

# **UNIVERSITY OF CAPE TOWN**

Incorporated in terms of the Higher Education Act, 1997, and the Statute of the University of Cape Town, promulgated under Government Notice No. 1199 of 20 September 2002 and as amended by Government Notice 259 of 26 February 2004

## **ANNUAL REPORT**

**2009**

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# DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

EXECUTIVE MEMBERS OF COUNCIL		REGISTRAR
Dr M R Price (1, 2, 3, 4, 6)	(Vice-Chancellor)	Mr. H.T. Amoore (5)
Professor R T Nhlapo (4, 5, 6)	(Deputy Vice-Chancellor)	<b>EXECUTIVE DIRECTOR OF FINANCE</b>
Professor J Beall (6)	(Deputy Vice-Chancellor)	Professor E O Uliana (4)
Professor C Soudien (6)	(Deputy Vice-Chancellor)	
Professor D Visser (6)	(Deputy Vice-Chancellor)	
COUNCIL OF THE University of Cape Town (As at 2 June 2010)		
The Most Reverend N W H Ndungane (1) (Chair)		
Ms D Budlender (1, 4) (Deputy Chair)		
Professor D G Aschman		
Dr A W Barday (4)		
Ms S Barsel		
Mr G Bloch		
Ms V Doo (3)		
Mr Justice I G Farlam (2, 6)		
Mr G Gabriels		
Mr J J Gauntlett SC (1, 3)		
Mr Justice C T Howie (5)		
Professor M Jeebhay		
Professor E Kalula (1)		
Alderman O Kinahan (5)		
Mr A Kriel		
Ms Q Loxton		
Ms G Mamba		
Mr S Mpofu-Walsh		
Dr C Okeahalam		
Mr T D Petersen (1,3,4)		
Associate Professor U Rivett		
Mr M Seligson SC (1, 2)		
Emeritus Professor J Terblanche		
Ms P Vinjevold (4)		
Mr D Watson		
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
BUSINESS ADDRESS		AUDITORS
Bremner Building Lover's Walk 7700 Rondebosch		Ernst & Young Inc P O Box 656 8000 Cape Town
POSTAL ADDRESS		BANKERS
Private Bag X3 7701 Rondebosch		The Standard Bank of SA Limited P O Box 1 7700 Rondebosch

# STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS

## REPORT OF THE CHAIR OF COUNCIL

This report is for the calendar year 2009.

It is again a pleasure to report on the work of the University of Cape Town. The reports that follow summarise considerable achievement in teaching and learning, in research and in socially responsive work of the highest quality. And the Annual Financial Review by the Chair of the Finance Committee and the Executive Director Finance, read together with the financial statements to which our reports are a preface, show a robust and financially sound institution, but an institution that balances as it must, needs and resources very finely.

### The Council

The Vice-Chancellor observes in his report that this (2009) was his first full year in office. That, too, was true for me. It has been a challenging one for the Council.

Public universities in South Africa have by law Councils of which 60% of the members must be external, which must include people chosen by all internal constituent groups, and which must include the University's executive officers. We come from a range of constituencies: six are chosen by the world-wide membership of Convocation, three are appointed by the Minister of Education, one each by the Premier of the Western Cape and the Council of the City of Cape Town, two by donors, and five by the Appointments Committee (the external members); two students elected by the SRC; one each by the academic staff and by the Senate; and the Vice-Chancellor (VC) and the Deputy Vice-Chancellors (DVCs) (the internal members). We hold office for four-year terms, except that the student members have hitherto held office for two, and that the VC and DVCs are members *ex officio*. And 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. In exercising our responsibilities we are assisted by standing committees. I pay tribute to the work of Council members and to the work of members of Council Committees; the report on corporate governance gives some idea of what this work entails.

Five years ago the Council set up an executive committee (EXCO), believing that this would enhance the work of the Council and enable it to be more effective. Towards the end of 2009 we asked an ad hoc committee to review its success, and to make proposals to the Council in respect of the frequency of Council meetings and the functions of the EXCO (including powers that might be delegated to EXCO). It analysed all the matters that EXCO had dealt with over the five year period and its reports came to Council in December. We made several far reaching decisions as a result, which I am confident will place us in good stead to serve the University more effectively: we decided to have four, full day meetings annually; we agreed to delegate sets of decisions to EXCO, to standing committees and to the executive (the Vice-Chancellor); and we agreed to support a proposal by the Students' Representative Council (SRC) and the standing committee for student affairs that the term of office of the two student members of Council run for a year, concurrent with the term of office of the SRC. This should allow the Council to focus on matters of a strategic nature.

It will also facilitate membership of Council for people not resident in Cape Town.

The Council saw several changes in membership. Mr John Samuel, appointed by the Minister of Education to be a member of Council for the period 1 July 2008 to 30 June 2012, ceased to be a member of Council on his appointment as a special advisor to the Vice-Chancellor. Mr Thando Mhlambiso resigned as Deputy Chair and member with effect from 31 December 2009 due to increased professional commitments. Mr Ebrahim Patel stepped down on his appointment to the national Cabinet. And Ms Philisiwe Buthelezi was unable to continue because of her professional commitments. These and the subsequent vacancy caused by the death of Emeritus Professor Ralph Kirsch have now (in 2010) been filled and we have welcomed as new members Messrs Sizwe Mpofu-Walsh and Dave Watson (SRC appointees), Dr Charles Okeahalam, Ms Sheila Barsel, Ms Qarnita Loxton, Mr Andre Kriel and Ms Gloria Mamba.

The resignation of Mr Thando Mhlambiso left many gaps. After an acting stint (prior to all the vacancies being filled) Ms Debbie Budlender was elected as the deputy chair for the balance of our term of office (to 30 June 2012).

## Highlights of the year under review

I am once again able to report very considerable successes and achievements. It has given me much pleasure to experience a vibrant (and sometimes robust) UCT student body. The following are some highlights of 2009:

- Record enrolments: 23,726 students registered at UCT in 2009;
- Increasing diversity in the student body: over 50% were women; 4,257 were international students, over half of whom were from SADC countries, emphasising our continental reach; and of the 19,569 South African students more than 50% were black;
- Increasing throughput (students completing qualifications) and improved pass rates (the proportion of courses students pass of those they attempt);
- Real progress in delivering academic development support to students who need it;
- Increased research productivity as measured by the publication count, peer recognition of the standing of our researchers, and over R 500 million of research contracts won in a tougher economic climate;
- The sign-off of plans for a new 878 bed student residence at a cost of approximately R 500 million, which will make a significant impact on our ability to provide housing to students in 2012 and after;
- Work on two new Middle Campus buildings and the acquisition of two key properties;
- The continued support of our major and minor donors, and in particular foundations who provide such important support for new initiatives;
- A sound financial position: we ended 2009 with a small surplus before net investment income (against a small budgeted deficit) and we have negligible student debt (over 98% of fees billed were collected) and insignificant levels of debt.

The detail of this is found elsewhere in this report.

Council receives annual reports from the Senate on teaching and learning, on research, and on social responsiveness. These serve two important purposes: first, they are vehicles for accounting to the Council on the University's primary activities and for bringing to Council's notice the Senate's views of achievements and challenges; and secondly they give the Council an overview of progress in each of these areas.

## Strategy for the years 2010 to 2014

It is to be expected of a new CEO that he or she will introduce fresh ideas and give new directions to strategy. This is what Max Price has succeeded in doing. After a thorough consultative process he took to Senate and to Council a set of proposed strategic goals for UCT, for the years 2010 to 2014. These take as given that the core business of UCT, in teaching and learning and research will continue and will be conducted at a very high level. These goals seek to promote what is, or should be distinctive about UCT, and our particular responsibilities to produce a next generation of academics for South Africa and the rest of our continent, to foreground our tradition of commitment to social justice and democratic values through research, the values of our graduates and our social responsiveness activities, and our continental role. The goals were adopted by Council in December 2009 and map an exciting few years ahead. They are:

- Internationalising UCT via an Afropolitan niche;
- The transformation of UCT towards non-racialism – redress, diversity inclusiveness and the recognition of African voices;
- Working towards a desired size and shape for UCT;
- A vision for the development of research at UCT: greater impact and greater engagement;
- Enhancing the quality and profile of our graduates; and
- Enhancing and expanding UCT's contribution to South African development challenges.

The University adopted a strategy of outsourcing non-core services in the early 1990s; key services were outsourced at various times during the 1990s. Successive Councils have placed emphasis on ensuring that contractors who deliver services at UCT adopt fair labour practices and pay at least a stipulated minimum, both of which are set out in a code of conduct to which contractors must adhere. During 2009 Council set up a review of this strategy recognising that the context may have changed over the past two decades, and asked the executive to commission a review of the ongoing cost-benefit of outsourced services. This work will conclude in 2010.

The strategy review was undertaken in parallel with a revision of the University's mission statement; this too was adopted by the Council in December.

### **Challenges in the years ahead**

Our key challenges are about students : ensuring that we have a fair and defensible admissions policy that makes provision for redress and identifies the applicants who have the potential not only to succeed but to do well; ensuring that our fee policies, financial aid policies and budgets, and student housing provision (both university provided and that which we mediate and is provided by others) meet our needs and the needs of our students; and most importantly ensuring that our students get the support, inside and outside the classroom lecture theatre and laboratory, that they need to succeed. While our success and throughput rates are good by South African standards, they should be, and they must be, better. If over 70% of the most recent entering cohort to have been studied have qualified and 7% are still registered as students (see the Senate report below) nearly a quarter did not. We need to address their needs. The success and throughput rates of black students – despite substantial academic development effort – remain lower than those of white students. These are facts we must not lose sight of. Responsibility for meeting these student challenges lies largely with the Senate.

But we cannot lose sight of our fiduciary and fiscal responsibilities, for the staff who work at UCT and are its members, and for the long term development of the University's facilities.

### **The challenge of transformation**

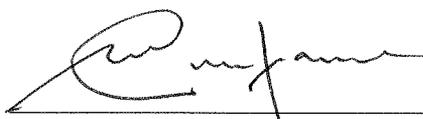
Closing the gap on success and throughput rates is also a transformation issue.

Transformation is a key Council objective and we have devoted considerable Council time in this past year to examining our role in transformation, prompted in part by the report of the Ministerial Committee on racism in South African public higher education institutions chaired by UCT's Professor Crain Soudien. It is an issue high on our agenda for 2010. And it is notable that most of the new strategic goals address different aspects of the transformation challenge we face.

### **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. We are giving greater attention to governance issues, and in this regard are ably supported by the work of five important committees: Remuneration Committee (now chaired by Mr Jeremy Gauntlett SC (the senior member of the Council), the Finance Committee (chaired by a former deputy chair of Council, Mr Trevor Petersen), the Human Resources Committee (chaired by Ms Vuyiswa Doo), the University Building & Development Committee (now chaired by Alderman Owen Kinahan) and the Audit Committee (chaired by Mr Colin McClelland, an independent member who has the right to receive Council papers and attend and speak at Council meetings).

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 N W H NDUNGANE

CHAIR OF COUNCIL

2 JUNE 2010

# REPORT OF THE VICE-CHANCELLOR

## | PART 1 |

### STRATEGY AND IMPLEMENTATION

#### Financial Sustainability

As the financial statements show, and the report on financial matters show in more detail, UCT is in a satisfactory financial position and we achieved a small operating surplus in 2009. This was despite the significant increases in salaries, maintenance and financial aid – plus rising electricity costs – over the period.

In 2009, Council approved a capital expenditure programme of R1 billion which will run over the next 3 years. Details are given below. The State, through the Department of Higher Education and Training is providing support of R330 million for this. Fortunately the University has no debt of any substance at this stage and has the financial capacity to raise and service debt.

In 2009, we further developed the notion of operating units providing business plans rather than submitting budget requests. The approach focuses on the affordability and sustainability of initiatives rather than the simple funding availability. At a stage during the year the University's total cash balance exceeded R1 billion for the first time. Nevertheless, it is time to review our financial policies and underlying practices. To this end, UCT will consider a revised integrated financial plan during 2010.

#### Infrastructure Development

During 2009, we devoted considerable energy to the planning of new infrastructural developments, and the growing and urgent need for "new space" for expanding student numbers, growth in research activity and the urgent need to house more of our students in University-provided accommodation. Foremost among these is a new residence complex that will provide 878 student beds in Observatory. At R515 million, this is the largest single development in UCT's history. We expect this to be ready for occupation at the start of the 2012 academic year. Work began on the new School of Economics and Student Administration buildings on the Middle Campus, and we undertook initial planning for the reconfiguration of the Centlivres Building (to allow for increased enrolment in architecture) and a new Engineering Building (to house more engineering students).

We were able to acquire a number of new properties during 2009. These included: a building in Rosebank which after modification will provide new premises for our Information and Communication Technology Services (ICTS); a block of flats, York Gardens, to provide additional student housing; and a small property in Vredenberg to house students of the Faculty of Health Sciences undergoing clinical training in a rural practice setting. In order to ease the shortage of student housing we entered into a long-term lease for a property in Pinelands (Pinelands Grove) which will be an off-campus residence.

At the same time, our Properties & Services Department began to make inroads into the maintenance backlog. I am pleased to report that our electrical infrastructure is now robust, and that we have made provision for emergency power to ensure that we can continue the work of the University in the event of power outages.

#### Internationalisation

Internationalisation continues to be a key part of our strategy, and I am pleased to report that UCT continues to be a preferred study destination for international students. In 2009 we registered 4,257 international students. Of this number, over half were from SADC countries. The top six source countries were Zimbabwe (860), Botswana (286), Namibia (201), Lesotho (161), Mauritius (141), and Tanzania (134). The Semester Study Abroad Students (SSA) programme continues to grow every year. In 2009 UCT registered a total of 879 semester study abroad students in both semesters. The projection for 2010 is yet another bumper year. A key challenge to sustaining this semester abroad programme is finding suitable and safe accommodation for the students spending a semester abroad in Cape Town. Housing and safety are two critical elements for the programme.

Internationalisation has important benefits for UCT. Some are financial. But international students (and in particular SSA students) help sustain some of the academic courses offered at UCT that do not have

viable takers, and contribute to curriculum innovation and classroom diversity, thus promoting internationalisation at home.

An important development was the agreement we entered into to establish a Confucius Institute offering Mandarin and Chinese cultural orientation at UCT.

## International rankings

Two of the major international university rankings have, for several years, singled out UCT as the foremost African university, placing it well ahead of our national and continental peers. In 2009, UCT jumped 33 positions up The Times Higher Education University Rankings where, at number 146, we are the only African university listed in the top 200. We are also the leading African university in the Shanghai Jiao Tong University's Academic Ranking of World Universities (ARWU), earning a spot in the 200-300 cluster. (ARWU does not award individual spots beyond the first 100).

University rankings remain controversial, and I am mindful of ranking systems' shortcomings. A notable shortcoming is the weight (all of 40%) given to the subjective peer reviews – which subjectively measure an institution's reputation – in the Times ranking. The rankings are based on a limited range of indicators and are marked by a total absence of indicators of issues such as access and redress. The ARWU ranking has a strong bias in favour of the physical sciences at the expense of the humanities.

These shortcomings notwithstanding we are proud of the achievements that have won us these rankings, and will ensure that we continue to strive to be better.

## Transformation

Redefining our transformation strategy was an important activity in 2009 and culminated in the Council adopting a strategic goal on transformation (See the Chair of Council's report). Much of this was in response to the Report of the Ministerial Committee. Admissions policy remains a key tool for transformation. During 2009 a Vice-Chancellor's Admissions Policy Review Task Team hosted a series of workshops and meetings to consult staff and students on admission policy. Important changes to admissions policy for 2011 were made as a result, but this work will continue in 2010.

Also, ongoing discussions were held with all of the chairs of transformation committees, and with academic groups, professional staff forums and students.

The New Academic Practitioners Programme and the Programme for the Enhancement of Research Capacity (PERC) are important initiatives aimed at producing the next generation of academic staff and are another transformation tool.

Consultations on merging the Joint Committee for Employment Equity and the Extended Transformation Management Advisory Committee, bringing them together in the new Transformation Committee reached an advanced stage. The Institutional Forum's functioning and effectiveness was addressed. (This is dealt with in the Institutional Forum's report, below).

Agreement was reached to bring the Transformation Office, the Discrimination and Harassment Office, HAICU and the Disability Office together in a single Transformation Services Office.

Two important transformation policies were adopted: the Racial Harassment Policy and a policy on Alternative Dispute Resolution.

## Student Financial Aid

Increased funds were voted by Council for undergraduate and post-graduate financial aid; financial aid is necessary (though insufficient on its own) if we are to widen access. I am pleased to report that the funds available from UCT resources for 2010 were again increased. This was funded in part by increased tuition fees. As part of our strategy we launched GAP funding in 2009 to assist families that do not meet Financial Aid eligibility tests but have gross annual family incomes of below R400,000. Families with gross incomes of less than R200,000 were eligible for regular financial aid. To further strengthen the impact of financial aid we halved the NSFAS prescribed 'Expected Family Contributions' (EFCs) and covered the cost of this. A family with a gross annual income of R80,000 was thus required to contribute R4,000, and not R8,000. Significantly more students were assisted as a result.

## HIV/AIDS

UCT's HIV/AIDS Institutional Co-ordination Unit (HAICU) works in the areas of health promotion, HIV and AIDS policy development, researching HIV infection and risk behaviour at UCT, peer education, and HIV/AIDS curricula and co-curricula. Since 2008, the European Union (EU) has sponsored a number of HIV and AIDS activities at Higher Education institutions throughout South Africa. Other HAICU activities included a mobile HIV testing unit for UCT students, training UCT sexual harassment advisors and a youth risk behaviour survey.

## Combating Crime

It is an important part of our strategy to provide a safe environment for all members of the University. We have thus to pay particular attention to crime on and in the areas surrounding our very open campuses. Crime statistics are difficult to interpret; one crime is one too many. Our efforts to combat campus crime appear to be paying off: comparisons indicate that the campuses are eight to ten times safer than surrounding areas. But our members operate in the surrounding areas too, and a health sciences student was murdered off campus in October 2009. We are pushing harder in our drive to establish a Special Rating Area or City Improvement District, in partnership with the surrounding businesses and communities, to counter off campus crime

## ICTS

My predecessor reported two years ago on the conclusion of a major multi-million rand IT infrastructure upgrade. That was necessary but not sufficient. The provision of the IT facilities that our staff and students need remains a challenge. We made some progress in the year under review: Internet bandwidth more than doubled from 32 Mbps to 84 Mbps; we introduced a service that allows conferences to purchase bandwidth specifically for the use of their participants; we now host the UCT-CERN research centre computing facility in our upper campus Data Centre, the core-services infrastructure of the South African National Grid and our own High Performance Computing infrastructure. Email is now an indispensable tool, and our IT services face challenging demands to ensure that staff and students have an adequate email platform.

## | PART 2 |

### THE WORK OF THE SENATE:

#### TEACHING AND LEARNING, SOCIAL RESPONSIVENESS, RESEARCH AND THE UCT LIBRARIES

##### Teaching and Learning

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

##### Enrolment

Student headcount enrolment grew by 8,2% between 2005 and 2009.. The 2009 student headcount enrolment was 23,726<sup>1</sup>, the highest in UCT's history, 5,9% higher than that in 2008. Enrolments over the 2005 – 2009 period grew at 2,2% per annum amongst undergraduates and at 2,1% per annum at the postgraduate level. The 2009 postgraduate enrolment (6,976) represented an increase of 8,1% over the equivalent figure for 2008. Postgraduate (occasional, postgraduate diploma, honours, masters and doctoral) students made up 29% of the total 2009 enrolment.

In keeping with UCT's 2010 target of 24,000 students (agreed with the then Department of Education, now Higher Education & Training), and in view of the additional space that will result from infrastructure grant funding, we admitted and enrolled a markedly higher first-time entering undergraduate cohort in 2009 of just under 4,500 full degree students. The majority of these students had written the NSC examinations at the end of 2008 (the first year of the NSC). 70% of the first-time entering had achieved notional A or B aggregates in either the SC or the NSC examinations, suggesting that we were able to maintain the quality of our intake despite the increase in numbers. We are clearly on track to meet the aspirational target of a headcount enrolment of 24,000 students in 2010. If, as now appears to be the case, we reach a total of 24,000 in 2010, we will have grown student numbers by a third in the first decade of the new century.

##### Student Output Efficiencies

A total of 5,121 qualifications were awarded in 2009. Among these:

- 1,639 in the Humanities and the performing and creative arts
- 1,480 graduated in Commerce (384 of these completing BBusSc degrees, and 79 MBAs in the GSB)
- 779 graduated in Engineering and the Built Environment
- 521 graduated in Health Sciences
- 144 graduated in Law
- 558 graduated in Science

The 2009 graduate total will be augmented by those who qualify in June 2010 but who completed their studies in the 2009 academic year; those who will qualify in the GSB, for example, are not reflected in the figures shown above. These graduation numbers signal a marked improvement in student performance. Nonetheless we continue to refuse readmission to a significant number of students who fail to meet the minimum readmissions requirements; the proportion of all undergraduates excluded from the University on academic grounds is between 4 and 5%; this proportion appears to have stabilized, and we need to work at reducing it.

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<sup>1</sup> Student numbers in this report are taken from UCT's second HEMIS submission for 2009; final third HEMIS submission data may differ by small amounts.

In 2009, an overall undergraduate course success rate of 84% was achieved, and the success rates in 200- level, 300- level and 400- level courses were all well in excess of 80%. The overall success rate in third level (300-) courses was 88% and that in fourth level (400-) undergraduate courses for the year was 91%. The 2009 success rate in 100- level courses was 79%.

Examination of the longitudinal performance of the 2004 first-time entering undergraduate (FU) entry cohorts shows the following:

- 71% of the 2004 FU entry cohort (in comparison with 64% of the equivalent 2000 FU cohort) had successfully completed undergraduate qualifications within five years of entering UCT; 29% had not, but 7% of the 2004 entry cohort were still registered. (This proportion was slightly higher than that amongst the 2000 FU cohort (4%).)
- 14% of both the 2004 and 2000 FU entry cohorts had been refused readmission to UCT on academic grounds during the five-year period of the analysis;
- The rate of drop-out of students in good academic standing among 2004 FU entrants (a term which applies to all students who leave UCT without completing an undergraduate qualification, and who are also not excluded on academic grounds) was 10% (down from 17% amongst the equivalent 2000 cohort).

The improved completion rates among recent cohorts suggest that our persistent focus on throughput and retention is yielding positive results. It is particularly interesting and gratifying to note the marked diminution in the phenomenon of dropout in good academic standing.

We remain committed to improving efficiency in relation to student retention and throughput, without compromising quality. This is especially important, as it relates to the continuing transformation of the student body. In recent years there have been a number of significant developments geared towards the improvement of the quality of teaching and learning. These include the expansion of academic development programmes, the mainstreaming of learner support initiatives, the strong focus on tutor training, the implementation of the strategies in the University's Quality Improvement Plan, the expanded use of educational technologies (CETs) and initiatives aimed at encouraging academic staff to design and utilise innovative teaching practices in order to improve student performance. Research conducted in 2008 on the impact of UCT's academic reviews between 2003 and 2007 suggests that these are also contributing to a stronger focus on improving the quality of teaching and monitoring student progress.

## Academic Staff

Attracting and retaining academic staff remains an important challenge, and transforming the staff profile a particular one. The permanent academic staff in 2009 were 76% South African and 24% international; of the South Africans 28% were black and 72% were white; and of all permanent academic staff 41% were women. We have, by comparison with our peer institutions, a highly productive staff. We have probably just managed to keep staffing levels commensurate with increased student enrolment, and this remains a challenge in all areas. The proportion of full-time academic staff qualified at the doctoral level in 2009 was 59%. A further 27% of all academic staff held master's level qualifications. As important, the research section of this report suggests that students across the University can expect to be taught by academic staff actively engaged in research in their particular disciplines.

## Report on Social Responsiveness Initiatives: the scholarship of engagement

We place particular store on socially responsive academic work. The Social Responsiveness Awards provide evidence of the remarkable range of work being done by members of the University in very different fields: in 2009, the awards went to staff involved in health economics, in gender studies and in disaster management, and in each case provide cases studies of how excellent work can be directed towards current and local needs. The promotion of the scholarship of engagement took a major leap forward with the launch of a special issue of an international journal on community research and engagement based on articles submitted by UCT staff on their social responsiveness activities. The articles were chosen from amongst case studies that had been profiled over the past few years in the Social Responsiveness Reports. The journal can be located at : <http://epress.lib.uts.edu.au/ojs/index.php/ijcre> .

During 2009 we took initiatives to work with the provincial and local tiers of Government to establish the basis for long term partnerships. This was done in partnership with the other HEIs in the region and under the auspices of the Cape Higher Education Consortium.

## Partnership with the Provincial Government of the Western Cape (PGWC)<sup>2</sup>

2009 started with a workshop with the Vice-Chancellors of the Western Cape HEIs, the Premier and several provincial ministers. The purpose of the workshop was to: share information on developments in higher education; reflect on progress and challenges in the partnerships; and identify opportunities for new strategic partnerships. The Premier and the Vice-Chancellors felt that whilst progress had been made with regard to building a relationship based on trust and better understanding of the environments within which the partners operate, a more strategic approach was needed to identify collaborative activities going forward. The principals (the PGWC Cabinet and the Vice-Chancellors) agreed to the following focus areas:

- Research and development support from Higher Education for strengthening schooling
- Research and development support to identify and help meet provincial skills needs
- Climate change and sustainability research
- Technology support from higher education institutions for companies
- Collaboration around spatial planning
- Strengthening biotechnology in the Western Cape
- Collaboration around 2010

## Partnership with the City of Cape Town (CoCT)<sup>3</sup>

The City, CHEC and the four universities resolved to work together and to maximize the role of higher education in the City's growth and development at a high-ranking initial Colloquium on 23 November 2007. Considerable preparation culminated in, from the City, a Mayoral opening address and presentations by senior officials.

The major activities in 2009 are listed below

- The City, in partnership with three of the four CHEC universities, held a workshop on 19 August 2009 to explore ways in which the partnership could deliver required skills for City staff. The main objective was to deliver a regional Recognition of Prior Learning (RPL) model.
- Slow progress has been made with the Human Resource Development Working Group. Working groups have been set up in the priority areas of Civil Engineering and Leadership/Management. Budget cuts in the CoCT impacted negatively on the planned internship initiatives.
- A workshop was held on 6 April 2009 at the Granger Bay Hotel to share information on safety and security challenges on university campuses. Delegates from bodies such as the Metro Police, the City, South African Police Services, CHEC and universities attended and exchanged valuable information that clarified who could assist with what emergencies. The SAPS applauded this initiative and forwarded sector security plans, including a list of sector representatives and contactable details.

Every meaningful partnership needs time to develop. We hope that the joint workshop with the City of Cape Town, the province, CHEC, business and labour will identify key strategic initiatives that will take the partnerships to another level.

## UCT Libraries

The Libraries comprise the Chancellor Oppenheimer (Main) Library, nine branches, including Law and Health Sciences, and major research collections such as the African Studies Library, Manuscripts and Archives, and Rare Books. The rich and diverse array of research materials and undergraduate information sources includes vast electronic resources as well as print materials and unique special

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<sup>2</sup> This section of the report only covers partnerships with the province that are facilitated by the joint PGWC/CHEC secretariat.

<sup>3</sup> This section of the report only covers partnerships with the province that are facilitated by the joint PGWC/CHEC secretariat Cape town task team.

collections: The Libraries' extensive web site provides on- and off-campus access to more than 35,000 electronic journals and 180 electronic databases. There are about 1.2 million print volumes, with more than 16,700 print journal titles. UCT's Special Collections focus on Africana, with a great variety of historically important manuscripts, films, photographs, diaries, and sound recordings. Many of these collections are accessible online. A team of subject-specialist librarians is supported by modern equipment and technologies, high-end computer workstations, audio-visual viewing areas, wireless Internet access, and ample photocopying, printing, and scanning facilities.

The Libraries have pioneered several innovative services: One of the most popular facilities is the Knowledge Commons, a dedicated undergraduate research facility—and the first of its kind in Africa—where students can access the Libraries' electronic resources via state-of-the-art software and IT equipment, and receive expert assistance in researching and writing reports, essays, and assignments. In 2008 UCT partnered with the Carnegie Corporation of New York in establishing the Research Commons, a modern high-tech facility which supports the work of postgraduate students and academics, providing access to sophisticated electronic searching tools and subject-specialist knowledge in a scholarly environment that is responsive to the needs of researchers. This facility was opened in 2009.

## Research 2009

I have reported (see above) on our international ranking. The University Research Committee (URC) has developed a UCT Framework for Engagement with the International Ranking Systems and the Faculties are engaging with the framework through a structured process to help inform the way in which they benchmark their research productivity and impact. We hope that this will help shape UCT's (international) research competitiveness without compromising our institutional objectives and priorities.

Total research income increased to R769 million in 2009 by R117 million, from R651 million in 2008. This represents an 18% increase. Both contract income (an increase of R81 million or 19% on 2008) and government-related grants (and increase of R27 million or a 22% increase on to 2008) were up. Despite the recession, we entered into research-related contracts to the value of R543 million, a slight decrease over the R547 million in 2008. Contracts entered into with foreign entities account for 61% of the total (62% in 2008, an indication that our research activities are highly regarded internationally). Specific examples include the European & Developing Countries Clinical Trials Partnership (EDCTP) and Aeras Global TB Vaccine Foundation, with whom contracts to the value of R64 million and R96 million have respectively been entered into.

The Southern Africa Labour and Development Research Unit (SALDRU) in the Faculty of Commerce has secured the tender for the second wave of the National Income Dynamics Study (NIDS), the first national household panel study in South Africa, and a contract to the value of R33 million was entered into with the Presidency. We have also received good support from the Department of Science and Technology with contracts worth R47 million.

Financial support to postgraduate students grew by R14 million to R97 million<sup>4</sup>, while 281 postdoctoral fellowships were awarded to 188 postdoctoral research fellows, to a total value of R28 million.

The performance of our researchers through internationally benchmarked processes of peer-evaluation and rating is carried out by the National Research Foundation (NRF) and is based primarily on the quality of their recent research outputs. The number of NRF-rated researchers at UCT grew from 293 in 2008 to 320 in 2009. This growth was partly attributed to the anticipated funding from the NRF in the form of incentive awards. However, because of budgetary constraints, the NRF was unable to meet its commitments to fund all rated researchers, and we provided financial support to bridge the funding gap. We remain the top institution nationally in as far as the numbers of rated researchers are concerned.

Publication counts are a measure of research productivity, and a proportion of output subsidy payable by the State is derived from publication counts. UCT was awarded 1086.15 units for our 2008 publication count (7% up on 2007). From 2005 to 2008, UCT has increased our publication count output by an average annual growth rate of 5% (this includes output published in journals, conference proceedings and books). Outputs in journals have increased constantly over this period.

I have referred to ERP PERC and NAPP elsewhere. We offer activities designed to ensure the transfer of research skills and the development of research capacity through the Emerging Researcher Programme

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<sup>4</sup> A total of 4143 awards offered were offered to postgraduate students in 2009, of which 3659 awards were taken up. There were 5138 honours, Master's and doctoral students registered at UCT in 2009.

(ERP), which started in 2003 with 44 participants, had 365 active participants in 2009. Through a developmental proposal-driven process, 83 Research Development Grants were awarded. The Programme for the Enhancement of Research Capacity (PERC) is a new cluster of support activities for academic staff and offers workshops and seminars (attended in 2009 by 122 academics of mid-career level and above). The project operates in three distinct but related areas, one of which broadly promotes mid-career staff development in the area of research by stimulating and supporting research and publication and encouraging the development of research initiatives which reflect the University's location in Africa and in a more broadly developing context. Launched by the Research Office as a 'knowledge project' in 2008, this vision has been converted, with Carnegie Foundation funding<sup>5</sup>, into a formal Grant awarding project. Applications selected for support to date were received from four research teams for collaborative, interdisciplinary projects across five different faculties. These are Women's Pathways to Crime: Developing a Critical South African Criminology; Fishers Knowledge for Ecosystem Approach to Fisheries Management; A Learning Network for the Right to Health: An opportunity for Civil Society and academic collaboration to contextualise human rights within an African perspective and The postgraduate condition: writing, risk and the making of new knowledge. The process of applying for funds is developmental and Research Office support is in the form of workshops and small group or individual settings during which the research process is taken forward. Successful grants are selected in terms of their commitment to UCT's Afropolitan vision (in terms of methodology and epistemology) and in terms of transformation equity concerns which place a premium on the inclusion and support of historically disadvantaged groupings.

The Mellon-funded Visiting and Retired Scholars Mentorship Project, aimed at increasing the discipline-specific research-skills of newly appointed staff, reached the final year of its three-year cycle and the University has been invited to apply for a three-year renewal of the grant. During the first cycle, 20 mentors have been hosted by departments across the six faculties. Of this number, nine were retired from South African universities with the remaining 11 from other countries. There have been 128 beneficiaries of mentoring interventions (i.e. mentees); of these 55 per cent (71) were young, developing staff members with the balance being postgraduate students or postdoctoral fellows.

The year 2009 has seen significant focus by the Research Contracts and Intellectual Property Services (RCIPS) team on commercialisation of UCT's intellectual property portfolio, both in licensing and business plan development, which culminated in the re-launch and spin-out of African Medical Imaging (Pty) Ltd. Two sizeable licensing agreements are being negotiated with global corporations that should provide revenues from upfront payments and royalties, and, importantly, have brought further funded research and skills and knowledge transfer. Although the financial climate and significant national IP and exchange control considerations have had an impact on and slowed commercialisation activities, we hope that fruit from work initiated in 2009 will be harvested in 2010. The highest numbers of international patents (47) were granted in 2009, largely due to validations in Europe. Promulgation of the IP Rights from Publicly Financed R&D Act did not occur in 2009, but is expected during 2010.

Ongoing challenges include growing a research culture in professionally oriented disciplines and in the creative and performing arts; overseeing the quality and integrity of data at laboratory level; the development of a commercialization strategy; and the dissemination of knowledge within the UCT community on the impact that the new IP Rights from Publicly Financed Research Act will have. It has also become increasingly clear that appropriate benchmarks need to be identified for the recognition of social innovation underpinned by quality research in addition to social responsiveness per se.

The University has established an African Climate and Development Initiative (ACDI) to engage with climate variability and global change from an African perspective. It aims to draw on, and coordinate, the University's current resources, partnerships and intellectual capital across a range of disciplines through the framework of three broad foci: cutting-edge research, teaching at postgraduate level and social/public awareness.

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<sup>5</sup> Part of a \$2 million Carnegie renewal grant for institutional transformation, some of which has been allocated towards the provision of research support to a cohort of women and Black academics to help them fast-track the development of their research profiles.

## | PART 3 |

### MANAGEMENT AND ADMINISTRATION

#### Changes in Senior Management

2009 was my first full year in office as Vice-Chancellor. We welcomed two new Deputy Vice-Chancellors (Professor Danie Visser took up his appointment on 1 January 2009 and Professor Jo Beall her's on 1 April 2009). Professor Crain Soudien was appointed acting Deputy Vice-Chancellor from 1 April 2009 (and I am pleased to be able to report that he has since been appointed substantively); Professor PJ Schwikkard took up appointment as Dean of Law on 1 January 2009; Professor John Simpson returned to be acting Dean of Commerce from 1 July 2009 (following the resignation of Professor Melvin Ayogu); and Professor Walter Baets was appointed on 1 July 2009 as the Director of the Graduate School of Business. Mr. Sakkie Janse van Rensburg was appointed Executive Director (ED) for ICTS on 1 February 2009.

#### Administration

I have dealt with several administrative matters of strategic importance in part 1 of this report. I believe that the administration has acquitted itself reasonably well during 2009. The range and complexity of University administration is reflected in the range of administrative departments that, together with the Libraries and the ICT Services, exist to support the work of the academic staff, researchers and students of this University. The Office of the Vice-Chancellor co-ordinates this work, with the Registrar, the ED Finance and the ED Communication & Marketing reporting directly to the Vice-Chancellor, and the Executive Directors/Directors for HR, Student Affairs, Development & Alumni Affairs, Properties & Services, Research, Research Contracts & Intellectual Property Services, Postgraduate Funding, the International Office, ICTS and (from 2010) Transformation Services reporting to nominated Deputy Vice-Chancellors.

As I reported in respect of 2008 we work in an increasingly unionized environment. Negotiations towards a recognition agreement with the new Academics Union continued through 2009 (and have at the time of writing not yet been concluded), but both parties undertook to bargain collectively for academic staff salaries in parallel with the negotiations for the recognition agreement. Settlements with all three trade unions were not concluded before year end, but I am able to report that these were concluded in the first quarter of 2010, for the calendar year 2010.

During 2009, we implemented a revised performance management system for all professional administrative support and service staff. This will take time to bear fruit, but we are confident that - in that it emphasises personal development - it will have long term advantages for staff and the University.

## SELF ASSESSMENT OF EXECUTIVE PERFORMANCE

In my inaugural address in August 2008 I set out a series of ideas for a new vision for the University. By the end of 2009 the following had been achieved in relation to those ideas.

- The Senate and Council had approved a new mission statement and had adopted six key strategic goals that will, I hope, give UCT a distinctive position as a transforming, internationalising and research led institution occupying what we have defined as an Afropolitan niche. A Vice-Chancellor's strategic fund of R100 million was created to fund, over five years, new initiatives that promote these goals, and the first year's allocation was awarded.
- Under the umbrella of transformation,
  - The Council had agreed to establish an office of ombud and an alternative dispute resolution process based on a restorative justice approach affecting the institutional climate;
  - We overhauled our selection procedures to make them more efficient and more aligned to the employment equity imperatives, and also revised the employment equity plan;
  - We conducted a widely consultative review of our student admissions policy with a particular focus on the use of 'race'. Senate accepted major revisions (for 2011) while retaining and strengthening 'race' criteria in pursuit of effective redress and a more diverse student body. However, we still have to tackle key questions about ways to identify disadvantage other than 'race';
  - Over two budget cycles (2008-10) we have almost doubled the allocation from our core budget to financial aid in order to increase access.
- I had identified a number of critical social issues where I believed UCT's expertise, if directed and energised, might make a national contribution. We have made significant steps towards establishing an African Climate Change and Development Initiative; we have established and filled a chair in Constitutional Governance; an investigation into how UCT might intervene more effectively in the local school system has been concluded and a proposal is now under development; and a working group of researchers focusing on violent crime and security has been set up. I had hoped that more progress would have been made in some of these focus areas, but recognise that the many different groups already working in these areas need to own and drive the initiatives.
- Significant additional funds were allocated to NRF rated researchers and to post-graduate scholarships to give impetus to UCT's research goals.
- UCT's position internationally and within the continent has been strengthened through building relationships and networks at the executive level, and funded research partnerships at the departmental level.
- I personally, and UCT more generally, have championed a more activist profile for the university and the students, encouraging academics in their role as public intellectuals. The University has been seen to be engaging with the political and social issues of the day.
- I have made extensive attempts to improve collegiality at UCT, to reduce the perceived distance between management and the academic community, to meet, consult with and affirm the role of the non-academic staff of the University, and to build a greater sense of inclusiveness.
- Fundraising targets have been met (in an increasingly difficult climate for fundraising) and alumni relations have been strengthened with many chapters visited in South Africa and abroad. A bequest programme and student-run telephone donations campaign were initiated.

We had not by year-end, but subsequently have, completed the appointments needed to ensure that all senior leadership group appointments have been made. I look forward to the energetic implementation of the plans that have been developed.



DR. M PRICE

VICE-CHANCELLOR

2 JUNE 2010

## REPORT OF THE INSTITUTIONAL FORUM

The Institutional Forum (IF) is a statutory body set up by the Higher Education Act 1997, No. 101 of 1997 to advise Council on issues affecting the institution, including –

- The implementation of the Higher Education Act and the national policy on higher education;
- Race and gender policies;
- The selection of candidates for senior management positions;
- Codes of conduct, mediation and dispute resolution procedures;
- 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; and
- Performing functions determined by Council.

The UCT IF met seven times during the course of 2009 of which four were scheduled meetings and three were special meetings. On occasions where decisions were required but meetings could not be arranged, Circulars from the Co-Chairs were sent out to members. Eleven Co-Chairs' Circulars were circulated. Only one special meeting in 2009 was scheduled concerning a senior appointment and the others included a variety of matters of interest to the IF.

Agenda items during 2009 included discussions concerning the role of the IF and its relationship with Council, Outsourcing at UCT, the renewal of the contracts of the incumbents of three senior management posts; the University Strategic Plan for 2010 to 2014; Reviews of UCT's Admissions Policy and Mission Statement; proposed policy on Racism and Racial Harassment, support for the Vice-Chancellor's public statements, the SAX Appeal incident; and introducing an annual IF induction workshop.

The IF has formally advised Council on senior appointments and the establishment of an Office of Ombud and Transformation Services Office.

During 2009, the IF has achieved a higher level of participation by Forum members in the affairs of the Forum and has sought to further consolidate its relationship with Council. To this end the IF has appointed a Council member on the Forum to act as the liaison between Council and itself and to report-back on matters concerning its advice, recommendations and issues of culture and climate at the University.

During 2010 the IF plans to seek to establish a more effective working relationship with Council, to play a more active role, beyond administrative responsibilities, around issues of institutional culture, and to convene an annual Induction Workshop for members starting in February 2010.



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PROFESSOR C SOUDIEN  
CO-CHAIR  
2 JUNE 2010



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DR. J GROSSMAN  
CO-CHAIR  
2 JUNE 2010



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MR. S ISLAM  
CO-CHAIR (SRC 2010)  
2 JUNE 2010

# COUNCIL STATEMENT ON CORPORATE GOVERNANCE

## Introduction

This statement is to enable readers of this Annual Report to obtain a better understanding of the governance and legal structure of the University.

The Council considers that it has materially complied with the requirements of the Higher Education Act, 1997, and the regulations for Annual Reporting by public higher education institutions issued in terms of the Act as published on 1 August 2007, Government Gazette No 30132 (which incorporate by reference and require compliance with the code for corporate practice, as set out in the second King Report insofar as the code can apply to Higher Education institutions).

### ***The Council's vision for the University***

*The University's vision is to be a world-class African University educating for life, addressing the challenges facing our society and equipping our students with life-long skills.*

*The Council, which is enjoined by law to govern the University, sees its key responsibilities as: to decide policy; to influence the affairs of the University; to make the key appointments; to make all financial appropriations and decide fees to be charged; to report to the State; and to require the Senate, the Vice-Chancellor and the executive officers (the Deputy Vice-Chancellors) to account to it for their areas of responsibility.*

The University has adopted a statement of values which provides a framework that informs and governs what we consider to be appropriate and acceptable behaviour, which serves as the foundation for a range of University policies and which guides the management of particular aspects of University life.

As a value-based community, we aspire to an encompassing ethos which:

- Promotes academic excellence and the attainment of the institutional goal of becoming a world-class African University.
- Preserves what is valuable in the history of the institution and of this country, and responds to the challenges posed by past injustices and unfair discrimination.
- Achieves social transformation, empowerment and participative governance.
- Affirms and protects the fundamental human rights enshrined in the Constitution.
- Encourages the institution and all its members to accept responsibility for the welfare of the community and for behaving in accordance with these community values.

## Values

We commit ourselves to:

- Truth, fairness, consistency, and integrity in both academic and other work, and in all personal and institutional relationships.
- Compassion, generosity and concern for the needs and aspirations of others, and in particular for the challenges faced by the less privileged in our society.
- Respect and tolerance for cultural, religious, political, and other differences and acknowledge of the value of diversity in society.
- Respect for individual privacy, dignity, and the right to personal choice.
- Intellectual honesty, vigour in debate, openness to alternative ideas and respect for other views, beliefs and opinions.
- Commitment to high standards, personal fulfilment and the pursuit of excellence.
- The protection and responsible use of the University's assets and resources.

## Actions

In the context of our recent history we recognise the importance of affirming this ethos and promoting these shared values. Accordingly, we undertake collectively and individually to:

- Promote and protect academic freedom.
- Oppose and take steps to prevent racial, gender or other forms of unfair discrimination, harassment, violence or abuse.
- Actively promote social justice and equity.
- Nurture a culture of learning which is supportive of students, scholars and teachers.
- Refrain from speech or conduct that demeans or humiliates others.
- Encourage our members to enjoy life, to laugh to love, to appreciate and take full advantage of the wealth of opportunities available to us in academic endeavour, in making friends, and in social, cultural and sporting activity.
- Advance the principle of open governance and to be fully accountable for our actions, decisions, and the stewardship of the University's resources and mission.
- Nurture and empower our members.

## The position of Council and Council Committees in relation to the Higher Education Act, 1997 and the Institutional Statute

The University of Cape Town grew out of the South African College. It became a University in 1918 by an act of the Union Parliament passed in 1916. That, and successive pieces of legislation gave way to the Higher Education Act 1997, Act 101 of 1997 and the promulgation in terms of the Higher Education Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as amended by Government Notice No 259 of 26 February 2004). In terms of these measures, the University is a legal persona with full juristic capacity.

The Act requires a public higher education institution to have a Council, a Senate, and 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 two years, and the Vice-Chancellor and Deputy Vice-Chancellors who serve *ex officio*) is for four years. The current term ended extends to 30 June 2012.

While the Council governs the University, the Senate has jurisdiction over the academic and research functions of the University. It consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 300 members in 2009. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

The Institutional Forum brings together in a body of 30, ten student members, ten staff members chosen by staff trades unions and staff bodies, and ten members representing Council, Senate and executive leadership. It advises the Council on matters specified under 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, and specified financial transactions) those listed in the Institutional Statute (paragraph 12(5)) and matters that Council has in addition reserved to itself. Beyond this, the Council has made use of its powers to delegate or assign its powers and functions to a committee of the Council, a member of the Council, or an officer of the University (paragraph 12(4) of the Statute). Schedules of delegated authority are reviewed annually by the Council.

The Council has arranged, in an effort to promote accountability and transparency that the papers of

the Senate, (including the monthly Principal's Circular which includes a report on Council's work) the Institutional Forum, and many UCT committees are published on an open governance intranet, and for Council papers, other than those dealing with commercial interests, to be available to staff and student bodies.

The Council as now constituted complies with the requirements of the Act as amended.

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 these;
- The University financial position is sound in the short term and the long term;
- No fees are set, and no financial appropriations made, without its approval;
- Risk management and internal controls are in place;
- All its 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; and
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted with a relevant composition and have appropriate terms of reference and reporting procedures.

Members of Council are not remunerated, but where they travel from out of Cape Town to attend meetings they may be reimbursed for travel expenses incurred. In order to ensure that there is both no actual and no perceived conflict of interest, each Council member, all senior managers, and all Committee members are required to make an annual declaration of interests, to declare any conflict or potential conflict ahead of discussion of the relevant issues; and to recuse themselves should any such issue arise. At the same time they must subscribe to the code on conflicts, or potential conflicts, of interest.

## Code of ethics and ethics in University research

The Council is committed to integrity and ethical behaviour in all its dealings. Council members and all staff who have decision-making functions must subscribe to an ethical code.

The importance of ethical behaviour is particular in all the University's academic work, and two standing committees of Senate, supported by faculty-level ethics committees, promote and ensure the highest ethical standards in teaching and research in regard to human subjects of research and to animal experimentation.

## Council and its Executive Committees

The Council is supported by a standing Executive Committee; Council has recently delegated formal decision-making functions to this committee. Council or its ExCo met monthly from February to December; this pattern is to change in 2010, following a review of the work of ExCo over the past five years.

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

The table below sets out the number of meetings held and individual Council member's attendance at these meetings.

### Attendance at Council Meetings – 2009

2009	Mar	May	Jun	Sept	Oct	Dec	%
D G Aschman	P	P	Ap	P	P	P	83
A W Barday	P	P		P	P	Ap	83

2009	Mar	May	Jun	Sept	Oct	Dec	%
Prof J Beall		P	P	P	P	P	100
G Bloch	Ap	Ap	P	P	Ap	P	50
D Budlender	P	P	P	P	P	P	100
P Buthelezi	Abs	Ap	Ap	Ap	Ap	Abs	0
V Doo	P	P	P	P	P	P	100
I G Farlam	Ap	Ap	P	P	P	P	67
G Gabriels	P	Ap	P	P	P	P	83
P Gama	P	P	P	P	P	P	100
J J Gauntlett SC	Ap	P	Ap	P	Ap	P	50
C T Howie	P	P	P	P	P	P	100
M Jeebhay	P	P	P	P	P	P	100
E Kalula	P	P	P	P	Ap	P	83
O Kinahan	P	P	P	P	P	P	100
R E Kirsch	P	P	P	P	P	Ap	83
S Mpofu-Walsh						P	100
T Mhlambiso (Deputy Chair to 31 <sup>st</sup> December 2009)	P	Ap	P	P	P	P	83
N W H Ndungane (Chair)	P	P	P	P	P	P	100
R T Nhlapo	P	Ap	P	P	P	P	83
E Patel MP	P	Ap	Ap	Ap			25
T D Petersen	P	P	P	P	P	P	100
M R Price	P	P	P	P	P	P	100
CT O'Connor	P						100
BD Reddy	P						100
U Rivett				P	P	P	100
C Ryall	P	P	P	P	P	Ap	83
J Samuel	P	P	P				100
M Seligson SC	P	P	Ap	P	P	P	83
C Soudien		P	P	P	P	P	100
J Terblanche	P	P	Ap	P	P	P	83
C L Vaughan	P	P	P				100
P A Vinjevold	Ap	Ap	Ap	P	P	P	50
D P Visser	P	P	P	P	P	P	100
= Not a Council member during highlighted periods							
P = Present		Ap = Apology			Abs = Absent		

#### Attendance at Council EXCO Meetings – 2009

2009	Feb	April	August	Nov	%
D Budlender	P	P	P	P	100
J J Gauntlett	P	P	P	P	100
E Kalula	P	P	Ap	P	75
T Mhlambiso (Deputy Chair )	P	P	P	Ap	75
NWH Ndungane (Chair)	P	P	P	P	100

2009	Feb	April	August	Nov	%
T D Petersen(Deputy Chair to 30 June 2008)	P	Ap	P	P	75
M Price	P	P	P	P	100
C Ryall	P	P	P	Abs	75
P = Present	Ap = Apology		Abs = Absent		

## Council Committees

### Council Appointments Committee

The Council Appointments Committee considers nominations for vacancies in the Council in terms of paragraph 46 of the Statute.

### The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external people and the Vice-Chancellor. It met five times in 2009, and both internal and independent auditors have unrestricted access to it. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the Committee. The Audit and Risk Committees continued with a comprehensive review of risk and put measures in place to manage identified risks. The 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 with the regulations laid down by the Minister under the Higher Education 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.

### The University Finance Committee

The University Finance Committee is a standing committee of Council. The Finance Committee advises Council on financial strategy, makes recommendations on annual revenue and capital budgets and monitors and reports on progress against these budgets. It met seven times during 2009.

### The Council Remuneration Committee

The Council Remuneration Committee is a standing committee of Council and consists of external members of Council, the Chairs of the Audit, Human Resources and Finance Committee and the Vice-Chancellor. It is responsible for

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

## **The University Student Affairs Committee (USAC)**

The USAC is established in terms of S27 (3) of the Higher Education Act, 1997 as amended. This standing committee of Council is made up of one member of the Executive, members of the academic staff and student representatives. It is a structure established in terms of the Higher Education Act, 1997 to advise the Council on student matters. Council requires the USAC to report twice a year on student concerns and on how these are being addressed.

## **The University Human Resource (HR) Committee**

This standing committee advises Council on HR policy, is responsible for advising Council on employment equity policy and plans, and for keeping abreast of staff issues and staff concerns. The committee met three times during 2009. A Council member chairs the Committee.

## **The University Building and Development Committee (UB&DC)**

The UB&DC advises Council on physical development and oversees major capital projects. It 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 met 11 times during 2009.

## **The University Strategy Forum**

Chaired by the Vice-Chancellor, consisting of Council Members, and elected staff and student representatives, this standing committee advises Senate and Council on strategy. It met twice in 2009.



ARCHBISHOP N.W.H. NDUNGANE

CHAIR OF COUNCIL

2 JUNE 2010



DR. MAX PRICE

VICE-CHANCELLOR

2 JUNE 2010

# **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 and to safeguard its assets. The University has a documented organisational structure and division of responsibilities, and established policies and procedures, which are communicated throughout the University. The organisational structure documentation was reviewed by management and updated during 2009.

Information systems utilising modern information technology are in use throughout the organisation. All 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 major administrative systems during the period under review.

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. The development, maintenance and operation of all systems are under the control of competent, trained staff.

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 financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The University's independent auditors, Ernst & Young, assess the key accounting systems on an annual basis and have found that, while controls are generally adequate, there are areas where the control environment should be improved. These have been brought to the attention of the Audit Committee and management and are being attended to. Ernst & Young have reported that good progress has been made in addressing these issues, indicating where items have been resolved, partially resolved, not yet resolved and where management has suggested that the risk has been accepted. These latter items require, and have received, the acceptance of the Audit Committee.

It is the role of Internal Audit to monitor internal control systems and to assist line management in ensuring the adequacy of such controls. The Audit Committee has been concerned about the effectiveness of Internal Audit in fulfilling this role and reports that the University has instituted measures to rectify the situation. This is still a work in progress and will commence in earnest in 2010 with the appointment of a new Director of Internal Audit. This is a new post at a more senior level than the current Head and indicates the University's commitment to establishing an effective Internal Audit function.

Council, through its Audit Committee, provides oversight of the financial reporting process.

## **Committee structures**

The University Audit Committee is a standing committee of the Council. In March 2009 Council amended the Committee's terms of reference to provide that Council shall 'appoints three (or more) members (who should be financially literate) of whom at least two (previously three) should be from members of Council other than the Executive Officers, staff or students'. Council then appointed an additional Council member to the Committee, thereby ensuring that the Committee's membership met the requirement in the terms of reference.

The Committee is chaired by Mr Colin McClelland who is independent. While not a member of Council, he receives all Council, Investment and Finance Committee papers by right and has the right to attend and speak at Council and Council Executive Committee meetings as he chooses. This gives him direct access as Audit Committee Chair to Council. Council has now stipulated that it requires a report from the Audit Committee at every meeting.

A standing Risk Management Committee, chaired by the Vice-Chancellor with an external member of the Audit Committee as a member, reports to the Audit Committee.

Attendance at Audit and Risk Management Committee meetings during 2009 is given in the tables below:

Audit Committee		Feb	April	May	Aug	Dec	%
Mr C McClelland	Chair	P	P	P	P	P	100
Mr A Jakoet	Deputy Chair	P	P	P	P	P	100
Mr Justice I Farlam	Member from Sept 09					P	100
Advocate A C Mopp	Member	P	P	Ap	Ap	P	60
Dr M Price	Member	P	P	Ap	Ap	P	60
Mr J Samuel	Member from March to Aug 09		Ap	Ap	Ap		0
Advocate M Seligson SC	Member	P	P	P	Ap	P	80

Risk Management Committee		Feb	Aug	Nov	%
Dr M Price (VC and Chair)		Ap	P	P	67
Professor E Uliana (Deputy Chair)		P	P	P	100
Professor K Driver		P	Ap	P	67
Professor F Petersen				Ap	0
Mr C McClelland (Audit Committee representative)		Ap	Ap	P	33
Mr H T Amoore		P	P	P	100
Mr J Critien		P	P	P	100
Ms M Khan		Ap	P	Ap	33
Ms G Kruger		P	P	Ap	67

	= Not a member for these meetings	P = Present	Ap = Apology	Abs = Absent
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## Assessing and managing risk

The Risk Management Committee continued to identify areas of risk and to ensure that there are appropriate controls for managing key risk areas. Areas which have been identified requiring more detailed work include the health and safety system and legal compliance. A sub-committee of the Risk Committee has assessed the University's insurances and levels of cover and is satisfied that adequate insurances are in place. This review identified the need to cover students who are required to visit industrial sites. A personal accident type cover is now in place. The University has contracted with a third party for responses to medical emergencies on campus.

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

The table below sets out some of the major areas of risk which are reported as being monitored and addressed by management:

### Operating and business risks

Funding	Financial/Commercial
<ul style="list-style-type: none"> <li>Potential future change in Government funding policy</li> <li>Infrastructure funding requiring commitments and financial inputs from the University</li> <li>Relationship with Groote Schuur and Red Cross Teaching Hospitals, and the Provincial and National Governments in respect of health training</li> <li>Loss of use of assets due to withdrawal or undue cost</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate financial strategy</li> <li>Poorly devolved financial control</li> <li>Overextension of resources resulting from increased activity, both teaching and research</li> <li>Investments</li> </ul>

escalation (rent) <ul style="list-style-type: none"> <li>• Funders reneging on commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud and theft</li> <li>• Tax risks, both VAT and PAYE</li> <li>• Compliance in complex and onerous legal environment</li> </ul>
Property and related <ul style="list-style-type: none"> <li>• Crime</li> <li>• Health and safety</li> <li>• Maintenance backlog</li> <li>• Service breakdown– Electricity, water etc.</li> </ul>	Student and related <ul style="list-style-type: none"> <li>• Insufficient student housing</li> <li>• Financial aid</li> <li>• Fairness of admissions process</li> </ul>
Human resources <ul style="list-style-type: none"> <li>• Attract and retain staff</li> <li>• Lack of accountability</li> <li>• Poor labour relations</li> </ul>	Information technology <ul style="list-style-type: none"> <li>• Disaster recovery and losses due to changes to the IT environment</li> <li>• Overdependence on individuals, both internal and external</li> </ul>

Financial risk decisions are taken within limits decided by Council on the advice of the Audit, Finance and Investment Committees. The Audit Committee is satisfied that, at a macro level, risks have been identified and appropriately addressed. The Audit Committee 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.

The key responsibilities of the Audit Committee are listed on page 21 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 timeous and accurate financial reporting that comply with all applicable requirements, its focus is on the following key areas:

### Tax risks

Both the Risk and Audit Committees continued to assess the identification and management of PAYE and VAT compliance. As most of these issues are of Higher Education (HE) sector nature, a major intervention has been the University's staff involvement in a Tax Task team established under Higher Education SA, (HESA), the HE sector body. This team is now recognised by the SA Revenue Services (SARS) as the contact body for HE sector related tax issues. To date, SARS has issued two class rulings on issues vital to the HE sector arising from these interactions.

### Research related risks

Understanding the drivers of risk in the tax arena motivated the Committee to gain a better understanding of the overall control risks associated with externally funded research activity and the related funds. All external members of the Committee recently attended a workshop on how these areas are managed and controlled within the University.

### External environment

The Audit Committee has continued to assess the impact on the University of the World Economic Crisis brought about by the 'sub-prime' collapse in the financial sectors of the United States and Europe and is happy to report that there appears to have been no lasting effect on the University. The area of immediate concern was the potential impact on the collection of student fees. The University reacted by increasing its allocation to financial aid and by extending aid to that body of students who fall between those who qualify for financial aid on the UCT and NSFAS means tests and those who can afford the cost of higher education. Fee collection in 2009 remained good.

## **Compliance in a complex and onerous legal environment**

During 2008 the Committee, through its Risk Management Committee, initiated a programme to assess the University's compliance with the various legal and governance requirements to which it is subject. This has proven to be a greater task than was envisaged and will continue to be a focus of the Risk Management Committee for 2010. An element of this has been the formulation of policies and guidelines for Ethics, Fraud and Whistle-blowing and drafting a risk policy framework for the University. These are now in the final stages of approval.

### **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. In particular, a draft business continuity plan is currently being considered by the University.

## **Areas of risk managed outside of the Audit Committee**

### **Academic – Teaching and Learning and Research**

Risks associated with Teaching and Learning and the non-financial risks arising from research activities are managed through the academic structures of the University, being the Senate and its associated committees.

Senate has a Quality Assurance Working Group. This operates in the academic domain and its remit is to help ensure that the University has in place the necessary quality assurance mechanisms for the University's teaching and learning, research, and social responsiveness work. The work of the Quality Assurance Working Group extends to overseeing quality reviews of all areas, both academic and support. These mechanisms constitute the critical subset of risk management in a university environment. Further reports on its work are included in the report of the Senate. A major feature of its work has been to monitor the progress of the University's quality improvement plan (UNIQUEIP) which is a self-improvement plan designed to strengthen those areas of quality assurance that were the subject of recommendations by Higher Education Quality Council (the HEQC). This plan, and the progress made in implementing it, have been accepted by the HEQC.

### **Health and safety**

The risk of HIV/AIDS among staff and students continues to be addressed through a comprehensive direct aids intervention programme, which includes educational programmes, voluntary counselling and testing, and the provision of drug therapies to those who test HIV positive. A parallel programme of support to students who are HIV positive or who have developed AIDS is in operation, to complement a long running HIV/AIDS education programme.

## **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.

In terms of this policy, the University initiated a tender process for the audit for the year ending 31st December 2010 and subsequent years. We are able to report that this process has taken place and that the University Council has re-appointed Ernst & Young as external auditors for the appointment cycle described above commencing in 2010.

## **The scope of the independent and internal audit programme**

The Committee reviewed the scope of the independent auditors' programme. It also considered a separate independent report which was made of 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 its programme of work and continues to review progress and the findings in Internal Audit Reports. As previously reported concerns about the effectiveness of the internal audit function led to a decision to seek an independent review of this from Ernst & Young. As explained above, this led to a plan to strengthen the internal audit function, both in general and with regard to skills in the area of information systems audit.

## Assurances received and review of the Annual Financial Statements

The Committee received an assurance from the independent auditors that there were no material unresolved accounting and audit problems relating to the audit of the 2009 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 (IFRS) and in the manner required by the Minister of Education as set out in the manual on annual reporting issued by the Department of Higher Education and Training. All accounting policies had been approved by the Audit Committee and, except for those noted in Note 4.16 to the Annual Financial Statements, there have been no changes to those adopted in previous years.

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



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MR. C McCLELLAND  
CHAIR OF AUDIT COMMITTEE  
2 JUNE 2010



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MR. HT AMOORE  
REGISTRAR, responsible for Internal Audit  
2 JUNE 2010

# ANNUAL FINANCIAL REVIEW

## Financial Policy

### ***Securing Financial Stability for UCT***

*Our financial policy is to provide for sustainable operations and the ability to invest in educational initiatives consistent with our mission. We practice 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 provide a hedge against unforeseen circumstances and to enable new initiatives.*
- 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; Cash flow planning.

## Highlights 2009

### Continuing Educational Operations

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

2009 saw increases of total recurrent operating income of R205 million (15.7%) to R1,597 million, mainly from tuition and other fee income, R94 million (19.5%) to R577 million, state subsidy R92 million (13.5%) to R776 million. Expenditure growth was contained at R168 million (12.7%) to R1,482 million, mainly in respect of personnel cost R119 million (14.9%) to R920 million. The increase in tuition fees comprised a general increase of 14% and increased enrolments generating about R20 million, mainly in the Faculty of Science and the Semester Study Abroad program.

Given our strategy of providing access to the disadvantaged and the worsened economic conditions, we added R30 million to bursaries and scholarships bringing the total to R86 million. The financial aid portion amounted to R66 million. Income from endowments and other funds available to the University contributed a further R33 million and the NSFAS provided loans amounting to R65 million. In addition, corporate and other external bursaries support students to a value of R148 million. Thus our undergraduate students received R312 million in total financial support from these sources, up from R232 million in 2008.

The net result of the recurrent operations was a modest surplus of R24 million (2008 R13 million deficit), being 1.6% of total operating revenues, emphasising the tight margins within which we function. The funding framework is under review by the Department of Higher Education and Training, the consequences for UCT could be destabilising, particularly in the light of the pressures on fee levels.

## Research and other Designated Activities

Research and other Designated Activities are usually outside the decision rights of university management (who nevertheless usually retain governance and monitoring rights and often approval rights). While these are of important academic and social value they add considerably to the financial risk of the university as they have a direct impact on cash flows and account receivable management.

These activities grew to over R1.1 billion in 2009, an increase of 14.6% over 2008, reflecting the increase in the research activities described in part 2 of the Vice-Chancellor's report. Contract research increased by 21.8% to R491 million (2008 R403 million), and by 160% since 2005. The growth over an extended period has placed significant demands on our operations as the tripling of activities has manifested itself in the Research Office, Contracts Office, Human Resources, Finance Department and a host of others.

The Development office secured donations and gifts of R 174.8 million, an increase of 13.7%, in difficult economic conditions.

## Staff and Student Housing

Staff and Student Housing is required to cover its costs and provide enough resources for long term maintenance and the replenishment of stock. Revenues increased by 14.8% to R187 million, generating a surplus of R15.5 million. This surplus is applied to extending the housing stock thereby providing greater access to UCT. The increased fee revenue in the student housing area (15.4%) resulted from increased fees of 17 % on accommodation and 13% on food. Increases in operating costs were due mainly to the increased cost of utilities and in setting up the new Pinelands Grove residence.

## Net Investment Income

Net Investment Income amounted to R101 million as a result of attention to cash flow management and some delay in capital projects, countered by falling interest rates. Finance costs are negligible but may increase in future years as discussed under the capital expenditure and financing sections below.

## Capital Expenditure

Capital Expenditure of approximately R1 billion has been initiated for the period to 2012. Major projects underway during 2009 included the middle campus development of the School of Economics and the Student Administration buildings. Other acquisitions included scientific equipment and a property in Mowbray to house the Information and Communication Technology unit in order to release space on upper campus for academic purposes. A residence in Observatory to house approximately 900 students, the total cost of which will be in the region of R500 million got under way late in 2009 . Further capital expenditure expected in 2010 to 2012 includes a new Engineering building, an Architecture refurbishment and refurbishment of the Breakwater Lodge, being among the larger projects.

## Capital Structure and Financing

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

In approving the capital projects, Council indicated that the free cash reserves should not fall below R200 million during the currency of their implementation. Due to the delays in the commencement in some of these projects it may be possible to fund these from cash flow, with limited use of external funding if any.

## The Cash Flow

The Cash Flow cycle at UCT has a low point at the end of the financial year 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 major projects such as those described above.

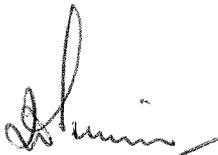
## The Financial Sustainability

The financial sustainability of UCT is reflected in the table below; the Council controlled unrestricted operations generated a surplus of R24 million as noted earlier. While these margins are extremely low, the risk is somewhat mitigated by two factors; we know the bulk of our income (subsidy and fees) early in the operating cycle, and if these were significantly different from plan we would be able to react and adjust our operations accordingly: we hold a free cash balance that allows us to operate in the face of significant unexpected events.

The overall operating surplus increased from R382.5 million to R470.4 million, the bulk of this surplus (R324.6 million) is in respect of specifically funded restricted activities. While these activities contribute greatly to the mission of the University, they do not often provide for sustainability and draw on much infrastructure support. The surplus attributable to Council controlled unrestricted funds increased from R103.8 million to R110.3 million.

## Recurrent Unrestricted Council Controlled Operations: 5-year Review

	2009	2008	2007	2006	2005
<b>Recurrent income</b>	<b>1,511</b>	<b>1,306</b>	<b>1,207</b>	<b>1,082</b>	<b>992</b>
State appropriations-subsidies and grants	776	684	640	570	513
Tuition and other fee income	577	483	425	401	364
Sales of goods and services	151	134	134	106	97
Private gifts & grants	7	5	8	5	18
<b>Recurrent expenditure</b>	<b>1,487</b>	<b>1,319</b>	<b>1,185</b>	<b>1,078</b>	<b>1,010</b>
Personnel	920	801	721	681	641
Other operating expenses	461	443	405	342	290
Bursaries	86	56	40	40	41
Depreciation and minor capital items expensed	20	19	19	15	38
<b>Recurrent Operating Surplus/(Deficit)</b>	<b>24</b>	<b>-13</b>	<b>22</b>	<b>4</b>	<b>-18</b>



MR. T D PETERSEN

CHAIR: FINANCE COMMITTEE

2 JUNE 2010



PROFESSOR E O ULIANA

EXECUTIVE DIRECTOR: FINANCE

2 JUNE 2010

# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Council is responsible for the preparation, integrity and fair presentation of the financial statements of the University of Cape Town.

The financial statements presented on pages 33 to 68 of this annual report for 2009 have been prepared in accordance with IFRS and the requirements of the Minister of Education as contained in the manual on annual reporting issued by the Department of Education, and include amounts based on judgements and estimates made by management as more fully laid out in the notes to the financial statements. Council also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the financial statements.

The 'going concern' basis has been adopted in the preparation of the 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 financial statements support 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.

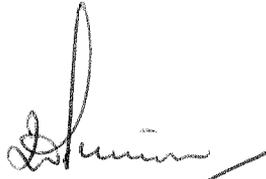
### Approval by Council of the Annual Financial Statements

The annual financial statements set out on pages 33 to 68 were approved by the University Council on 2 June 2010 and are signed on its behalf by:



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ARCHBISHOP N W H NDUNGANE  
CHAIR OF COUNCIL  
2 JUNE 2010



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MR. T D PETERSEN  
CHAIR OF FINANCE COMMITTEE  
2 JUNE 2010



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DR. M PRICE  
VICE-CHANCELLOR  
2 JUNE 2010



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PROFESSOR E O ULIANA  
EXECUTIVE DIRECTOR OF FINANCE  
2 JUNE 2010

## REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

We have audited the annual financial statements of the University of Cape Town, which comprise the statement of financial position as at 31 December 2009, the income statement, the statement of comprehensive income, changes in fund balances and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 68.

### Council's Responsibility for the Financial Statements

Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Minister of Education in terms of S41 of the Higher Education Act 101, 1997 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Cape Town as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Minister of Education in terms of S41 of the Higher Education Act 101, 1997 (as amended).



ERNST & YOUNG INC.  
REGISTERED AUDITOR

Cape Town  
3 June 2010

Chief Executive: Philip Hourquebie  
A full list of Directors is available from the website.

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Note	2009 R'000	2008 R'000
<b>ASSETS</b>		4,415,286	3,768,508
<b>Non-Current Assets</b>		3,234,918	2,825,283
Property, plant and equipment	5	1,041,618	924,561
Investments	6	2,173,352	1,896,374
Investments in associates	7	-	-
Non-current receivables and prepayments	8	19,948	4,348
<b>Current Assets</b>		1,180,368	943,225
Inventories	9	685	438
Accounts receivable and prepayments	10	292,550	176,072
Loans to employees	10	266	935
Student fees receivable	10	38,615	33,004
Cash at bank and cash equivalents	11	848,252	732,776
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		4,415,286	3,768,508
<b>Accumulated Funds</b>		3,875,760	3,323,105
Non-distributable funds		1,592,674	1,385,180
Endowed funds		1,254,740	1,168,462
Revaluation reserve		337,934	216,718
Restricted funds designated for specific activities		1,353,549	1,128,317
Education and general		1,219,376	1,009,631
Student and staff accommodation		134,173	118,686
Unrestricted council controlled funds		929,537	809,608
<b>Non-Current Liabilities</b>		325,306	229,914
Interest bearing borrowings	12	976	2,184
Deferred revenues – Government grants	13	140,000	60,000
Provisions – employee benefits	14	184,330	167,730
<b>Current Liabilities</b>		214,220	215,489
Accounts payable and accrued liabilities	15	123,617	130,888
Student deposits		29,616	29,295
Provisions – employee benefits	14	59,779	53,703
Current portion of interest bearing borrowings	12	1,208	1,603

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

(All amounts in R'000)

<u>Education and General</u>							
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total	Student and Staff Housing Restricted	2009 TOTAL	Change %	
<b>Recurrent Revenue</b>	1,596,642	1,122,892	2,719,534	186,788	2,906,322	13.3	
State appropriations- subsidies and grants	16	776,488	231,630	1,008,118	-	1,008,118	11.8
Tuition and other fee revenue		576,678	-	576,678	162,852	739,530	18.5
Income from contracts		105	491,252	491,357	-	491,357	21.9
Rendering of services		150,506	112,701	263,207	20,436	283,643	12.6
Donations and gifts		7,142	169,928	177,070	-	177,070	1.4
<b>Sub-Total</b>		1,510,919	1,005,511	2,516,430	183,288	2,699,718	14.6
Interest and dividends	17	85,723	117,381	203,104	3,500	206,604	(1.1)
<b>Recurrent Expenditure</b>		1,481,634	895,170	2,376,804	171,353	2,548,157	14.8
Personnel	18	919,974	348,851	1,268,825	24,378	1,293,203	16.3
Other operating expenses	19	460,860	386,360	847,220	139,644	986,864	10.6
Bursaries and financial aid		85,999	142,361	228,360	-	228,360	28.4
Depreciation	5	19,904	17,594	37,498	1,880	39,378	10.5
<b>Sub-Total</b>		1,486,737	895,166	2,381,903	165,902	2,547,805	14.8
Net finance costs	20	(5,103)	4	(5,099)	5,451	352	(36.9)
Finance costs		232	4	236	116	352	(36.9)
Interest on internal borrowings		(5,335)	-	(5,335)	5,335	-	-
<b>RECURRENT SURPLUS</b>		115,008	227,722	342,730	15,435	358,165	3.7
<b>NON-RECURRENT ITEMS</b>		5,276	67,930	73,206	68	73,274	26.5
Loss on disposal of property, plant & equipment		(174)	(621)	(795)	-	(795)	54.1
Realised profit on sale of investments		5,763	71,700	77,463	68	77,531	(27.1)
Impairment of available-for- sale investments		(313)	(3,149)	(3,462)	-	(3,462)	(92.8)
<b>NET OPERATING SURPLUS</b>		120,284	295,652	415,936	15,503	431,439	6.9
Transfer between funds		(10,385)	10,401	16	(16)	-	-
<b>NET SURPLUS</b>		109,899	306,053	415,952	15,487	431,439	6.9

**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2009**

(All amounts in R'000)

Note	Council Controlled	Specifically Funded Activities	Revaluation Reserve	Student and Staff Housing Restricted	2009 Total
	Unrestricted	Restricted			
Surplus for the period	109,899	306,053	-	15,487	431,439
Other comprehensive income:					
Available for sale – changes in fair value	-	-	121,216	-	121,216
Unrealised movement in market value	-	-	195,285	-	195,285
Reclassification adjustment for items included in income statement	-	-	(74,069)	-	(74,069)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>109,899</b>	<b>306,053</b>	<b>121,216</b>	<b>15,487</b>	<b>552,655</b>

**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2009**

(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	
<b>FUND BALANCES AS AT 1 JANUARY 2009</b>	1,168,462	216,718	1,009,631	118,686	809,608	3,323,105
Total comprehensive income	-	121,216	306,053	15,487	109,899	552,655
Net surplus for 2009	-	-	306,053	15,487	109,899	431,439
Other comprehensive income	-	121,216	-	-	-	121,216
Transfers between funds	86,278		(96,308)	-	10,030	-
<b>FUND BALANCES AS AT 31 DECEMBER 2009</b>	<b>1,254,740</b>	<b>337,934</b>	<b>1,219,376</b>	<b>134,173</b>	<b>929,537</b>	<b>3,875,760</b>

\*Certain numbers comprising total comprehensive income do not correspond to the 2008 annual financial statements and reflect adjustments detailed in note 4.16

**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts in R'000)

Note	Education and General			Student and Staff Housing Restricted	Restated 2008 TOTAL	Change %
	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total			
<b>Recurrent Revenue</b>	1,401,468	1,000,523	2,401,991	162,717	2,564,708	18.7
State appropriations-subsidies and grants	16 684,033	217,939	901,972	-	901,972	13.6
Tuition and other fee revenue	482,939	-	482,939	141,149	624,088	11.8
Income from contracts	17	403,216	403,233	-	403,233	22.9
Rendering of services	133,853	99,787	233,640	18,192	251,832	11.2
Donations and gifts	5,343	169,271	174,614	15	174,629	42.2
<b>Sub-Total</b>	1,306,185	890,213	2,196,398	159,356	2,355,754	16.6
Interest and dividends	17 95,283	110,310	205,593	3,361	208,954	59.4
<b>Recurrent Expenditure</b>	1,303,080	753,685	2,056,765	162,395	2,219,160	16.0
Personnel	18 800,522	289,349	1,089,871	22,566	1,112,437	14.9
Other operating expenses	19 443,303	327,481	770,784	121,888	892,672	15.7
Bursaries and financial aid	55,741	122,122	177,863	-	177,863	27.7
Depreciation	5 19,114	14,728	33,842	1,788	35,630	6.3
<b>Sub-Total</b>	1,318,680	753,680	2,072,360	146,242	2,218,602	16.0
Net finance costs	20 (15,600)	5	(15,595)	16,153	558	(38.6)
Finance costs	410	5	415	143	558	(38.6)
Interest on internal borrowings	(16,010)	-	(16,010)	16,010	-	-
<b>RECURRENT SURPLUS</b>	98,388	246,838	345,226	322	345,548	39.7
<b>NON-RECURRENT ITEMS</b>	5,362	52,493	57,855	88	57,943	(77.5)
Loss on disposal of property, plant & equipment	-	(516)	(516)	-	(516)	(94.3)
Realised profit on sale of investments	5,362	100,886	106,248	88	106,336	(56.8)
Impairment of available-for-sale investments	-	(47,877)	(47,877)	-	(47,877)	-
Other non-recurrent income	-	-	-	-	-	(100.0)
<b>NET OPERATING SURPLUS</b>	103,750	299,331	403,081	410	403,491	(20.0)
Transfer between funds	26,056	(25,285)	771	-771	-	-
<b>NET SURPLUS</b>	129,806	274,046	403,852	(361)	403,491	(20.0)

**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts in R'000)

Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2008 Total
Surplus for the period	129,806	274,046	-	(361)	403,491
Other comprehensive income:					
Available for sale – changes in fair value	-	-	(130,932)	-	(130,932)
Unrealised movement in market value	-	-	(72,473)	-	(72,473)
Reclassification adjustment for items included in income statement	-	-	(58,459)	-	(58,459)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>129,806</b>	<b>274,046</b>	<b>(130,932)</b>	<b>(361)</b>	<b>272,559</b>

**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2008**

(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	
<b>FUND BALANCES AS AT 1 January 2008</b>	1,095,556	347,650	808,491	119,047	679,802	3,050,546
Total comprehensive income – restated*	-	(130,932)	274,046	(361)	129,806	272,559
Net surplus 2008 –restated*	-	-	274,046	(361)	129,806	403,491
Other comprehensive income	-	(130,392)	-	-	-	(130,392)
Transfers between funds	72,906	-	(72,906)	-	-	-
<b>FUND BALANCES AS AT 31 DECEMBER 2008</b>	<b>1,168,462</b>	<b>216,718</b>	<b>1,009,631</b>	<b>118,686</b>	<b>809,608</b>	<b>3,323,105</b>

\*Certain numbers comprising total comprehensive income do not correspond to the 2008 annual financial statements and reflect adjustments detailed in note 4.16

# UNIVERSITY OF CAPE TOWN

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 R'000	2008 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from students, government and private sources		2,353,670	2,154,470
Cash paid to employees and suppliers		<u>(2,283,577)</u>	<u>(1,933,558)</u>
<b>Cash generated from operations</b>		70,093	220,912
Investment income – interest	17	178,115	189,104
Investment income – dividends	17	28,489	19,850
Finance costs	20	<u>(352)</u>	<u>(558)</u>
<b>Net cash inflows from operating activities</b>		<u>276,345</u>	<u>429,308</u>
<b>Cash flows from investing activities</b>			
Additions to maintain property, plant and equipment	5	(157,421)	(89,761)
Proceeds on disposal of property, plant and equipment		191	436
Purchase of available-for-sale investments		(217,694)	(267,904)
Proceeds from sale of available-for-sale investments		136,001	196,406
Ukukhula Trust loan	8	<u>(343)</u>	<u>(3,375)</u>
<b>Net cash used in investing activities</b>		<u>(239,266)</u>	<u>(164,198)</u>
<b>Cash flows from financing activities</b>			
Decrease in long term interest bearing borrowings	12	(1,603)	(2,310)
Increase in deferred revenue – government grants	13	<u>80,000</u>	<u>30,000</u>
<b>Net cash inflows from financing activities</b>		<u>78,397</u>	<u>27,690</u>
<b>Net increase in cash and cash equivalents</b>		115,476	292,800
Cash and cash equivalents at beginning of period		<u>732,776</u>	<u>439,976</u>
Cash and cash equivalents at end of period	11	<u>848,252</u>	<u>732,776</u>

## Cash generated from operations

### Reconciliation of net surplus to cash generated from operations:

Net surplus		431,439	403,491
Adjustments for:			
Depreciation	5	39,378	35,630
Increase in employee benefit provisions	14	22,676	24,929
Loss on sale of property, plant and equipment		795	516
Investment income – interest	17	(178,115)	(189,104)
Investment income – dividends	17	(28,489)	(19,850)
Finance costs	20	352	558
Profit on sale of investments		(77,531)	(106,336)
Impairment of available-for-sale investments		3,462	47,877
Changes in working capital			
accounts receivable, prepayments and loans		(117,688)	(23,421)
inventories	9	(247)	(65)
accounts payable, accrued liabilities and deposits		<u>(25,939)</u>	<u>46,687</u>
<b>Cash generated from operations</b>		<u>70,093</u>	<u>220,912</u>

# UNIVERSITY OF CAPE TOWN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2009

#### 1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of Council on 2 June 2009.

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 accounting policies). The consolidated annual financial statements are presented in Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

The accounting policies set out below are consistent with those applied in the previous year, except where new standards and interpretations have been adopted as stated below. These policies have been applied consistently by all the University's consolidated entities and the financial year ends of these entities are coterminous.

The University has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the University. They did however give rise to additional disclosures:

The University has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IAS 1: Presentation of financial statements (1 January 2009)
- Annual project: Improvements to IFRS (May 2008) (1 January 2009)
- IFRS 7: Improving disclosures about financial instruments amendments to IFRS 7 - Financial instruments: Disclosures (1 January 2009)
- IAS 39 and IFRS 7: Amendments to IAS 39 Financial instruments: Recognition and measurement and IFRS 7 Financial instruments: disclosures - Reclassification of financial assets (1 July 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the University, its impact is described below:

##### **IAS 1 Presentation of Financial Statements**

The revised standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The University has elected to present two statements.

##### **IFRS 7 Financial Instruments: Disclosures**

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value.

In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.

The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 6. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 21.

The following standard which is not yet effective but could impact future financial statements has been issued or revised: IFRS 9 – Financial instruments (1 January 2013)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

## 2. Basis of preparation (continued)

### Statement of compliance

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

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries as at 31 December each year.

The financial statements of subsidiaries are consolidated from the date on which the University acquires effective control, up to the date that such effective control ceases. For this purpose, subsidiaries are entities over which the University, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its 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.

Acquisitions are included in the consolidated financial statements using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

When there is a disposal or loss of control of a subsidiary, 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 University's Statement of Comprehensive Income.

All inter-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The financial statements include the operations of the 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 Student Loan Fund Limited	A Section 21 company controlled by the University of Cape Town
The UCT Lung Institute (Pty) Limited	A wholly owned subsidiary of the University of Cape Town

### 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 the Statement of Comprehensive Income 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.

#### *Endowed funds income*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 2. Basis of preparation (continued)

#### Segment information and accumulated funds (continued)

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.

#### *Revaluation reserve*

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

#### *Specifically funded activities restricted (Education and general)*

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

#### *Unrestricted Council controlled funds*

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

#### *Student and staff accommodation*

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 of Cape Town as their preferred place of study and that the University is able to attract and retain appropriate staff.

#### Transfers between segments

Transfers between segments are reflected in two areas, having quite distinct purposes:

#### *Operational transfer*

The transfer of funds is required for operational purposes between the three main operational segments being 'Specifically funded activities restricted (Education and general)', 'Unrestricted Council controlled funds' and 'Student and staff accommodation'. These transfers are reflected in the Consolidated Income Statement.

#### *Endowment related transfers*

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

### 3. Significant accounting judgements and estimates

The preparation of the University's consolidated financial statements requires management to make judgements, estimates and assumptions that effect 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 could 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 most significant effect on the amounts recognised in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 3. Significant accounting judgements and estimates (continued)

#### Judgement

##### *Investments*

All investments, with the exception of specific investments which are held-to-maturity, are considered to be available-for-sale investments as the intention is to grow the value of the investment portfolios over a long term horizon.

#### Estimation uncertainty

*The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position 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.*

##### *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 Statement of Comprehensive Income. 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 2009 a R3.5 million of impairment losses had been recognised for available for sale assets (2008: R47.9 million). The carrying value of available-for-sale assets at 31 December 2009 was R2,173.4 million (2008: R1 896.4 million) refer Note 6.

##### *Depreciation*

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

##### *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 staff that will reach retirement at the University. In addition, to fair value 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 2009 was R29.0 million (2008: R27.0 million).

##### *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 2009 was R167.5 million (2008: R151.9 million).

##### *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 2009 was R38.6 million (2008: R33.0 million) refer Note 10.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4. Summary of significant accounting policies

#### 4.1 Foreign currency translation

The consolidated 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 balance sheet date. All differences are taken to profit or loss 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 profit or loss, any exchange component of that gain or loss shall be recognised directly in profit or loss.

#### 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:

##### *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 brought into the Statement of Comprehensive Income in the financial period in which they accrue to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately as credits in the Statement of Comprehensive Income. 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.

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.

##### *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 Statement of Comprehensive Income 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.

##### *Tuition and residence fees*

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

##### *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.

##### *Dividends*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.2 Revenue recognition (continued)

#### *Rendering of services*

Revenue, involving the rendering of services, is recognised to the extent the service has been provided and it is probable and can be reliably measured. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that expenses incurred are eligible to be recovered.

### 4.3 Retirement benefits

#### *Defined contribution retirement plan*

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

#### *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.

#### *Post-retirement medical aid benefits – defined benefit plan*

The University of Cape Town 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 Statement of Financial Position date. Any curtailment benefits or settlement amounts are recognised against income as incurred. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs.

Actuarial gains and losses are recognised as an income or expense when the cumulative actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognised over a period of five years.

### 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.7 Property, plant and equipment (continued)

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:

	2009	2008
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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognised.

### 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. 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 profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.9 Financial assets and liabilities (continued)

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 profit or loss 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.

#### *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 profit or loss). 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 as 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 Statement of Comprehensive Income.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date.

#### *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 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 classified as loans and receivables and are initially measured at fair value. They are subsequently measured at amortised cost. Cash and cash equivalents consist of cash on hand and balances at banks, net of outstanding bank overdrafts, and short-term deposits.

#### *Financial liabilities*

Financial liabilities are comprised of 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 amount is billed as 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 less directly attributable transaction costs.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.10 De-recognition of financial assets and liabilities

#### *Financial assets*

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is de-recognised where:

- The rights to receive cash flows from the asset have expired;
- The University retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The University has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- Where the University has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the University's continuing involvement in the asset. 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.
- Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the University's continuing involvement is the amount of the transferred asset that the University may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the University's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *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 on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities on a net basis.

### 4.11 Impairment of financial assets

The University assesses at each Statement of Financial Position 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.

#### *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 use of an allowance account. The amount of the loss shall be recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.11 Impairment of financial assets (continued)

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 Statement of Comprehensive Income, 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 de-recognised 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 de-recognised when they are assessed as uncollectible.

#### *Available-for-sale financial assets*

In the case of equity instruments classified as available-for-sale, 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 recognized and measured as the difference between its acquisition cost and its current fair value, less any impairment loss previously recognized. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit.

### 4.12 Investment in associates

The University of Cape Town's investment in its associate companies 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 profit or loss of the associate after the date of acquisition. The University's share of the profit or loss is recognised in the Statement of Comprehensive Income.

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined in accordance with the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 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 Statement of Comprehensive Income 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 fulfillment 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:

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

#### *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 Statement of Comprehensive Income on a straight line basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 4.15 Leases (continued)

#### *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.

### 4.16 Change in accounting policy

During previous financial years the University's policies were as follows:

Capital inflows relating to endowments were reflected in the Changes in Fund Balances Statement.

In the current year the policy relating to endowments was amended and these inflows were accounted for as part of revenue in the Statement of Comprehensive Income (Refer Specifically Funded Activities – Donations and gifts).

To reflect these changes in policy, the 2008 comparative year figures have been restated. The change in policies has had no impact on the total cumulative capital funds as at 1 January 2007.

The change in policy regarding capital endowments resulted in an increase in the surplus of the Specifically Funded Activities of R21.0 million. In the Statement of Changes in Fund Balances this amount was transferred from Education and General to Endowed Funds as part of the transfer between funds

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 5 Property, Plant and Equipment

Year ended 31 December 2009

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	Total
<b>Cost</b>						
Cost 1 January 2009	743,110	307,107	78,889	20,755	20,783	1,170,644
Additions	43,145	67,223	5,693	2,810	38,550	157,421
Transfers	18,981	-	-	-	(18,981)	-
Disposals	-	(769)	(223)	(593)	(207)	(1,792)
Cost 31 December 2009	805,236	373,561	84,359	22,972	40,145	1,326,273
<b>Accumulated depreciation</b>						
Balance 1 January 2009	96,239	100,562	44,168	5,114	-	246,083
Disposals	-	(327)	(202)	(277)	-	(806)
Depreciation charge	8,762	19,105	9,986	1,525	-	39,378
Balance 31 December 2009	105,001	119,340	53,952	6,362	-	284,655
Book value 31 December 2009	700,235	254,221	30,407	16,610	40,145	1,041,618

Year ended 31 December 2008

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	Total
<b>Cost</b>						
Cost 1 January 2008	727,961	263,409	69,644	16,421	5,157	1,082,592
Additions	6,866	44,432	9,335	4,917	24,211	89,761
Transfers	8,585	-	-	-	(8,585)	-
Disposals	(302)	(734)	(90)	(583)	-	(1,709)
Cost 31 December 2008	743,110	307,107	78,889	20,755	20,783	1,170,644
<b>Accumulated depreciation</b>						
Balance 1 January 2008	87,996	84,693	34,395	4,136	-	211,220
Disposals	(119)	(313)	(45)	(290)	-	(767)
Depreciation charge	8,362	16,182	9,818	1,268	-	35,630
Balance 31 December 2008	96,239	100,562	44,168	5,114	-	246,083
Book value 31 December 2008	646,871	206,545	34,721	15,641	20,783	924,561

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 R5.5 billion (2008: R5.7 billion).

Land and buildings above include leasehold improvements with a net book value of R39.8 million (2008 R40.5 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

2009  
R'000

2008  
R'000

### 6 Investments

The total investments comprise the following categories:

#### LISTED INVESTMENTS

Local equities	1,000,070	765,578
Collective investment schemes	537,220	498,278
Local capital markets	213,670	222,771
International investments	382,468	369,918
Equity	55,579	38,293
Mutual funds	326,889	331,625
<b>UNLISTED INVESTMENTS</b>		
Money market deposits	39,924	39,829
<b>Total available-for-sale investments</b>	<b>2,173,352</b>	<b>1,896,374</b>

#### Fair value hierarchy

As at 31 December 2009, 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
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### Assets measured at fair value

	31 December 2009 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<i>Available-for-sale financial assets</i>				
Local equity shares	1,000,070	998,773	1 297	-
Collective investment schemes	537,220	537,220	-	-
Local capital market interest bearing investments	213,670	213,670	-	-
International investments				
Equity shares	55,579	55,579	-	-
Mutual Funds	326,889	326,889	-	-
Local money market and call deposits	39,924	39,924	-	-
<b>Total</b>	2,173,352	2,172,055	1 297	-

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements. Derivative instruments are entered into with substantial financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

	2009 R'000	2008 R'000
<b>7 Investments in associates</b>		
African Medical Imaging (Pty) Ltd (44%)	1,311	1,211
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	<u>2,411</u>	<u>2,411</u>
Total investment	3,722	3,622
Less: share of accumulated losses	<u>(3,722)</u>	<u>(3,622)</u>
Carrying value	<u>-</u>	<u>-</u>

Council values the investment in the associates at carrying value.

Share of the associate's balance sheets:

Non-current assets	1,058	1,549
Current assets	10,418	14,905
Non-current liabilities	(16,713)	(22,534)
Current liabilities	<u>(10,701)</u>	<u>(9,244)</u>
Net Liabilities	<u>(15,938)</u>	<u>(15,324)</u>

Share of the associate's revenue and profits/(losses):

Revenue	15,377	13,345
Losses	(143)	(3,875)

The University does not account for its share of the losses of the associates beyond its initial investment in the associates.

## 8 Non - current receivables and prepayments

Loans to employees	1,640	973
The University of Cape Town Ukukhulu Trust	<u>3,718</u>	<u>3,375</u>
Total non-current receivables	5,358	4,308
Prepayment – Tertiary Education Research Network of South Africa (TENET)	<u>14,590</u>	<u>-</u>
	<u>19,948</u>	<u>4,348</u>

The current receivables relating to employee loans are shown in note 10. Non-current loans to employees are due within 2 years from balance sheet date.

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 9.72% (2008: nil).

The prepayment to TENET relates to internet usage and is expected to be utilized over a period of three years.

## 9 Inventories

Consumables	<u>685</u>	<u>438</u>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

	2009 R'000	2008 R'000
Research receivables	77,055	65,032
Other trade receivables	44,744	28,232
Trade receivables total	121,799	93,264
Property deposits	93,116	-
Prepayments	28,479	27,241
Department of Education supplementary grant	-	17,302
Research funding accrual	35,127	30,166
Sundry receivables	14,029	8,099
Accounts receivables and prepayments	292,550	176,072
Loans to employees	266	935
Student fees receivable	38,615	33,004
	<u>331,431</u>	<u>210,011</u>

Accounts receivables are non interest bearing and are generally on 30 day terms.

From 1 January 2009 the rate of interest charged to students was a fixed rate of 1.25% per month. This rate of interest is charged on 2008 unpaid student fees and on 2009 outstanding student fees not paid by 30 June 2009.

For the 2008 year, commencing 1 January 2008, the rate of interest charged to students was a fixed rate of 1.25% per month. This rate of interest was charged on 2008 student fees not paid by 30 June 2008.

As at 31 December, the ageing 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
2009	36,845	22,466	14,740	14,253	33,495	121,799
2008	37,280	18,715	8,687	10,598	17,984	93,264

Debtors past 60 days are considered past due but not impaired.

At the 31 December 2009, trade receivables at a nominal value of R3.5 million (2008: R3.1 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	Total R'000
At 31 December 2007	301	1,000	1,301
Charge for the year	1,024	750	1,774
Utilised	-	-	-
Unused amounts reversed	-	-	-
At 31 December 2008	1,325	1,750	3,075
Charge for the year	1,504	(250)	1,254
Utilised	-	-	-
Unused amounts reversed	(870)	-	(870)
At 31 December 2009	<u>1,959</u>	<u>1,500</u>	<u>3,459</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 10 Accounts receivable and prepayments (continued)

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

All amounts in R'000	2009 Fees	2008 Fees	2007 Fees	2006 Fees	Total
2009	33,287	2,848	1,760	720	38,615

All amounts in R'000	2008 Fees	2007 Fees	2006 Fees	2005 Fees	Total
2008	26,936	3,892	1,281	895	33,004

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 2009 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

At the 31 December 2009, student receivables with a nominal value of R29.0 million (2008: R33.3 million) were impaired and fully provided for.

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

	2009 R'000	2008 R'000
	<b>Collectively impaired</b>	
Balance at 1 January	33,257	28,681
Charge for the year	6,000	6,000
Unused provision released	(5,000)	-
Utilised	(5,225)	(1,424)
Balance at 31 December	<u>29,032</u>	<u>33,257</u>

### 11 Cash at bank and cash equivalents

Cash at bank and in hand	14,115	20,165
Short-term bank deposits - Local	828,407	704,922
- Foreign	<u>5,730</u>	<u>7,689</u>
	<u>848,252</u>	<u>732,776</u>

Cash at banks 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 R848,252 million (2008: R732.8.million).

At 31 December 2009, the University had no available (2008: R Nil) undrawn borrowing facilities in respect of which all conditions precedent had been met.

The weighted average effective interest rate on short-term bank deposits was 9.78% for local deposits and 2.2% for foreign deposits (2008: 12.22% for local deposits and 2.8% for foreign).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

	2009 R'000	2008 R'000
<b>12 Interest bearing borrowings</b>		
Financial institutions for government – subsidised loans	2,184	3,787
<b>Total interest bearing borrowings</b>	2,184	3,787
Current portion	(1,208)	(1,603)
<b>Total non-current borrowings</b>	976	2,184

### Financial institutions for government-subsidised loans

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 6.75% to 13.0% and varying repayment terms. The weighted average interest rate was 10.4% (2008:10.29%). The loans are unsecured and the carrying values collectively approximate their fair values.

#### Interest rate exposure

At fixed rates	2,184	3,787
Finance costs		
Financial institutions for government subsidised loans	352	558

### Maturity of interest-bearing non current borrowings

Between 1 and 2 years	953	1,867
Between 2 and 5 years	23	317
Later than 5 years	-	-
<b>Total non-current borrowings</b>	976	2,184

## 13 Deferred revenues – Government grants

Capital grants received from the Government	140,000	60,000
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The R140 million represents capital grants for infrastructure received from the Department of Education. Amounts are released to the income statement as the assets are depreciated over their useful lives. No amounts have been released to the income statement as the projects are still in progress.

## 14 Provisions – employee benefits

Gratuity provision for academic staff	29,000	27,000
Leave provision for administrative and support staff	47,579	42,503
Post-retirement medical aid benefit obligation	167,530	151,930
<b>Total provisions – employee benefits</b>	244,109	221,433
Current portion – gratuity provision academic staff	(1,600)	(1,600)
Current portion – leave provision for administration and support staff	(47,579)	(42,503)
Current portion – post retirement medical aid obligation	(10,600)	(9,600)
<b>Total current provisions – employee benefits</b>	(59,779)	(53,703)
<b>Total non-current provisions – employee benefits</b>	184,330	167,730

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 14 Provisions – employee benefits (continued)

#### 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 are not leave in the ordinary sense.

In order to estimate the probability of incurring this liability management has utilised 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 3.9% per annum (2008: 3.9%) and the discount rate that has been applied is 7.2% (2008: 7.2%).

#### 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 the balance sheet date.

As the University does not have the unconditional right to defer settlement of this liability for at least twelve months after the balance sheet date the liability is classified as being current.

#### Post-retirement medical aid benefit obligation

The status of 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 9.2% (2008: 7.2%); expected inflation on medical aid contributions of 7.2% over the long term (2008: 5.5%). Post retirement mortality is based on PA (90) rated down three years, (2008: 2 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 17 years (2008: 17 years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 14 Provisions – employee benefits (continued)

	<b>2009</b> <b>R'000</b>	<b>2008</b> <b>R'000</b>
Funding obligation	177,300	158,200
Unrecognised actuarial losses	<u>(9,770)</u>	<u>(6,270)</u>
Amount accrued in respect of funding obligation	<u>167,530</u>	<u>151,930</u>

The net expense recognised in the income statement is as follows:

- Interest on obligation	11,400	11,600
- Current service cost	9,600	7,800
	<u>21,000</u>	<u>19,400</u>

Reconciliation of the change in the present value of the funding obligation:

Funding obligation at start of year	158,200	132,300
Interest on obligation	11,400	11,600
Current service cost	9,600	7,800
Actuarial losses	3,500	11,600
Benefits paid by the University in respect of funding obligations	<u>(5,400)</u>	<u>(5,100)</u>
Funding obligation at end of year	<u>177,300</u>	<u>158,200</u>

It is estimated that the benefits payable in respect of funding obligations in 2010 will be R6.5 million (2009: R5.4 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:

1% Increase	27,500	24,300
1% Decrease	(22,500)	(19,900)

Amounts for the current and previous four periods are as follows:

	<b>Post-employment medical benefits</b>				
	<b>2009</b> <b>R'000</b>	<b>2008</b> <b>R'000</b>	<b>2007</b> <b>R'000</b>	<b>2006</b> <b>R'000</b>	<b>2005</b> <b>R'000</b>
Defined benefit obligation	177,300	158,200	132,300	119,800	99,500
Experience adjustments on plan liabilities – losses/(gains)	3,500	11,600	500	10,800	(13,100)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

	2009 R'000	2008 R'000
<b>15 Accounts payable and accrued liabilities</b>		
Trade payables	29,323	41,524
Accrued expenses	33,580	25,245
National Research Foundation grant deposit	21,004	15,901
Payroll	23,890	15,381
Other payables	15,820	32,837
Total	<u>123,617</u>	<u>130,888</u>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

## 16 State appropriations-subsidies and grants

Subsidy for general purpose	782,940	659,235
State grants and contracts	223,579	240,446
Subsidy on interest and redemption on state guaranteed loans	1,599	2,291
	<u>1,008,118</u>	<u>901,972</u>

State appropriations - subsidies and grants received by the University are accounted for as grants related to income, other than the capital grant received and disclosed in note 13 above (refer accounting policies note 4.2 for more detail). There are no unfulfilled conditions or other contingencies attaching to the subsidies and grants that have been recognised above.

## 17 Interest and dividends

Bank interest	93,960	91,284
Interest income on accounts and other receivables	17,027	28,354
Interest - available-for-sale	67,128	69,466
Total interest	178,115	189,104
Dividends	28,489	19,850
Total interest and dividends	<u>206,604</u>	<u>208,954</u>

Interest income on debts subject to possible impairment amounted to R8.3 million (2008: R8.2 million). It is management's opinion that the amount of interest raised on impaired debt is negligible.

## 18 Personnel costs

	Academic Professional	Other	Total	Total
Wages and salaries	532,123	570,011	1,102,134	945,416
Termination benefits	5,096	5,557	10,653	12,123
Pension costs	76,262	83,154	159,416	135,498
Post retirement medical aid benefits	10,046	10,954	21,000	19,400
	<u>623,527</u>	<u>669,676</u>	<u>1,293,203</u>	<u>1,112,437</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

	2009 R'000	2008 R'000
<b>18 Personnel costs (continued)</b>		
<b>Average number of persons employed during the year</b>	<b>No.</b>	
Full time	3,553	3,355
Part time	921	1,043
Total	<u>4,474</u>	<u>4,397</u>

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

## 19 Other operating expenses

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

### *Other operating expenses:*

Library acquisitions	44,530	36,326
Repairs and maintenance	70,902	97,034
Software costs	17,207	9,374
General services outsourced	68,842	59,010
Catering services outsourced	51,436	51,960
Auditors' remuneration	3,687	3,600
Current year - Annual Financial Statements 2009	2,650	2,451
- under provision 2008	-	125
- Other audit services	1,037	1,024
Lease expenses	20,536	18,946

## 20 Finance costs

External finance costs	<u>352</u>	<u>558</u>
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## 21 Financial risk management objectives and policies

The University's principal financial instruments comprise available-for-sale financial assets, accounts receivables, student fees and loans receivable; cash and short-term deposits; interest bearing borrowings and accounts payable and accrued liabilities.

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

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

The 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 21 Financial risk management objectives and policies (continued)

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 risk, credit risk and liquidity risk.

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

#### Market risk

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

The University's exposure to market risk relates primarily to its available-for-sale financial assets.

These financial assets are invested in terms of a considered strategy adopted by the University Council and the Board of Trustees of the UCT Foundation, advised by the Joint Investment Committee. The Strategy takes into account the risk profile of the individual endowed funds and allocates investment to appropriate asset classes. Portfolios are then allocated to selected portfolio managers who operate under defined mandates. The investment decisions made and performances of these managers are closely monitored by the Joint Investment Committee.

This Committee comprises trustees of the Foundation, members of the University's Council and external members with specific expertise relating to investments. The Committee meets quarterly and receives reports from investment managers on a cyclical basis. In addition, the Committee has employed the services of an actuarial firm, Fifth Quadrant, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

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

#### Price risk

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

All amounts in R millions	Impact of these variances on other comprehensive income in R millions					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>Market Variance</b>						
<b>At 31 December 2009</b>						
Local equities	100.0	50.0	10.0	(50.0)	(100.0)	(200.0)
Collective investment schemes	53.7	26.9	5.4	(26.9)	(53.7)	(107.4)
Local capital markets	21.4	10.7	2.1	(10.7)	(21.4)	(42.7)
International equities	5.6	2.8	0.6	(2.8)	(5.6)	(11.1)
International mutual funds	32.7	16.3	3.3	(16.3)	(32.7)	(65.4)
<b>At 31 December 2008</b>						
Local equities	76.6	38.3	7.7	(38.3)	(76.6)	(153.1)
Collective investment schemes	49.8	24.9	5.0	(24.9)	(49.8)	(99.7)
Local capital markets	22.3	11.1	2.2	(11.1)	(22.3)	(44.6)
International equities	3.8	1.9	0.4	(1.9)	(3.8)	(7.7)
International mutual funds	33.2	16.6	3.3	(16.6)	(33.2)	(66.3)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 21 Financial risk management objectives and policies (continued)

#### Foreign currency risk (Investments)

The University reflects no exposure to foreign currency risk in respect of available-for sale financial assets that are not monetary items because the gain or loss that is recognised in other comprehensive income includes any foreign exchange component.

#### Interest rate risk

All of the University's interest-bearing borrowings are at fixed rates of interest. The University has a number of receivables (i.e. student fees and loans to employees) where interest rates charged are linked to the prime rate. The impact of fluctuations in the interest rates on student fees are negligible as these debts are largely paid off shortly after year end. For the 2009 year students were charged interest at a fixed rate of 1.25% per month (2008: 1.25%). The amounts owed by staff are negligible.

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

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

Impact of interest changes on funds employed in R millions						
Interest rate changes in basis points (BP)	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
<b>Holdings at 31 December 2009</b>						
Interest bearing collective investment schemes and bonds	97.1	46.3	22.5	(21.2)	(41.8)	(79.8)
<b>Holdings at 31 December 2008</b>						
Interest bearing collective investment schemes and bonds	94.6	45.2	22.3	(20.9)	(41.1)	(79.3)
Impact of interest changes on net surplus in R millions						
Interest rate changes in basis points (BP)	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
<b>Holdings at 31 December 2009</b>						
Money market and call deposits	0.8	0.4	0.2	(0.2)	(0.4)	(0.8)
Cash and cash equivalents	17.0	8.5	4.3	(4.3)	(8.5)	(17.0)
<b>Holdings at 31 December 2008</b>						
Money market and call deposits	0.8	0.4	0.2	(0.2)	(0.4)	(0.8)
Cash and cash equivalents	14.7	7.3	3.7	(3.7)	(7.3)	(14.7)

#### Foreign currency risk

The University is exposed to foreign currency risk through its holdings of bank accounts (refer Note 11) and 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. This exposure is reduced by the use of both a GBP Sterling and US Dollar bank account through which such foreign obligations are settled.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 21. Financial risk management objectives and policies (continued)

#### Foreign currency risk

At the year end the University had R18.9 million (2008: R11.9 million) of trade receivables and had R0.1 million (2008: R0.1 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

#### 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, credit worthy 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.

#### Liquidity risk

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 occurring. The cash flow position is monitored by management on a weekly basis by means of a cash flow statement.

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

	In R'000				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
<b>At 31 December 2009</b>					
Interest bearing loans and borrowings	-	-	1,208	976	2,184
Trade and other payables	-	123,617	-	-	123,617
<b>At 31 December 2008</b>					
Interest bearing loans and borrowings	-	-	1,603	2,184	3,787
Trade and other payables	-	130,888	-	-	130,888

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 21. Financial risk management objectives and policies (continued)

#### 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	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Financial assets</b>				
Cash	848,252	732,776	848,252	732,776
Available-for-sale investments	2,173,352	1,896,374	2,173,352	1,896,374
Account receivables	170,955	131,529	170,955	131,529
Loans to employees	1,906	1,908	1,906	1,908
Student fees receivable	38,615	33,004	38,615	33,004
<b>Financial liabilities</b>				
Interest bearing loans and borrowings:				
Fixed rate borrowings	2,184	3,787	2,184	3,787
Accounts payable and accrued liabilities	123,617	130,888	123,617	130,888
Student deposits	29,617	29,295	29,617	29,295

Market values have been used to determine the fair value of listed available-for-sale financial assets. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets has been calculated using the market interest rates.

#### 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 taken, 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. Contingent liabilities

The University does not have any contingent liabilities that warrant disclosure in terms of IAS 37.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 23. Commitments

Capital commitments

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

All amounts in R'000	Note	Contracted	Approved but not contracted for	Total
Middle Campus and related		144,840	40,253	185,093
Student Residence in Observatory				
Land	1	79,800	-	79,800
Development	2	400,892	7,580	408,472
New Engineering Building	3	-	175,504	175,504
School of Architecture - Refurbishment		-	53,600	53,600
Breakwater Lodge – Upgrade of facilities		-	50,000	50,000
York Gardens		26,220	-	26,220
Other		13,113	10,621	23,733
<b>Total</b>		<b>664,865</b>	<b>337,557</b>	<b>1,002,422</b>
<b>Total 2008</b>		<b>3,350</b>	<b>197,188</b>	<b>200,538</b>

- At 31<sup>st</sup> December 2009 this commitment was subject to certain conditions. These conditions have now been met
- At 31<sup>st</sup> December 2009 this commitment was subject to certain conditions. Not all of these conditions have yet been met.
- Should this development proceed it will require the demolition of a portion of an existing building causing an impairment of approximately R4.2 million

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 21 above, utilizing current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the utilization of the R140 million of Government grants reflected as deferred revenue in note 13 above.

#### Operating lease commitments – University as lessee

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

Year ended 2009	Within 1 year	2 to 5 years	Later than 5 years	Total
Photo copying machines	2,136	1,955	-	4,091
<b>Year ended 2008</b>				
Jammie Shuttle	6,780	-	-	6,780
Photo copying machines	2,324	2,399	-	4,723
	<b>9,104</b>	<b>2,399</b>	<b>-</b>	<b>11,503</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 23. Commitments (continued)

#### 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 2009	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	3,086	3,648	208	6,942
<b>Year ended 2008</b>				
Rental of premises	2,594	4,008	-	6,602

### 24. Remuneration of key management

The following disclosure, as required by the Minister of Education, 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 2009				
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Total for other services
Dr M R Price	Vice Chancellor	*1,752,981	*1,752,981	
Professor D P Visser	Deputy Vice Chancellor	**1,281,364	**1,281,364	
	Warden	77,497	77,497	
Professor J Beall ( 1 April 2009)	Deputy Vice Chancellor	1,141,563	1,141,563	
Professor R T Nhlapo	Deputy Vice Chancellor	1,210,102	1,210,102	
Professor C A Soudien (1 April 2009)	Deputy Vice Chancellor	1,130,737	1,005,211	30,285
Ms G Kruger	Executive Director: Communication and Marketing	1,039,466	1,032,458	7,008
Ms M B M Khan	Executive Director: Student Affairs	947,097	947,097	
Dr J McNamara	Executive Director: Development & Alumni Affairs	960,000	960,000	
Mr K C Raphoto	Executive Director: Human Resources	899,250	899,250	
Mr I B Janse van Rensburg (1 February 2009)	Executive Director: ICTS	950,000	950,000	
Mr H T Amoore	Registrar	994,244	994,244	
Mr J W Critien	Executive Director: Properties & Services	981,000	981,000	
Assoc Professor N Yeld	Dean: Centre for Higher Education Development	898,794	898,794	
Professor J D Simpson (1 July 2009)	Dean: Commerce	950,000	475,000	
Professor M D Ayogu (left 30 June 2009)	Dean: Commerce	1,000,000	500,000	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)

### 24. Remuneration of key management (continued)

EXECUTIVE MANAGEMENT TEAM DURING 2009				
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Total for other services
Professor F W Petersen	Dean: Engineering and the Built Environment	1,199,000	1,199,000	
Professor M Jacobs	Dean: Health Sciences	1,067,584	1,067,584	
Professor M P Ensor	Dean: Humanities	1,045,633	1,045,633	
Professor PJ Schwikkard	Dean: Law	926,500	926,500	
Professor K A Driver	Dean: Science	991,628	991,628	
Professor EO Uliana	Executive Director: Finance	1,353,780	1,353,780	
	Professor of Accounting			199,040
Professor W R J Baets (1 July 2009)	Director: Graduate School of Business	1,089,160	544,580	48,199
Ms J G Rapp	Executive Director: University Libraries	1,000,000	1,000,000	

\* This includes R304,068 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.

\*\* This includes R78,452 being the deemed value for reporting purposes of the accommodation provided to Professor Visser as Warden of a student residence.

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

Purpose/reason for payment	Name	Position held	Amount R'000
Retirement/Settlement package	Mr D van Eeden	Executive Director: Human Resources	786,013
Settlement package	Mr P Ngobeni	Deputy Registrar	2,500,000

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.

Reimbursements for travel to meetings of Council amounting to R92,691 (2008: R50,019) were paid on behalf of members of Council.

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

Compensation of key management	2009 R'000	2008 R'000
Short-term employee benefits	18,795	21,293
Post-employment pension and medical benefits	4,191	4,386
Termination/Retirement benefits	-	1,819
Total compensation paid to key management personnel	<u>22,986</u>	<u>27,498</u>

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

The University has been unable to accurately estimate the portion of the current year's movement of the post retirement medical benefit provision attributable to this group of employees.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 (CONTINUED)**

### **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 R159.4 million (2008: R135.5 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**

#### **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 15 years to run with an option to renew of a further 99 years. Lease income on this property is nominal. Given the absence of any usufructory rights for 114 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

#### **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 81 years to run with a renewal option of a further 99 years.

Lease income on this property is nominal. 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.

### **27. Related party disclosures**

The related party relationships of the University of Cape Town in terms of IAS24 are as follows:

- Subsidiary entities (refer Note 2 – Basis of consolidation);
- Associate companies (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 16).

Transactions between related parties have been conducted at arms length.

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, at arms length, and in accordance with approved procurement policy.

The register of direct and fiduciary interests is updated at least annually. The register has been reviewed and no transactions have been identified with a third party controlled by one or more members of the Council.

Mr. T D Petersen is a member of Council and of Council EXCO, Chair of the University Finance Committee and member of the Remuneration Committee. Mr. Petersen was, until the end of November 2009, the managing partner of PricewaterhouseCoopers in the Western Cape. The firm provided tax services to the University amounting to R0.7 million (2008: R0.8 million).

### **28. Post balance sheet events**

There have been no material non-adjusting events after the balance sheet date.