356	2057	2039
% SADC student at UCT	12%	9%	9%	8%	8%
Total Non-SADC International students (excl. SSA)	1181	1470	1326	1782	1751
Total Non-SADC International students from Africa	442	688	644	696	686
Total Study Abroad Students	690	1011	911	962	976
Total International students incl. SSA/non-degree seekers	4374	4644	4593	4801	4766
% All international student registrations at UCT	20%	19%	18%	18%	18%
Total international undergraduates (full degree)	2033	2951	1873	1903	1755
Total international postgraduates (full degree)	1774	1693	1809	1851	1936

* SSA= Semester Study Abroad

International student numbers (excluding SSA students) fluctuated between 3633 and 3839 over the 2010 – 2013 period. In 2013, 111 countries were represented among the international cohort, and 40 of these were countries in the rest of Africa. SADC students made up the largest proportion of international students (54%) whilst international students from other African countries made up 18% of the international enrolment.

Completion and success rates

A total of 6995 students qualified with a degree or a diploma during 2013. Of these 4316 were in the human sciences and 2678 in the natural sciences.

Just over 3% of all undergraduate students were refused readmission on academic grounds at the end of 2013. This figure is slightly lower than that reported over the last few years.

The overall success rate in undergraduate courses in 2013 was 87.7%, which was higher than the 2012 undergraduate success rate of 85.5%. Underlying this undergraduate success rate of 87.68% are the different success rates according to race shown in the following table.

	Black	Coloured	Indian	White & undisclosed
UG success rate in 2013	81.9%	87.9%	88.9%	92.8%

Examination of the longitudinal performance of the 2008 first-time entering undergraduate (FU) cohorts shows the following:

- 68% of the 2008 FU cohort had completed an undergraduate qualification within five years of registering at UCT;
- 16% of the cohort (the same as within the 2007 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 2008 FU cohort was 9% (1 percentage point higher than amongst the 2009 FU cohort).
- 7% of the 2008 FU cohort were still busy with undergraduate studies at the end of 2012. This proportion has stabilised at between 6% and 8% amongst recent FU cohorts. The consistently strong completion rates amongst recent cohorts of first-time entering undergraduates suggest that UCT's persistent focus on throughput and retention continues to yield positive results.

Academic staffing

UCT's 2012 HEMIS staffing submission shows that a total of 929 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents a 11,3 percent increase over the 2009 figure of 834. The fact that student enrolments grew by 9,6 percent over the same period suggests that academic staffing provision has more than kept pace with growth in student enrolments.

The proportion of full-time academic staff qualified at the doctoral level in 2012 was 69%. A further 25% of all academic staff held masters level qualifications. Moreover, 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.

The Libraries

The Libraries are integral to UCT's success at all levels and have a strong visible presence with the Chancellor Oppenheimer Library on the upper campus, nine branch libraries and major research collections such as Manuscripts and Rare Books, African Studies and Government Publications. At the centre of our Libraries are people – our user community that benefits from the magnificent facilities and collections – and the Libraries' exceptional staff who provide services to support research, teaching and learning excellence at UCT.

In 2013, the UCT Libraries strategic plan was further refined to provide a roadmap for transformation and alignment of its strategies to support institutional teaching, learning and research goals and priorities. As the Libraries leadership team continues to align the Libraries to mirror the rapidly changing higher education landscape, our changing support models depend on innovative services and contemporary technology that enable excellence in research, teaching and learning whilst enhancing the user experience.

An important milestone in 2013 was the increasing engagement of the UCT Libraries in open access scholarship. As a result of the CHED Review, the Open UCT Initiative was relocated to the Libraries until the end of the project in 2014. During 2013, the UCT Libraries worked on the concept design for an open scholarship service model and infrastructure that would provide research support services required by the university including data management and preservation services, repository management, setting metadata standards and motivating to establish an open access publishing fund to support publications in DHET approved open access journals. The development of draft policies for Open Access and Research Data Management were included as 2013 strategic projects, amongst a number of projects, to be driven by the Libraries on behalf of the institution, in collaboration with key stakeholders that included the Open UCT Initiative, ICTS and the Research Office.

A second milestone has been the proactive engagement by the Libraries' Staff in building stakeholder relations with the Research Office, Postgraduate Office, ICTS and CHED. Successes include contributions to CHED's programmes for the First Year Experience and Navigating Research Literacies; the establishment of a Bibliometrics Work Group that has contributed towards determining the publication count; citation analysis collaboration; and a successful Savvy Researcher series which was presented in partnership with the Office for Postgraduate Studies. Since early 2013, a joint Research Office/Libraries Task Team has been preparing to host, in 2014, an international conference in research evaluation and performance management.

In 2013, a long term spatial planning horizon remained a strategic priority with work starting on the development of a master plan (2013-2020) for the Libraries' spatial requirements aligned to the Size and Shape Plan for UCT in 2020 and to mirror the changing research and learning landscape. In 2013, a number of milestone library building projects were completed that addressed student study space, increasing Special Collections manuscript storage space with a state-of-the art archive facility and the refurbishment of climate control in user areas. The Libraries and the SRC continued to enjoy good

The Libraries (continued)

working relations in 2013 when a second 24/7 student study zone in the Chancellor Oppenheimer Library with after-hours access to 120 study seats in safe and comfortable library space was opened in time for the 2013 academic year. During the period under review, a total of approximately 1 147 square metres of additional user and operational space was created for the Libraries.

During 2013, a third milestone was achieved with the establishment of the digital collection repository named UCT Scholar and the completion of twenty-one projects that, with the 9 835 digital objects and 10 510 metadata records, showcase these unique special collections by ensuring that the contents are digitally visible and discoverable for the scholarly community. An example of an individual successful collaborative digital collection project is “The William and Yvonne Jacobson Digital Africana Program” between the University of Cape Town and Stanford University Libraries which digitised 600 historically significant Africana maps. Another anchor project in contributing content has been the successful Humanitec Initiative which is a partnership between the Humanities Faculty and Libraries, funded for 5 years (2011-2015) by the Vice-Chancellor’s strategic fund. During the review period, the self-submission of Electronic Theses and Dissertations (ETDs) remained high on the Libraries’ agenda during 2013 for two strategic reasons, namely to improve the visibility and discoverability of UCT’s research output and to position UCT in the global repository rankings. As a result of staff commitment and determination, UCT Scholar entered the Webometric rankings for the first time at number 22 in South Africa and 43 in Africa. It is anticipated that repository ranking will improve as the retrospective ETD project (1924 to 2000) progresses. To date, 4 940 UCT electronic theses and dissertations are available in the repository.

UCT re-affirmed its commitment to the continuation of library and information studies at UCT in 2012. The Library and Information Studies Centre (LISC) is located organisationally within the University of Cape Town Libraries and offers, through the Faculty of Humanities, postgraduate programmes in Library and Information Studies. The past year has seen the continued student growth trajectory and it is encouraging that the UCT model where the Library and Library School are in close proximity, has resulted in a strong synergy between practitioners and educators. The Libraries’ staff contributed to the teaching programme and hosted two successful Students’ Work Integrated Learning programmes in June and September.

The report has highlighted only some of the many achievements of the Libraries’ highly valued staff, the pillars of our success in delivering a wide range of services and ensuring that the collections and facilities are maintained at the highest level of excellence. Challenging, but exciting, developments will continue into 2014 requiring us to find and implement new and different ways to meet them by continuing to innovative our services and facilities and collections.

Research

PERFORMANCE INDICATORS

This section provides a snapshot of our research performance against a range of indicators, including research funding, support to postgraduate students and postdoctoral researchers, the publication count, and NRF rating.

Research income, grants and contracts

Total research income and research contracts concluded in 2013 increased by R65 million (5%), from R1 297 million in 2012 to just over R1 363 million in 2013. This includes an increase of 7% (R64 million) in research income from external sources (R957 million in 2013 compared to R893.8

million in 2012). The number of research contracts approved in 2013 increased by 41% year-on-year (compared to the 12% decrease in 2012 over 2011), with an increase in the value of contracts from R682 million in 2012 to R978 million in 2013 (43% increase). A total of 738 contracts to the value of R644.1 million were entered into with entities from 52 countries in 2013 (compared with R431 million in 2012 and R438.62 million in 2011).

- **Postgraduate studies**

In 2013, 6827 students were registered for honours, masters and doctoral degrees at UCT. Of these, 2521 students (37% of all postgraduate students) received 4374 awards to a total value of R174,688,543.

- **Support for postdoctoral research fellows**

In 2013, 302 registered Postdoctoral Research Fellows (PDRF) received almost R60 million in funding support. This represents an increase of 15% from 2012. The majority of PDRF registrations are in the Science and Health Sciences faculties and financial support in each of these two faculties is over R20 million per sector. Support provided to PDRFs is not confined to the administration of the sector, but includes monitoring of quality of life and advocacy with regard to other issues.

- **Publication Count**

UCT was awarded 1390.89 units for 2013 research publications submitted to the national Department of Higher Education and Training. This represents an increase of 5.8% from 1314.40 units awarded the previous year, and resulted in UCT being placed third in the research output rankings.

- **NRF Rating**

The number of NRF rated researchers at UCT continues to increase and there are currently 457 researchers with a rating (compared to 415 in the previous cycle). During 2013, UCT was awarded one new A rating, bringing the total at UCT to 33.

- **International rankings**

UCT maintained a strong presence in the three main global university ranking systems in 2013 and remains the only institution from Africa to appear in the top 300 of all three systems. UCT was ranked in the Top 150 in the Quacquarelli Symonds (QS) World University Rankings in 2013/14, and featured in the Top 50 universities in four of the QS rankings by subject area. Our ranking on the Times Higher Education (THE) World University Rankings dropped from position 113 to 126. UCT was also the only university in Africa to make the top 300 range of the Shanghai Jiao Tong Academic Ranking of World Universities (ARWU). Our ranking remains a measure of consistently high international standing and reputation. Our positions over the last three years indicate a consistently strong performance relative to the thousands of other universities around the world who are ranked by the system.

RESEARCH FOCUS AND IMPACT

Over the past five years, UCT has specifically recognised 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.

- **DST/NRF SARChI Chairs at UCT**

With an investment value in excess of R1.1 billion since its inception in 2005, the Department of Science and Technology's South African Research Chairs Initiative (SARChI) was designed to strengthen the country's universities to produce high quality research and innovation output, and through this, increase the quality of the training of postgraduate students, thereby contributing more directly to growing the knowledge economy in South Africa. UCT is now home to 33 SARChI Research Chairs.

- **Signature Themes**

UCT's Signature Themes policy is intended to provide a framework for multi-, inter-, and transdisciplinary research to be done at an inter-departmental and inter-faculty basis. The Signature Themes are grounded in existing areas of internationally recognised excellence whilst being aligned to institutional, regional and national priorities. The current Signature Themes at UCT are: African Centre for Cities; African Climate and Development Initiative; Brain and Behaviour Initiative; Drug Discovery; Marine Research Institute; Minerals to Metals.

- **National Centres of Excellence and Competence Centres**

UCT is home to two national Centres of Excellence awarded by the Department of Science and Technology, through the National Research Foundation: the DST/NRF Centre of Excellence at the Percy Fitzpatrick Institute of African Ornithology, "Birds as Keys to Biodiversity Conservation", and the DST/NRF Centre of Excellence in Catalysis, c*change. UCT also co-hosts a node of the DST/NRF Centre of Excellence for Biomedical TB Research. The aim of these centres/nodes is to act as hubs for research and development in fields identified as strategically important to South Africa. UCT also co-hosts the Hydrogen Catalysis Competence Centre with Mintek. The centres/nodes hosted at UCT include members from universities around South Africa. They enjoy significant student involvement and serve as important research training sites for postgraduate students.

- **Research groupings**

At the end of 2013 there were 72 research groupings formally recognised by the University Research Committee at UCT. This includes eight groupings which are jointly accredited by the Medical Research Council and UCT, as well as four new research groupings which received UCT accreditation in the course of the year.

- **Office of Research Integrity**

Administration of research has become increasingly complex, due in part to growing internationalisation and inter-institution collaborations as well as compliance requirements that accompany funding and sponsorship of research. UCT established an Office of Research Integrity (ORI) that began operations in 2013, providing integrated management of UCT's research ethics programmes and related matters of research administration, promoting best practices and the responsible conduct of research.

- **Intellectual property and innovation**

In 2013 there was significant activity around commercialisation activities at UCT. This was evident through increased applications for innovation funding, strategic reviews of intellectual property (IP) funded by the National IP Management Office (NIPMO), the number of spin-off companies that are in the process of being formed, large licensing deals and negotiations around a new Technology Innovation Agency supported Seed Fund. Many of these activities will only bear fruit early in 2014.

The UCT IP portfolio now comprises some 116 patent applications (that are at various stages of application and prosecution, i.e. provisional, PCT and ungranted national phase) and 132 active granted patents. The patents link to 99 different inventions. Invention disclosures were slightly increased at 38 compared to 36 in the past two years.

The number of Licence Agreements (which include Option and IP assignment agreements) entered into in 2013 was the highest yet, with the bulk of the licenses associated with the launch of the Poisons Database "AfriTox™" on new on-line and mobile platforms (24 of the 29 license agreements).

RESEARCH FOCUS AND IMPACT (continued)

During 2013, UCT started the process of licensing, and taking equity in a further spin-off company, Elemental Technologies IP Holdings (Pty) Ltd, established to commercialise the Elemental software that has been developed by Associate Professor Arnaud Malan of the Mechanical Engineering Department.

Over the past 13 years revenue from IP commercialisation has now exceeded R10 million (excluding the value of equity held in spin-off companies).

SUPPORT FOR RESEARCH

The urgent necessity to rebuild the African academy has been identified by a number of key organisations, such as the Academy of Sciences for the Developing World (TWAS), the Association of Commonwealth Universities (ACU), the South African Department of Science and Technology as well as philanthropic donors such as the Carnegie Corporation and the Mellon, Ford and Claude Leon Foundations. It is hoped that UCT's conscious project to champion the contribution that Africa can make to the world and our holistic approach to nurturing academics will be an important cog both in growing the 'next' generation of young people (as well as the 'new' and 'established' generations) that are inspired by the challenge of creating new knowledge through research, committed to Africa, and dedicated to an academic career on our continent.

- **Support for postgraduate students**

The Office for Postgraduate Studies was formally launched in 2013 with the appointment of a Director. This position aims to ensure that the postgraduate sector receives the full spectrum of support required to ensure that students have a positive and valuable postgraduate experience at UCT. A range of new support programmes were initiated in 2013 for postgraduate students as well as postdoctoral researchers. The purpose of these programmes is to set up new (and consolidate existing) opportunities for skills development for postgraduate students (as well as postdoctoral fellows). A comprehensive suite of seminars, workshops, retreats and MOOCs were drawn up and offered.

- **Staff research development initiatives**

UCT offers a range of initiatives to support researchers to complete higher degrees, get published, obtain funding, supervise postgraduate students and generally develop a passion for research. The oldest of these programmes, the Emerging Researcher Programme (ERP), celebrated its 10th anniversary in March 2013. The Postgraduate Supervision Training programme commenced in 2005, the Mellon Visiting and Retired Scholars Mentorship project in 2006, and the Programme for the Enhancement of Research Capacity (PERC) in 2009.

The impact of the ERP is evidenced by its rapid growth since 2003. By the end of 2013, a total of 595 academics had received some form of support from the ERP since its inception and were registered on its database.

2013 marked the fifth year of the existence of the Programme for the Enhancement of Research Capacity in the Research Office, which 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.

Another research development programme funded by the Andrew W Mellon Foundation is the Mellon Visiting and Retired Scholars Mentorship project, which is conceptualised to dovetail with

- **Staff research development initiatives (continued)**

the ERP and PERC to strengthen a next generation of researchers. A one-on-one discipline-specific mentorship relationship is brokered between developing researchers and a visiting or retired scholar.

who commits up to one year of their time to work closely with the mentees. During 2013, 33 mentees participated in eight active mentorships.

- **Building capacity for managing large international grants**

UCT was granted an International Extramural Associate Research Development Award (IEARDA) from the National Institutes of Health (NIH) in the USA. This award is specifically aimed at building the capacity of research managers and administrators at universities in sub-Saharan Africa. From 27 to 31 May 2013, six IEARDA grantees took lead on delivering a workshop in Research Administration and Grants Management for the Francophone African region. The highly successful workshop was conducted in Dakar, Senegal with 22 participants from 15 institutions in 1115 francophone countries. This follows a workshop hosted in Cape Town in late 2012. As a result of this intervention, UCT's access to NIH grants has grown from US\$ 2.6 million in 2010 to US\$ 9.2 million in 2013.

INTERNATIONALISATION OF RESEARCH

Worldwide trends regarding the globalisation of research demonstrate the need for UCT to more actively promote and service connections between UCT scholars of all levels and their peers at international institutions around the world. A number of new international networks were established during the course of 2013, which extended relationships established through the Worldwide Universities Network (WUN).

WUN comprises 19 research-intensive institutions spanning six continents, of which UCT remained an active partner in 2013. Its mission is to be "one of the leading international Higher Education networks, collaborating to accelerate the creation of knowledge and to develop leaders who will be prepared to address the significant challenges, and opportunities, of our rapidly changing world." In order to focus its activities, the WUN identified four Global Challenges: Adapting to climate change; Global public health: non-communicable disease control; Globalisation of higher education and research; and Understanding cultures. Nine WUN research mobility awards were granted during the course of 2013 from UCT funding ring-fenced for this purpose. These awards are aimed at enabling research visits to WUN partner campuses to either strengthen existing research collaboration or to set up future collaborations which may then be funded by other sources. In March 2014, UCT will host the WUN Annual General Meeting (AGM) as well as a range of fringe symposia and meetings related to the above challenge themes.

Social Responsiveness

Implementation of the provincial agreement

A three-year Plan of Action, 2012-2014, was presented at the meeting between CHEC and the Premier and Provincial Cabinet, held at the University of the Western Cape (UWC) in March 2013. Work is underway in all four strategic areas identified in the Plan. These are: Climate change/sustainability and adaptation; Innovation for social inclusion; Education and Training (with a focus on Further Education and Training (FET) Colleges); and Strengthening knowledge partnerships for regional development.

¹⁵ Senegal, Comoros, Guinea, Mali, Benin, Niger, Congo Brazzaville, Burundi, Madagascar, Cote D'Ivoire, Gabon

Implementation of the provincial agreement (continued)

Work in the climate change area was launched with a workshop on 31 October 2012, which was attended by 100 delegates from all four universities, the WCG and the City of Cape Town. The workshop deliberations led to the identification of a number of areas for collaborative work, of which three have been subsequently pursued: green precincts (with focus on the Two River Urban Park); skills development for the green economy, and the nexus between food, water and energy (with a focus on the Berg River).

Two strands are being followed in relation to innovation and social inclusion. The first on digital inclusion, which was launched with a workshop at the Cape Peninsula University of Technology, and the second on social cohesion issues related to problems of gangs, violence, teenage pregnancy and substance abuse.

Several meetings were convened with the Chief Executive Officers of the FET Colleges to try to identify possible areas of collaboration between the FET Colleges and the universities in the Western Cape.

The first dialogue related to strengthening knowledge partnerships took place at the University of the Western Cape. The focus of the workshop was on the role of universities as 'placemakers'.

The Western Cape Government allocated R100 000 to each of the four institutions to stimulate the development of new initiatives in support of provincial priorities. The following three initiatives at UCT received funding.

- **Collaborative research with the Western Cape Education Department**

The Western Cape Education Department (WCED) has employed 4 teams to work with children with severe to profound intellectual disabilities (CSPID) in special care centres (SCCs) in the Western Cape. Each team consists of an occupational therapist, a physiotherapist, a speech language therapist, a psychologist and a learning support educator. The deployment of such a team to the SCCs was as a result of a court action brought against the Government on behalf of these children to promote their human rights to education in the framework of the SA Constitution. The judgment requires the WCED to take incremental steps to ensure that such children have affordable access to a basic education of an adequate quality which entails supporting organizations that provide education to them. UCT will be assisting the Department with research.

- **Vrygrond Community Laboratory Project**

Our Department of Information Systems collaborated with Pforzheim University in Germany and launched the Vrygrond Community Laboratory in 2013. The overall aim of the project is to use knowledge in Information Systems to help the residents of Vrygrond to learn computer, management and marketing skills. This contributes to creating opportunities for growth and jobs by assisting them in finding employment and running their own businesses. In addition, preparation classes for Grades 10 to 12 learners are being offered in the hope of improving educational outcomes. Members of the community are involved in the operations and the maintenance of the laboratory. The project has strengthened partnerships with local NGOs by offering them training, and assisting them to develop their websites.

- **Children's reading and writing workshops with the themes of Heritage and Landscape in Clanwilliam**

The Clanwilliam Living Landscape is a UCT-based Education and Heritage initiative that for over a decade and a half has initiated and managed school and employment projects in the rural town of Clanwilliam. The aim of this component of the project is to bring the excitement and fun of reading

to children and to demonstrate its importance in every aspect of life. There are ten identified 'book points' including farm schools, libraries, school libraries and a travelling book wagon.

Student voluntary activities

Thirteen student organisations actively engaging with external constituencies, namely: Amnesty International (80 members); Black Law Students' Forum (84); Education Development Unit (EDU) Student Organisation (71); Engineers Without Borders (171); Equal Education (104); Golden Future Project (33); Green Campus Initiative (544); Habitat for Humanity (385); Love Your Neighbour (48); Students for Law and Social Justice (119); Students In Free Enterprise (251); SHAWCO Education (1023), and Ubunye (180).

Eleven Sports Clubs organised activities in communities and schools. These were:

- Amy Biehl School Holiday Outreach programme – 120 underprivileged learners between ages 9 and 16, for one week during the mid-year school holidays. Clubs involved, via the provision of coaches, are hockey, basketball, netball, volleyball and soccer.
- Fencing Club – Outreach programme Crystal School.
- Ju-Jitsu – Self-defence workshops on the Health Sciences campus to increase personal safety across campuses and with SHAWCO, has recently started outreach programmes in Khayelitsha.
- Hockey Club – Coached hockey in Khayelitsha on a weekly basis. Transported development players to the UCT AstroTurf, ran coaching clinics, sourced playing kits and equipment and undertook some life-skills training.
- UCT Mountain and Ski Club – Took 15 Grade 10 learners on various outdoor excursions during the year to encourage environmental appreciation and education, and growing leadership skills.
- UMUMBO Rugby – Rugby participation in impoverished areas. The participants are drawn from schools in the Langa and Gugulethu communities. The focus group was Grade 5 learners. The programme reached 24 students in each region, totalling 48 students overall.
- Rowing – Taught not only rowing skills but also life-skills and “learn-to-swim” to 20 female and 20 male learners, aged 13-17 from Oval North and Wittebome Secondary Schools.
- Yacht Club – Taught a group of children from Khayelitsha to windsurf; this project has been running successfully for two years.
- Tennis Club – Growing Tennis with three students coaching young children at St Mary's Primary, Cape Town High School and Zonnebloem Primary School. Growing Tennis run the programmes and the UCT students provide person-power and Lottery-funded equipment, which improves the learning experience of the school children.
- Underwater Club – Hosted an annual 24-hour charity event to raise funds for the Save-Our-Seas Foundation Shark Centre; they have raised R2 000. They are also involved in a clean diver programme, partnering with local organisations to dive and clean polluted areas.
- Cricket Club – Partnered with the Amy Biehl Foundation, coaching 10 students every Friday at UCT.

Five residences organised activities in communities and schools. These were:

- Graça Machel – Mapongwana Primary School in Khayelitsha – day spent painting and updating classrooms; ran a dignity campaign to donate sanitary wear to a women's shelter in Observatory.
- Kopano – CANSA shavathon and clothing drives.
- Groote Schuur – Outreach project in Ottery; painting classrooms, cleaning and fixing carpets, laying an entrance at the crèche, preparing and planting grass.
- College – Siphumelele Secondary School and Samora Machel, offering a career information session with grade 11 and 12 students. Khumbulani Day Centre in Khayelitsha, painting, putting up curtain rails and curtains, offering clothes to the children and having a braai with children/teachers.
- Baxter – Injongo Primary School in Khayelitsha, ran a mentorship programme; working with grade 6 and 7 girls offering support/guidance regarding sexual abuse and pregnancy. Ran a sanitary towel drive, stationary drive and a SHAWCO clothing drive.

Student voluntary activities (continued)

The focus of the 2013 Annual Social Responsiveness Report was on teaching forms of engaged scholarship including contributions to the development and teaching of non-credit bearing Continuing Education Courses for professionals in government, non-governmental organisations (NGOs), business, development agencies, and community groups; the development of new specialisations/courses/qualifications in consultation or through engagement with external non-academic constituencies; the development and delivery of online short courses to non-university students; community-based education/service learning courses as part of the formal curriculum during which students do some applied or practical work with external non-academic constituencies; people who provide frequent public commentaries/public lectures/popular opinion pieces and the production of popular educational materials.

In designing non-credit bearing continuing education courses, UCT recognises the need to introduce new courses to address critical skills shortages in the economy. There is also a commitment to provide people with opportunities to acquire new skills and knowledge which can enhance their capacity to function better in the ever changing and complex world of work. The Global Minerals Industry Management Risk course was developed originally with Anglo American, to contribute to a systemic change in safety and risk management throughout that organization. It was soon made available to the whole mining industry. The Graduate School of Development Policy and Practice 'Leadership in local government: building globally competitive cities' course for Mayors, senior Mayoral Committee members and city managers and their teams, focused on the interrelated issues of financial strategy, spatial integration and sustainable human settlements. Against the backdrop of poverty, inequality and high unemployment rate amongst the youth, the Raymond Ackerman Academy (RAA), together with the UCT Graduate School of Business, designed a semester course on entrepreneurship aimed at unemployed school-leavers. According to Yiannakaris approximately 80% of the contactable graduates have gone on to find work (for industry experience), study further or start a small business. The Raymond Ackerman Academy Alumni have opened 40 small businesses. Of those who have opened their own businesses more than 90% are still in operation.

A course, *Social Infrastructures: Engaging with Community for Change* was developed in line with Goal Five of UCT's strategic Plan .The course helps students broaden their understanding of socio economic issues in ways that a narrow disciplinary based curriculum is unable to do. It allows them to develop new skills; knowledge, values and attitudes that can help them function better as professionals in their chosen fields.

Other examples include the City and Regional Planning and Landscape Architecture programmes and the Geography course in which students are immersed in a range of critical issues central to students' understanding of South Africa, as well as the socio-political and economic challenges that inflict the country.

With the help of advanced technology, in most universities there is a proliferation of online short courses designed to help people upgrade and update their knowledge and skills without leaving their employment. The reasons for enrolling on the courses vary from person to person. In addition to expanding their knowledge and skills base other people do the courses to advance their career prospects. In a developing country like South Africa with a low participation rate in higher education, online courses can play a significant role in increasing access. In 2012 the Commerce Faculty partnered with GetSmarter to offer a portfolio of online courses to over 3000 students. The majority of students (55%) were between the ages of 20 and 40 years, which means that most of the courses were completed by working-age adults. In addition, 20% of the students were in the 40–49 age category, a statistic that reveals an emerging market of mature students who are still eager to learn, but who are unlikely to be willing or able to study full time.

Vice Chancellor's Strategic themes

Pro Vice-Chancellors and Directors have been appointed to lead interdisciplinary initiatives related to

- Poverty and Inequality;
- Climate change,
- Schools improvement and
- Safety and violence.

Highlights from activities related to these strategic themes include:

- The continued implementation of the 100 Up Project designed to increase the number of students from schools in Khayelitsha eligible for admissions into higher education. At UCT the number of students from schools in Khayelitsha increased from 29 in 2013 to 70 in 2014. Three of the primary schools were used as sites to pilot a new Teaching Practice model for post-graduate PGCE student teachers in 2013. A Library was established in 2013 at one primary school in partnership with The Bookery (Equal Education).
- Under the auspices of the Safety and Violence Initiative research projects have been launched on ex-combatants and violence reduction; organised non-state violence; violence against women and children; attitudes to sexual violence; the nature of youth gang violence; substance abuse and violence; a colloquium was organised on understanding and preventing violence in Africa organised in partnership with the Cape Higher Education Consortium (CHEC) and the Western Cape government), 1–2 November 2013, Premier Hotel Cape Manor, Sea Point.
- The Poverty and Inequality Initiative focused on laying the ground for national and institutional processes to build on the successful Poverty and Inequality Conference held in 2012. A national think-tank has been established to guide planning for a future conference and to oversee research related to policy challenges and meetings have been held with a number of SARCHi chairs to discuss possible research related to policy challenges identified in the Poverty Conference. Information on current courses and programmes offered at UCT related to Poverty and Inequality has been gathered with a view to recruiting more students to these programmes. A workshop was held with churches around education leading to engagement with the Department of Basic Education around ECD.

Under the auspices of the African Climate Development Initiative three interdisciplinary projects funded via the Carnegie Transformation grant continued in 2013. These projects include a focus on developing benchmarks for the future taking an innovative combination of approaches incorporating analyses of historical climate and land use data, repeat photography, paleoecology and long-term ecological monitoring to assess changes in the vegetation over the last millennium along a 1,500 km transect from Namaqualand in the west to the former Transkei region in the east; a Climate Change Governance Hub which comprises a collection of five PhD and one Masters student working on legal, political, economic and sociological issues around governance of climate change responses; and a Climate Change Knowledge Network involving 14 members of staff at UCT (across five faculties), the Western Cape Government, the Bergrivier Municipality, Cape Nature and community organisations. The project involved a facilitated, deep interdisciplinary engagement. An Adaptation Colloquium, was organised in November 2013, which brought together academics, practitioners and policy makers to take stock of current activities, research questions, collaborations, in the adaptation space in South Africa.



Dr Max Price
Vice-Chancellor
14 March 2014

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 2013

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

Total recurrent operating income increased by R144 million (7.1%) to R2, 168 million, mainly from an increase in tuition and other fee income of R90 million (10.9%) to R920 million. State subsidy, the largest income source, again provided a lower than inflation increase of R42 million (4.1%) to R1, 069 million. The increase in tuition fees comprised a general increase of 9.4%, (R79 million); increased enrolments generated a further R11 million, mainly in the Faculties of Humanities and Science, as well as the Semester Study Abroad programme.

Highlights 2013 (continued)

Expenditure grew by R223 million (11.2%) to R2, 224 million, mainly due to an increase in personnel costs of R119 million (9.4%) to R1, 393 million. Expenditure other than personnel increased by R104 million (14.3%) to R831 million. Bursaries and other financial aid from the operating budget increased by R13 million (11.4%) to R127 million. Other operating expenses increased by R89 million (15.2%) to R676 million. The main increases are in Utilities R23 million (29%); General Administrative costs R6 million (12.4%); Consulting & Management Fees R7m (30%); Transport & Travel costs R6m (12%); Councils allocation for Research activities R7m (25%); Repairs and Maintenance R5 million (11%); and Software costs R7 million (50%).

Our undergraduate students received R505 million in total financial support, up from R452 million in 2012. This support comes from various sources; corporate and other external bursaries support students to a value of R229 million, and NSFAS provided loans amounting to R117 million. UCT contributed R104 million from council controlled funds. In addition, income from endowments and other funds available to the University contributed R56 million.

The recurrent operations generated a deficit of R57 million, following surpluses of R23 million in 2012 and R86 million in 2011. 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 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 6.6% to R1, 525 million (2012: R1, 431 million). Government-related grants increase by 8.7% from R271 million to R294 million, while contract research continues to expand, growing by 13.2% to R682 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.

The University's intellectual property portfolio, dealt with by the Research Contracts, and Intellectual Property Services Office comprises patent applications (at various stages of application and prosecution) and active granted patents. The realisation of viable innovative opportunities is imminent.

Income from donations and gifts amounted to R189 million compared to the R263 million raised in 2012, which incorporated a single major bequest.

Staff and Student Housing is required to cover its costs and provide enough resources for long-term maintenance and to contribute towards extending the housing stock thereby assisting in the provision of greater access to UCT.

Fee revenues increased by 9.5% to R267 million, while generating a 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 10% on accommodation and 7% on food. Increases in operating costs were mainly due to the increased student numbers, including those in Obz

Highlights 2013 (continued)

Square and increased utility costs. The ongoing failure to capitalise on the vacation accommodation opportunities and the commercial space has compromised the servicing of the debt.

A review of the financial policies and governance for staff and student housing was undertaken in 2013 to address this sector's profitability and to ensure equitable allocation of resources and accountabilities between the various components (Staff Housing, Student Housing and Residence Life and the All Africa House) and the operating budget. Student representatives participated in the review and proposals, resulting in a mutually agreed revision of policy.

Capital Expenditure of R244 million was in line with that for 2012 but significantly down from the heady heights of approximately R1 billion during 2011. The new engineering building has been occupied although work continues with the finishing of the building. While work has started on the new Teaching & Learning building adjacent to the new engineering building, work on the much-needed large lecture theatre has been delayed due to problems with obtaining planning permission.

Capital Structure and Financing is informed by the relationship between reserves and borrowings, the extent to which these are underpinned by assets, by limitations on their alienability and 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, 172 billion against total assets of R7, 297 billion; a debt ratio of 0.16. In fact, at the end of 2013 the University is free of interest bearing debt.

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.

The Financial Sustainability of UCT is a function of recurrent operations and free cash reserves. The table below shows that the Council-controlled unrestricted operations generated a deficit in 2013 of R57 million. 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. As such, if these are significantly different from plan, we would be able to react and adjust our operations accordingly. For the fourth consecutive year our free cash reserves are within the guidelines contained in the 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 R335 million reflected in the Consolidated Income Statement, R286 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 surplus attributable to Council controlled unrestricted funds is R40 million, compared to R134 million in 2012. Investment income of R111 million (R119 million in 2012) is a major contributor in protecting the free cash reserves.

Highlights 2013 (continued)

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

	2013	2012	2011	2010	2009
Recurrent income	2,167	2,024	1,877	1,719	1,511
State appropriations-subsidies & grants	1,069	1,027	1,002	903	776
Tuition and other fee income	920	830	735	654	577
Sales of goods & services	169	153	117	146	151
Private gifts & grants	9	14	23	16	7
Recurrent expenditure	2,224	2,001	1,791	1,686	1,487
Personnel	1,393	1,274	1,154	1,046	920
Other operating expenses	676	587	526	505	461
Bursaries	127	114	90	110	86
Depreciation and minor capital items expensed	28	26	21	25	20
Recurrent Operating (Deficit)/Surplus	(57)	23	86	33	24

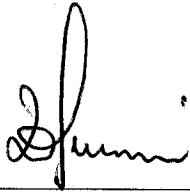
Challenges 2014

Following the reduction in subsidy for 2012, a further reduction was implemented for 2013. State subsidies in respect of Council controlled activities grew by 4.1%, a little higher than in 2012 but still a reduction in real terms. Research related grants fell while contracts grew. The economic circumstances are such that this trend is likely to continue and possibly escalate. The circumstances are risky for all parties; to date our policies and practices have enabled us to continue operating with minor disruption, but we would not be able to do so indefinitely.

Amongst the challenges outlined in 2013 the following was stated:

“Growth beyond the capacity to grow is a major factor causing failure; this is equally true for any type of organization. This risk is controllable by the university. Earlier in this report comment was made about the expansion of specifically designated activities and the apparent lack of adequate support. Sustainable growth requires financial, physical, human and managerial capital.”

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.



MR. TD PETERSEN
CHAIR: FINANCE COMMITTEE
14 JUNE 2014



PROFESSOR EO ULIANA
EXECUTIVE DIRECTOR: FINANCE

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

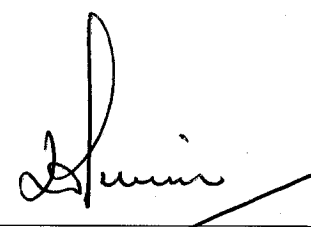
The annual financial statements for the calendar year 2013 presented on pages 64 to 112 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations gazetted by the Minister of Higher Education and Training in terms of the Higher Education Act, 1997, and 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 64 to 112 were approved by the University Council on 14 June 2014 and are signed on its behalf by:



ARCHBISHOP M W H NDUNGANE
CHAIR OF COUNCIL




T D PETERSEN
CHAIR OF THE FINANCE
COMMITTEE



DR. M R PRICE
VICE-CHANCELLOR

14 June 2014



PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR: FINANCE

14 June 2014



UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997, and the Institutional Statute of The University of Cape Town, promulgated under Government Notices 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

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013



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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 page 64 to 112, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, changes in fund balances and the 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 Annual 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 the 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 of South Africa, 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 financial position of the University of Cape Town as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Higher Education Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa and the General notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the reliability of the information with regards to performance against predetermined objectives included in the Chair of Councils' report as set out on pages 4 to 16 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criterion of reliability. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).



There were no material findings on the performance against predetermined objectives included in the Chair of Council's report on operations concerning the reliability of the information.

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, information in respect of the performance against predetermined objectives included in the Chair of Council's report on operations and compliance with laws and regulations.

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 performance against predetermined objectives included in the Chair of Council's report on operations, 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.

OTHER REPORTS

Agreed-upon procedures engagements

We conducted twenty one agreed upon procedure engagements during the year ended 31 December 2013. Six additional agreed upon procedure engagements were performed by internal audit and ten by other independent audit firms. These agreed upon procedure engagements were performed at the request of various entities providing funds to the University of Cape Town.

Special audits

We conducted two special audits as requested by various donor funded entities during the year under review. Two additional audits were completed by other independent firms. 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
Director: Michael Frederick John Bourne
Registered auditor
14 June 2014

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 R'000	***2012 R'000	***2011 R'000
ASSETS		7,297,339	6,342,914	5,661,595
Non-current assets		5,948,176	5,030,812	4,428,467
Property, plant and equipment	5	2,212,079	2,040,679	1,866,702
Investments	6	3,731,740	2,985,452	2,547,847
Investments in associates	7	-	-	-
Non-current receivables and prepayments	8	4,357	4,681	13,918
Current assets		1,349,163	1,312,102	1,233,128
Inventories	9	627	493	398
Accounts receivable and prepayments	10	242,052	215,540	233,221
Loans to employees	10	75	2,058	1,621
Student fees receivable	10	55,127	47,362	40,378
Cash at bank and cash equivalents	11	1,051,282	1,046,649	957,510
ACCUMULATED FUNDS AND LIABILITIES		7,297,339	6,342,914	5,661,595
Accumulated funds		6,124,971	5,270,534	4,729,903
Non-distributable funds		2,982,774	2,289,829	1,905,537
Endowed funds		1,864,399	1,683,945	1,515,275
Revaluation reserve		1,118,375	605,884	390,262
Restricted funds designated for specific activities		1,745,250	1,646,003	1,578,585
Education and general		1,597,603	1,507,800	1,442,271
Student and staff accommodation		147,647	138,203	136,314
Unrestricted council controlled funds		1,396,947	1,334,702	1,245,781
Non-current liabilities		787,958	713,671	627,249
Interest bearing borrowings	12	-	-	23
Deferred revenue	13	364,348	314,342	316,426
Provisions – employee benefits	14	423,610	399,329	310,800
Current liabilities		384,410	358,709	304,443
Accounts payable and accrued liabilities	15	282,942	265,413	221,553
Deferred revenue	16	11,452	6,823	12,134
Student deposits		49,482	48,174	39,327
Provisions – employee benefits	14	40,534	38,276	31,135
Current portion of interest bearing borrowings	12	-	23	294

*** Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 2.

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	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	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	1,393,281	587,099	1,980,380	39,279	2,019,659	10.1
	Other operating expenses	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	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 from endowed funds	(9,571)	9,555	(16)	16	-	-
	SURPLUS FOR THE YEAR*	39,664	285,938	325,602	9,444	335,046	(13.0)

* 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 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)
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 INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in R'000)

Education and General						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	***2012 TOTAL	Change %
Recurrent revenue	2,112,134	1,431,127	3,543,261	270,382	3,813,643	10.8
State appropriations- subsidies and grants	17 1,026,883	270,943	1,297,826	-	1,297,826	(2.1)
Tuition and other fee revenue	830,277	-	830,277	243,823	1,074,100	14.9
Income from contracts	1,376	603,070	604,446	-	604,446	16.6
Rendering of services	150,896	201,877	352,773	23,929	376,702	51.5
Donations and gifts	14,387	248,576	262,963	-	262,963	13.7
Sub-total	2,023,819	1,324,466	3,348,285	267,752	3,616,037	11.0
Interest and dividends	18 88,315	106,661	194,976	2,630	197,606	7.2
Recurrent expenditure	1,977,124	1,266,527	3,240,651	268,107	3,508,758	13.7
Personnel	19 1,273,817	525,418	1,799,235	35,400	1,834,635	11.2
Other operating expenses	20 586,503	477,298	1,063,801	200,951	1,264,752	15.6
Financial aid and scholarships	114,310	238,622	352,932	-	352,932	19.4
Depreciation	5 26,287	25,186	51,473	4,941	56,414	22.5
Sub-total	2,000,917	1,266,524	3,267,441	241,292	3,508,733	14.0
Net finance costs	(26,793)	3	(26,790)	26,815	25	(68.8)
Finance costs	(5)	3	(2)	27	25	(68.8)
Interest on internal borrowings	(26,788)	-	(26,788)	26,788	-	-
RECURRENT SURPLUS	138,010	164,600	302,610	2,275	304,885	(14.7)
NON-RECURRENT ITEMS	3,857	76,551	80,408	(384)	80,024	(32.3)
Loss on disposal of property, plant & equipment	(351)	(7,697)	(8,048)	(440)	(8,488)	5,447.7
Realised profit on sale of investments	6,218	122,559	128,777	74	128,851	(0.4)
Fair value movement on fair value through profit and loss financial instruments	(1,171)	(25,272)	(26,443)	-	(26,443)	100
Impairment of available-for- sale investments	(839)	(13,039)	(13,878)	(18)	(13,896)	39.2
NET OPERATING SURPLUS	141,867	241,151	383,018	1,891	384,909	(19.1)
Transfer between funds	(7,543)	7,545	2	(2)	-	-
SURPLUS FOR THE YEAR	134,324	248,696	383,020	1,889	384,909	(19.1)

*** Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 2.

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in R'000)

	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2012 TOTAL
Surplus for the period	134,324	248,696	-	1,889	384,909
Other comprehensive income					
Other comprehensive income to be reclassified to surplus or deficit in subsequent periods	-	-	215,622	-	215,622
Unrealised movement in market value	-	-	330,577	-	330,577
Reclassification adjustment for items included in income statement	-	-	(114,955)	-	(114,955)
Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods	(59,900)	-	-	-	(59,900)
Actuarial losses on post-retirement medical aid benefit obligation	(59,900)	-	-	-	(59,900)
TOTAL COMPREHENSIVE INCOME	74,424	248,696	215,622	1,889	540,631

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2012

(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 2012	1,515,275	390,262	1,442,271	136,314	1,259,651	4,743,773
Changes in accounting policies	-	-	-	-	(13,870)	(13,870)
As at 1 January 2012 (restated)	1,515,275	390,262	1,442,271	136,314	1,245,781	4,729,903
Total comprehensive income	-	215,622	248,696	1,889	74,424	540,631
Surplus for 2012	-	-	248,696	1,889	134,324	384,909
Other comprehensive income	-	215,622	-	-	(59,900)	155,722
Transfers between funds	168,670	-	(183,167)	-	14,497	-
FUND BALANCES AS AT 31 DECEMBER 2012	1,683,945	605,884	1,507,800	138,203	1,334,702	5,270,534

*** Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 2.

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

	Note	2013 R'000	2012 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from students, government and private sources		3,430,679	3,222,693
Cash paid to employees and suppliers		(3,395,669)	(3,002,713)
Cash generated from operations	23	35,010	219,980
Investment income – interest	18	165,482	160,768
Investment income – dividends	18	41,062	36,838
Finance costs		(1)	(25)
Net cash inflows from operating activities		<u>241,553</u>	<u>417,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(243,544)	(239,949)
Proceeds on disposal of property, plant and equipment		1,802	1,070
Net additions to investments		(53,260)	(89,250)
Ukukhula Trust loan		-	1
Net cash used in investing activities		<u>(295,002)</u>	<u>(328,128)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long term interest bearing borrowings		(23)	(294)
Increase in deferred revenue – government grants	13	58,105	-
Net cash (outflows)/inflows from financing activities		<u>58,082</u>	<u>(294)</u>
Net increase in cash and cash equivalents		4,633	89,139
Cash and cash equivalents at beginning of period		1,046,649	957,510
Cash and cash equivalents at end of period	11	<u>1,051,282</u>	<u>1,046,649</u>

1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of Council on 14 June 2014.

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. The University presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The University applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IAS 19 Employee Benefits (Revised 2011), IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. In addition, the application of IFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon recognition or settlement) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the University's financial position or performance.

IAS 19 Employee Benefits (Revised 2011) (effective 1 January 2013)

The University applied IAS 19 (Revised) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated.

IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the University include the following:

- The University previously recognised only the net cumulative unrecognised actuarial gains and losses of the previous period, which exceeded 10% of the greater of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.93. As a consequence, the University's statement of financial position did not reflect a significant part of the unrecognised net actuarial gains and losses. As a result of the change in the accounting standard, the full actuarial gains or losses are recognised in full in other comprehensive income in the year they rise. Further disclosure of the change is included below.
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2. Basis of preparation (continued)

IAS 19 Employee Benefits (Revised 2011) (effective 1 January 2013)

Impact on consolidated income statement and consolidated statement of comprehensive income

	2012 R'000
Personnel costs	(8,700)
Surplus for the year	8,700
Statement of Other Comprehensive Income	
Actuarial losses on post-retirement medical aid benefit obligation	(59,900)
Total Comprehensive Income	<u>(51,200)</u>

Impact on Equity and Statement of Financial Position

	As at 31 December 2012	As at 1 January 2012
Liabilities		
Provisions – employee benefits	59,900	13,870
Accumulated funds		
Unrestricted council controlled funds	(59,900)	(13,870)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective 1 January 2013)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

Based on analyses performed, IFRS 10 does not have any impact on the currently held investments of the University.

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but has no impact on the University's financial position or performance.

2. Basis of preparation (continued)

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the University re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the University. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 6.

Annual Improvements having no impact

Various other new and amended IFRS and IFRIC interpretations that have been issued and are effective have been adopted by the University but have no 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

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but has subsequently been removed and currently no effective date is set. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the University's financial assets, but will not have an impact on classification and measurements of financial liabilities. The University will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

2. Basis of preparation (continued)

2.2. Basis of consolidation (continued)

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.

For this purpose, related entities are entities over which the University, directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from their activities.

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 or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. All inter-University balances, transactions, unrealised gains and losses resulting from intra-University transactions, are eliminated in full.

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 unutilised portion in the underlying endowed funds in order to preserve the real value of the capital base.

2. Basis of preparation (continued)

2.3 Segment information and accumulated funds (continued)

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.

2.4 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, held-to-maturity investments, 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 such as director's valuations 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 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

3.2. Estimation uncertainty (continued)

3.2.1. Impairment (continued)

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 2013 an impairment loss of R26.4 million (2012: R13.9 million) had been recognised for available-for-sale assets.

The carrying value of available-for-sale assets at 31 December 2013 was R3,720 million (2012: R2,968 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.

3.2.3. 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 14. The carrying value of the gratuity provision for academic staff at 31 December 2013 was R56.0 million (2012: R63.0 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 14.

The carrying value of the post-retirement medical aid obligation at 31 December 2013 was R333.6 million (2012: R302.7 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. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2013 was R55.1 million (2012: R47.4 million), refer Note 10.

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.

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 17).

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. Summary of significant accounting policies (continued)

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.

4.2.5. 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 Summary of significant accounting policies (continued)

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.

4.6. 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 are 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 are 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:

	2013	2012
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. Summary of significant accounting policies (continued)

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. 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. Summary of significant accounting policies (continued)

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 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. 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 Summary of significant accounting policies (continued)

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. 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)

4.10.2. 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.

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 Summary of significant accounting policies (continued)

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 statement of profit or loss.

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.

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.

4 Summary of significant accounting policies (continued)

4.12. Investment in associates (continued)

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.

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 Summary of significant accounting policies (continued)

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 2013

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
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

Year ended 31 December 2012

(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 2012	1,455,273	318,947	25,444	19,439	47,599	1,866,702
Cost						
Cost 1 January 2012	1,581,019	474,016	91,195	28,601	47,599	2,222,430
Additions	35,985	62,154	11,577	2,096	128,137	239,949
Transfers	3,495	-	-	-	(3,495)	-
Disposals	(1,145)	(14,325)	(2,172)	(412)	-	(18,054)
Cost 31 December 2012	1,619,354	521,845	100,600	30,285	172,241	2,444,325
Accumulated depreciation						
Balance 1 January 2012	125,746	155,069	65,751	9,162	-	355,728
Disposals	(305)	(5,846)	(2,150)	(195)	-	(8,496)
Depreciation charge	17,846	26,863	9,670	2,035	-	56,414
Balance 31 December 2012	143,287	176,086	73,271	11,002	-	403,646
Carrying amount 31 December 2012	1,476,067	345,759	27,329	19,283	172,241	2,040,679

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 R9.8 billion (2012: R9.8 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R73.9 million (2012: R75.1 million).

6. Investments

Investments comprise the following categories:

AVAILABLE FOR SALE INVESTMENTS

Listed investments

	2013 R'000	2012 R'000
Local equities	1,447,428	1,219,893
Collective investment schemes	640,916	576,335
Local mutual funds	18,805	6,769
Local capital markets	396,124	390,438
International investments	1,137,890	712,828
Equity	-	20,113
Mutual funds	789,459	374,872
Collective investment schemes	348,431	317,843

Unlisted investments

Money market deposits - local	71,513	60,973
Money market deposits - international	60	304
Straight Access Technologies Holdings (Pty) Ltd	7,500	-
Total available for sale investments	<u>3,720,236</u>	<u>2,967,540</u>

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Listed investments

Local equity-linked derivatives	<u>11,504</u>	<u>17,912</u>
TOTAL INVESTMENTS	<u>3,731,740</u>	<u>2,985,452</u>

Fair value hierarchy

As at 31 December 2013, 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 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	-
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 equity shares	-	-	-	-
International mutual funds	789,459	789,459	-	-
International 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

During the reporting period ended 31 December 2013 (2012: 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.

Level 2 investments consist of call bonds and unlisted/suspended shares. Management based the valuation of the call bonds on recent credit ratings of the companies issuing the instruments. The unlisted share equity instruments are valued based on recent observable market prices.

Level 3 equity investments are valued based on 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.

As at 31 December 2012, the University held the following financial instruments measured at fair value:

Assets measured at fair value

Year ended 31 December 2012	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Investments				
Local equity shares	1,219,893	1,215,617	4,276	-
Local collective investment schemes	583,104	583,104	-	-
Local capital market interest bearing investments	390,438	390,438	-	-
Local equity-linked derivatives	17,912	17,912	-	-
International investments equity shares	20,113	20,113	-	-
International investments mutual funds	374,872	374,872	-	-
International investments collective investment schemes	317,843	317,843	-	-
Money market deposits - local	60,973	60,973	-	-
Money market deposits - international	304	304	-	-
Total	2,985,452	2,981,176	4,276	-

7. Investments in associates

The University has the following interest in associates

Name of Associate	% of interest	Nature of activities
UCT Medical (Pty) Ltd	26	The University has an interest in UCT Medical Centre (Pty) Ltd, which is a private hospital.
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.

The University does not account for its share of the losses of the associates beyond its initial investment 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 R19.03 million (2012: R19.3 million) has been eliminated by profits earned.

UCT Medical Centre (Pty) Ltd

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

Associate's statements of financial position:

	2013 R'000	2012 R'000
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Less: accumulated losses	<u>(2,411)</u>	<u>(2,411)</u>
Carrying value	<u>-</u>	<u>-</u>
Associate's statements of financial position:		
Non-current assets	29,657	13,186
Current assets	18,174	21,985
Non-current liabilities	(90,676)	(82,499)
Current liabilities	<u>(9,352)</u>	<u>(6,025)</u>
Net liabilities	<u>(52,197)</u>	<u>(53,353)</u>
Net liabilities	(52,197)	(53,353)
Accumulate losses	(73,183)	(74,079)
Non-distributable reserves	20,986	20,726
University share of accumulated losses	(19,027)	(19,260)
University share of net liabilities	(13,571)	(13,872)

7. Investments in associates (continued)

UCT Medical Centre (Pty) Ltd (continued)

	2013 R'000	2012 R'000
Associate's revenue and losses:		
Revenue	75,133	68,454
Cost of sales	(28,674)	(26,678)
Administrative expenses	(44,748)	(41,115)
Net finance costs	(1,557)	(716)
Profit/ (loss) before tax	154	(55)
Income tax expense	743	1,774
Profit for the year	897	1,719
University's share of profit (26%)	233	447

PST Sensors (Pty) Ltd

The University's share of net liabilities is R190 000, and the share of losses of the associate is R200 000.

8. Non-current receivables and prepayments

Loans to employees	-	100
The University of Cape Town Ukukhula Trust	4,357	4,229
Total non-current receivables	4,357	4,329
Prepayment – Tertiary Education Research Network of South Africa (TENET)	-	352
	4,357	4,681

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 5.52% (2012: 5.52%).

9. Inventories

Consumables	627	493
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10 Accounts receivable and prepayments

	2013	2012
	R'000	R'000
Research receivables	75,632	83,651
Other trade receivables	36,974	37,173
Trade receivables total	<u>112,606</u>	<u>120,824</u>
Property deposits and guarantees	506	116
Prepayments	42,375	38,366
Prepayment – Tertiary Education Research Network of South Africa (TENET)	352	6,280
Research funding accrual	57,695	34,233
Sundry receivables	28,518	15,721
Accounts receivables and prepayments	<u>242,052</u>	<u>215,540</u>
Loans to employees	75	2,058
Student fees receivables	55,127	47,362
	<u>297,253</u>	<u>264,960</u>

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

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
2013	44,121	24,838	15,991	19,876	7,780	112,606
2012	47,034	40,067	7,227	15,310	11,186	120,824

Debtors past 60 days are considered past due but not impaired. See note 21.5 on credit risk of trade receivables, which explains how the University manages and measures credit quality of trade receivables that are neither past due nor impaired.

As at 31 December, trade receivables at a nominal value of R4.2 million (2012: R1.8 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 2011	1,119	898	2,017
Charge for the year	687	-	647
Used	(690)	-	(690)
Unused amounts reversed	(179)	(40)	(179)
At 31 December 2012	<u>937</u>	<u>858</u>	<u>1,795</u>
Charge for the year	4,019	-	4,019
Used	(531)	-	(531)
Unused amounts reversed	(398)	(646)	(1,044)
At 31 December 2013	<u>4,027</u>	<u>212</u>	<u>4,239</u>

10. Accounts receivable and prepayments (continued)

The student fees receivable is net of impairment provision. The rate of interest charged to students was a fixed rate of 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 past due, is as follows:

All amounts in R'000	2013 Fees	2012 Fees	2011 Fees	2010 Fees	Total
2013	48,438	4,444	1,376	869	55,127
All amounts in R'000	2012 Fees	2011 Fees	2010 Fees	2009 Fees	Total
2012	41,723	3,628	1,469	542	47,362

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 2013 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 R29.1 million (2012: R26.1 million) were impaired and fully provided for.

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

	2013 R'000	2012 R'000
	Collectively impaired	
Balance at 1 January	26,092	27,763
Charge for the year	7,000	7,000
Unused provision released	-	(3,580)
Used	(3,936)	(5,091)
Balance at 31 December	<u>29,156</u>	<u>26,092</u>

11. Cash at bank and cash equivalents

Cash at bank and in hand	47,221	32,735
Short-term bank deposits - Local	<u>1,004,061</u>	<u>1,013,914</u>
	<u>1,051,282</u>	<u>1,046,649</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 fair value of cash and cash equivalents is R1,051.3 million (2012: 1,046.7 million).

At 31 December 2013, the University had no available undrawn borrowing facilities (2012: R Nil).

The weighted average effective interest rate on local short-term bank deposits was 4.50% (2012: 4.78%).

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

12. Interest bearing borrowings

	2013	2012
	R'000	R'000
Financial institutions for government subsidised loans		
Total interest bearing borrowings	-	23
Current portion	-	(23)
Total non-current borrowings	-	-

Government subsidised loans are subsidised to the extent of 50% or 85% for both interest and capital repayments, and consist of a number of loans with financial institutions at fixed interest rates ranging from 9.55% to 11.8% and varying repayment terms. The weighted average interest rate was 4.3% (2012:10.6%). The loans are unsecured and the carrying values collectively approximate their fair values.

13. Deferred revenue

Government grants

	2013	2012
	R'000	R'000
At 1 January	316,426	322,951
Received during the year	58,105	-
Released to the income statement	(7,603)	(6,525)
	366,928	316,426
Current portion	(2,580)	(2,084)
At 31 December	364,348	314,342

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.

14. Provisions – employee benefits

Gratuity provision for academic staff	56,000	63,000
Leave provision for administrative and support staff	74,544	71,905
Post-retirement medical aid benefit obligation	333,600	302,700
Total provisions – employee benefits	464,144	437,605
Current portion – gratuity provision academic staff	(2,500)	(2,000)
Current portion – leave provision for administration and support staff	(22,034)	(22,076)
Current portion – post-retirement medical aid obligation	(16,000)	(14,200)
Total current provisions – employee benefits	(40,534)	(38,276)
Total non-current provisions – employee benefits	423,610	399,329

14 Provisions – employee benefits (continued)

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

In addition, in order to fair value the liability, management has assumed that future salary increases will be 7.0% per annum (2012: 5.25%) and the discount rate that has been applied is 9.28% (2012: 8.0%).

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

	2013		2012	
	R'000	R'000	R'000	R'000
	+1%	-1%	+1%	-1%
Change in liability- salary inflation	7,200	(6,400)	7,500	(6,500)
Change in liability- Discount rate	(6,400)	7,200	(6,500)	7,500

14.2. 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.

14.3. Post-retirement medical aid benefit obligation

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

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 9.6% (2012: 8.4%); expected inflation on medical aid contributions of 8.75% (2012: 7.5%). Post retirement mortality is based on PA (90) ultimate mortality tables rated down three years (2012: 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 (2012: 19 years).

14. Provisions – employee benefits (continued)

	2013	2012
	R'000	R'000
Funding obligation	333,600	302,700
The net expense recognised in surplus or deficit is as follows:	40,400	29,900
- Interest on obligation	26,200	19,800
- Current service cost	14,200	10,100
Actuarial losses in other comprehensive income	600	59,900
	41,000	89,800
	2013	2012
	R'000	R'000
Reconciliation of the change in the present value of the funding obligation:		
Funding obligation at start of year	302,700	221,500
Interest on obligation	26,200	19,800
Current service cost	14,200	10,100
Actuarial losses	600	59,900
Benefits paid by the University in respect of funding obligations	(10,100)	(8,600)
Funding obligation at end of year	333,600	302,700

It is estimated that the benefits payable in respect of funding obligations in 2014 will be R10.7 million (2013: 9.7 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:

	2013		2012	
	R'000	R'000	R'000	R'000
	+1%	-1%	+1%	-1%
Liability	54,800	(44,200)	50,100	(40,300)
Service cost	4,000	(3,100)	3,500	(2,800)
Interest cost	5,700	(4,500)	4,900	(3,200)

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

	+0.5%	-0.5%	+0.5%	-0.5%
Liability	(23,700)	26,600	(21,600)	24,300

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

	Post-employment medical benefits				
	2013	2012	2011	2010	2009
All amounts in R'000					
Defined benefit obligation	333,600	302,700	221,500	187,600	177,300

14. Provisions – employee benefits (continued)

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

	2013 R'000	2012 R'000
Within the next 12 months	16,100	14,200
Beyond 12 months (the present value of)	317,500	288,500
Total liability	<u>333,600</u>	<u>302,700</u>

15. Accounts payable and accrued liabilities

	2013 R'000	2012 R'000
Trade payables	68,916	70,456
VAT	2,411	4,219
Accrued expenses	71,672	42,160
National Research Foundation grant deposit	84,400	89,800
Payroll	40,555	36,894
Other payables	14,988	21,884
	<u>282,942</u>	<u>265,413</u>
Financial liabilities	274,497	247,238
Non-financial liabilities	8,445	18,175
	<u>282,942</u>	<u>265,413</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.

16. Deferred revenue

	2013 R'000	2012 R'000
Government Grants	13 <u>2,580</u>	<u>2,084</u>
Project income		
At 1 January	4,739	5,609
Received during the year	21,027	15,688
Released to surplus for the year	<u>(16,894)</u>	<u>(16,558)</u>
	<u>8,872</u>	<u>4,739</u>
At 31 December	<u>11,452</u>	<u>6,823</u>

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

17. State appropriations-subsidies and grants

	2013	2012
	R'000	R'000
Subsidy for general purpose	1,069,510	1,024,087
State grants and contracts	285,990	266,964
Subsidy on interest and redemption on state guaranteed loans	21	250
State infrastructure grant	<u>7,603</u>	<u>6,525</u>
	<u>1,363,124</u>	<u>1,297,826</u>

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

18. Interest and dividends

	2013	2012
	R'000	R'000
Bank interest	68,721	69,802
Interest income on accounts and other receivables	28,784	23,236
Interest on available-for-sale investments	<u>67,977</u>	<u>67,730</u>
Total interest	165,482	160,768
Dividends	<u>41,062</u>	<u>36,838</u>
	<u>206,544</u>	<u>197,606</u>

Interest income on trade debt subject to possible impairment amounted to R6.1 million (2012: R5.5 million). It is management's opinion that the amount of interest raised on impaired debt is negligible.

19. Personnel costs

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	<u>19,924</u>	<u>20,476</u>	<u>40,400</u>
	<u>996,049</u>	<u>1,023,610</u>	<u>2,019,659</u>

All amounts in R'000	2012		
	Academic Professional	Other	Total
Wages and salaries	763,488	779,685	1,543,173
Termination benefits	14,671	14,983	29,654
Pension costs	114,737	117,171	231,908
Post-retirement medical aid benefits	<u>14,792</u>	<u>15,108</u>	<u>29,900</u>
	<u>907,688</u>	<u>926,947</u>	<u>1,834,635</u>

	2013	2012
Average number of persons employed during the year	Number	Number
Full time	4,245	4,319
Part time	1,842	1,641
Students	<u>1,573</u>	<u>1,445</u>
Total	<u>7,660</u>	<u>7,405</u>

19. Personnel costs (continued)

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.

20. Other operating expenses

	2013	2012
	R'000	R'000
The following items are included in the operating surplus:		
Other operating income		
Lease income	4,162	3,552
Other operating expenses:		
Library acquisitions	52,258	45,823
Repairs and maintenance	123,921	123,085
Software costs	32,002	23,400
General services outsourced	109,384	101,407
Catering services outsourced	65,038	60,347
Auditors' remuneration	5,337	5,132
Current year - annual financial statements	2,871	2,835
- prior year under provision	222	200
- other audit services	2,244	2,097
Lease expenses	36,625	37,720

21. 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; interest bearing borrowings and accounts payable.

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 main purpose of the interest bearing loans and borrowings is to raise finance for the University's infrastructure. 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 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.

21. Financial risk management objectives and policies (continued)

21.4. 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 R38.3 million (2012: R31.0 million) of trade receivables and had R0.23 million (2012: R0.1 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

21.5. 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. The maximum exposure is the carrying amount disclosed in Note 10.

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.

21.6 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.

21. Financial risk management objectives and policies (continued)

21.6 Liquidity risk (continued)

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 2013					
Interest bearing loans and borrowings	-	-	-	-	-
Trade and other payables	-	274,497	-	-	274,497
At 31 December 2012					
Interest bearing loans and borrowings	-	-	23	-	23
Trade and other payables	-	247,238	-	-	247,238

21.7. Fair values

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

	Carrying amount		Fair value	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Financial assets				
Cash	1,051,282	1,046,649	1,051,282	1,046,649
Available-for-sale investments	3,720,236	2,967,540	3,720,236	2,967,540
Financial instruments at fair value through profit and loss	11,504	17,912	11,504	17,912
Account receivables	198,818	170,778	198,818	170,778
Loans to employees	75	2,058	75	2,058
Student fees receivable	55,172	47,362	55,172	47,362
Financial liabilities				
Interest bearing loans and borrowings:				
Fixed rate borrowings	-	23	-	23
Accounts payable and accrued liabilities	274,497	247,238	274,497	247,238
Student deposits	49,482	48,174	49,482	48,174

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

21.7. Fair values (continued)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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.

21.8 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.

22. Commitments

22.1. 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	26,368	-	26,368
School of Architecture - Refurbishment	-	35,291	35,291
Teaching and Learning Building	62,988	-	62,988
New large lecture theatre	-	56,500	56,500
Little Theatre	-	13,250	13,250
Laboratory Equipment	-	17,905	17,905
Palm Court – extra floor	-	14,343	14,343
Classroom Facilities	-	77,510	77,510
Other	-	9,599	9,599
Total 2013	<u>89,356</u>	<u>224,398</u>	<u>313,754</u>
Total 2012	<u>77,929</u>	<u>278,304</u>	<u>356,233</u>

22. Commitments (continued)

22.1. Capital commitments (continued)

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 21.8 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 R366.9 million (2012: R316.4 million) of Government grants reflected as deferred revenue in note 13.

22.2. Operating lease commitments - University as lessee

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

Year ended 2013	Within 1 year	2 to 5 years	Total
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>
Year ended 2012			
Photo copying machines	2,874	2,402	5,276
Jammie Shuttle	14,313	-	14,313
Rental of properties	19,738	-	19,738
	<u>36,925</u>	<u>2,402</u>	<u>39,327</u>

22.3. 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 2013	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	5,011	4,429	-	9,440
Year ended 2012				
Rental of premises	4,037	3,874	275	8,186

23. Cash generated from operations

	2013	***2012
	R'000	R'000
Reconciliation of net surplus to cash generated from operations:		
SURPLUS FOR THE YEAR	335,046	384,909
Adjustments for:		
Depreciation	5 58,865	56,414
Non-cash donations	(383)	(44,221)
Release of deferred revenue	13 (7,603)	(6,525)
Change in employee benefits	25,939	35,770
Increase in employee benefit provisions	26,539	95,670
Actuarial losses on Post-Retirement Medical Aid in OCI	(600)	(59,900)
Utilisation of TENET prepayment	352	9,160
Loss on sale of property, plant and equipment	11,472	8,488
Investment income – interest	18 (165,482)	(160,768)
Investment income – dividends	18 (41,062)	(36,838)
Finance costs	1	25
Profit on sale of investments	(221,328)	(128,851)
Fair value movement on fair value through profit and loss financial instruments	22,122	26,443
Impairment of available-for-sale investments	26,429	13,896
Changes in working capital		
Accounts receivable, prepayments and loans	(32,194)	10,336
Inventories	(134)	(95)
Accounts payable, accrued liabilities and deposits	22,970	51,837
Cash generated from operations	35,010	219,980

*** Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made as detailed in Note 2.

24. 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 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	220,000	-
Professor D P Visser	Deputy Vice-Chancellor	1,681,303	1,681,303	160,000	-
Professor S Klopper	Deputy Vice-Chancellor	1,681,303	1,681,303	30,000	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	-	-
Professor D Ross	Dean: Commerce	1,397,620	1,397,620	100,000	-
Professor F W Petersen	Dean: Engineering and the Built Environment	1,649,191	1,649,191	100,000	-
Professor M P Ensor	Dean: Humanities	1,414,969	1,414,969	100,000	-
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	-	-
Professor W R J Baets	Director: Graduate School of Business	1,580,182	1,580,182	100,000	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	-	-
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	Executive Director: Information & Communication Technology	1,300,112	1,300,112	-	4,800
Mr H T Amoore	Registrar	1,300,454	1,300,454	-	-
Mr J W R Critien	Executive Director: Property & Services (1 Jan '13 – 30 Nov '13)	1,300,112	1,191,769	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 (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 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	-	-
Ms G M E Thomas	Executive Director: Libraries	1,300,112	1,300,112	-	-
Ms M Hoosain	Executive Director: Human Resources	1,300,112	1,300,112	65,000	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	56,000	-

* This includes 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

EXECUTIVE MANAGEMENT TEAM DURING 2012					
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	*2,421,942	*2,661,720	162,510	-
Professor D P Visser	Deputy Vice-Chancellor	1,571,311	1,571,311	102,135	-
Professor S Klopper	Deputy Vice-Chancellor	1,505,000	1,505,000	-	-
Professor R T Nhlapo	Deputy Vice-Chancellor	1,571,311	1,785,968	-	-
Professor C A Soudien	Deputy Vice-Chancellor	1,517,201	1,517,201	-	-
Associate Professor N Yeld	Dean: Centre for Higher Education Development	1,123,929	1,123,929	-	-
Dr M A Sienaert (from 01 June 2012 to 31 December 2012)	Executive Director - Research Office	1,178,607	687,521	-	-
Professor D Ross	Dean: Commerce	1,306,187	1,306,187	97,964	-
Professor F W Petersen	Dean: Engineering and the Built Environment	1,541,300	1,541,300	104,495	-
Professor M Jacobs	Dean: Health Sciences	1,605,000	1,605,000	-	-
Professor M P Ensor	Dean: Humanities	1,322,401	1,322,401	78,731	-
Professor P J Schwikkard	Dean: Law	1,215,058	1,215,058	-	-
Professor W R J Baets	Director: Graduate School of Business	1,476,806	1,476,806	88,608	177,700
Professor E O Uliana	Executive Director: Finance	1,676,781	1,676,781	-	189,060
Ms G Kruger	Executive Director: Communication and Marketing	1,229,652	1,229,652	-	-
Dr J McNamara	Executive Director: Development & Alumni Affairs	1,215,059	1,215,059	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 (CONTINUED)

EXECUTIVE MANAGEMENT TEAM DURING 2012					
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Performance bonus	Total for other services
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,215,058	1,215,058	72,903	4,800
Mr H T Amoore	Registrar	1,215,378	1,215,378	-	-
Mr J W R Critien	Executive Director: Property & Services	1,215,058	1,215,058	-	-
Ms M B M Khan	Executive Director: Student Affairs	1,215,058	1,215,058	-	-
Ms G M E Thomas	Executive Director: Libraries	1,123,929	1,123,929	-	-
Ms M Hoosain	Executive Director: Human Resources	1,215,058	1,215,058	-	-
Professor S H Kidson (1 January 2012 to 29 February 2012)	Acting Dean of Health Sciences	990,596	201,601	-	-
Professor A P Le Roex	Dean: Science	1,306,187	1,306,187	-	-

* This includes R390,572 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

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
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
2012			
None			

** 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.

24. 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	2013	2012
	R'000	R'000
Short-term employee benefits	26,276	26,527
Post-employment pension	7,225	5,621
Termination benefits	1,247	-
Total compensation paid to key management personnel	<u>34,748</u>	<u>32,148</u>

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

25. 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 R253.8 million (2012: R229.6 million).

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.

26. Lessee improvements

26.1. 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 11 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 usufructuary rights for 110 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

26.2. 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 76 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.

26.3 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.

26. Lessee improvements (continued)

26.3 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.

27. 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 24); and
- National Government (refer Note 17).

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

	2013 R'000	2012 R'000
University of Cape Town Foundation		
Grants to the University of Cape Town	66,805	59,772
Disinvested funds	-	10
Unutilised funds reinvested	9,680	13,206
Management fee	2,395	2,243
Endowed funds received from the University	24,879	82,542

	2013 R'000	2012 R'000
University of Cape Town Lung Institute (Pty) Ltd		
Service transactions rendered to the Lung Institute	3,802	1,554
Services received from the Lung Institute	1,785	928

University of Cape Town Medical Centre Limited

Shareholder loan account	-	-
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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.

28. Events after the reporting period

Negotiations surrounding the Valkenburg property, with a prospective tenant or management company were close to conclusion at signature date. Refer to point 26.3 above for additional details.