

UNIVERSITY OF CAPE TOWN

ANNUAL REPORT

2004

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

2004

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| EXECUTIVE MEMBERS OF COUNCIL | | REGISTRAR |
|---|--------------------------|--|
| Professor N S Ndebele (1, 2, 3, 4 & 6) (Vice-Chancellor) | | Mr H T Amooore (5) |
| Professor C de la Rey (6) | (Deputy Vice-Chancellor) | EXECUTIVE DIRECTOR OF FINANCE |
| Professor M J Hall (4, 5 & 6) | (Deputy Vice-Chancellor) | Professor E O Uliana (4) |
| Professor R T Nhlapo (6) | (Deputy Vice-Chancellor) | |
| Professor M E West (4, 6) | (Deputy Vice-Chancellor) | |
| COUNCIL OF THE University of Cape Town (JUNE 2005) | | |
| Mr G M Budlender (1, 3) (Chair) | | |
| Mr T D Petersen (1, 3, 4) (Deputy chair) | | |
| Professor D G Aschman | | |
| Ms D Budlender (4, 6) | | |
| Ms V Doo | | |
| Mr R Esson | | |
| Associate Professor A Fataar | | |
| Em Professor P I Folb | | |
| Mr J J Gauntlett SC (1) | | |
| Ms E Goliath | | |
| Ms R Kadalie (1) | | |
| Professor E R Kalula (1) | | |
| Mr V P Khanyile (2) | | |
| Councillor J D Landingwe (4, 5) | | |
| Mr P S G Leon | | |
| Associate Professor B Mayosi | | |
| Mr N Mlilo (1) | | |
| Mr E Patel | | |
| Dr L F Platzky (6) | | |
| Professor B D Reddy | | |
| Mr R B Rosenthal (2, 3) | | |
| Mr C Sonn (4) | | |
| Em Professor J Terblanche | | |
| Mr M Thompson (2, 3, 4, 5) | | |
| Dr H M Wesso (6) | | |
| <i>1 = Member of Council Executive Committee</i> | | <i>2 = Member of Audit Committee</i> |
| <i>3 = Member of Remuneration Committee</i> | | <i>4 = Member of Finance Committee</i> |
| <i>5 = Member of Building and Development Committee</i> | | <i>6 = Member of Strategy Committee</i> |
| BUSINESS ADDRESS | | AUDITORS |
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REPORT OF THE CHAIR OF COUNCIL

In 2004 the University marked its 175th anniversary. The twin themes of the events around this anniversary were celebration and reflection: celebrating the achievements of 175 years, and reflecting on what the role of UCT should and could be in contemporary South Africa.

This report concentrates on the Council, but it is right to begin with some assessment of UCT in its 175th year, and in the tenth year of the democratic South Africa.

We have record numbers of students, and there is evidence that we appear to be the South African university of choice. Our throughput rates, our research ratings by almost all measures, and our standing in external evaluations put UCT at the top of South Africa's universities. We have a strong record of engagement with the challenges facing our country. Our financial position, though not as strong as we would wish, is robust. Half our students are black, and more than half are women. Our students come to us from a wide range of countries, and the demand for places from countries in the SADC region and elsewhere in Africa grows every year. We completed a major construction project (the new R 55 million building for Chemical Engineering) and are close to completing a second (the Institute for Infectious Diseases and Molecular Medicine). To top the list, 2004 saw alumnus and long-time staff member, JM Coetzee, receive the Nobel Prize for Literature, and cosmologist George Ellis win the Templeton Prize. These are achievements that any university must celebrate.

Against those achievements: despite employment equity policies adopted in the 1980s, and considerable effort, we have a long way to go in reaching the targets we have set ourselves. Our student throughput rates must improve, and the throughput rates of our black students are significantly worse than those of white students. The state's National Student Financial Aid Scheme (NSFAS) is substantially better than it was, and we continue to put considerable amounts of our own resources into providing financial aid, but many of our students face real difficulties in funding their university careers. For too many who might have been our students, the cost of a UCT education puts it beyond their reach. These are among the many issues that continue to cause us to reflect.

What of the Council's role in this? The structure and membership of the Council saw major changes during the year under review. A new constitution for the Council, set out in the amended institutional statute, was introduced to coincide with the end of the term of office of the old Council (30 June 2004). This complies with the changes introduced by the Higher Education Amendment Act, 2002. The Council now has 30 members - a reduction from the previous 36 or more. Of these 18 are external (that is neither staff nor students) and 12 internal. The internal members are the Vice-Chancellor and his four deputies, Senate and staff members and student members.

I must at this point record our appreciation of the distinguished and often lengthy service of the retiring members. Four deserve special mention: Tony Farr, the chairperson of the outgoing Council; Mary Burton, the deputy-chairperson; Peter Bieber, the chairperson of the Audit Committee, who had served as a Council member for over twenty years; and Garth Griffin, the chairperson of the Finance Committee.

The new Council has a four-year term of office. We have confirmed the five guides for action identified by the executive, and have identified priorities for the Council. Dominant among these are ensuring the financial strength of the University and accelerating the pace of transformation, particularly in relation to employment equity.

For a century or more the Council has followed a pattern of monthly meetings. Although supported by specialist committees in many areas, it has not had an executive committee. Acting upon a proposal from the outgoing Council, the new Council has appointed an Executive Committee. The division of work has resulted in better attention to detailed matters by the smaller executive committee, and has created the space for more substantive plenary debate in full Council on the broad issues and challenges facing the University. This arrangement is subject to review, which will test whether we are achieving the appropriate balance.

A secondary reason for this change is that the members of the Council, whether internal or external, give of their time to the University. There is a limit to the demands that we can make upon volunteers. It is too much to expect most to devote time to monthly Council meetings plus the membership of committees that makes Council membership meaningful. We hope that the demands that less frequent (six-a-year) meetings will solve this as well.

A key governance responsibility of the Council is to ensure that the University is well managed. One of the most important decisions a Council is called upon to make is the choice of a Vice-Chancellor. I am very pleased to report that Professor Njabulo Ndebele, who would have ended his five-year term on 30 June 2005, has accepted the Council's invitation to serve a further three-year term to 30 June 2008. The membership of the Vice-Chancellor's core management team is similarly a key responsibility of the Council. With the appointment of Professor Thandabantu Nhlapo as a Deputy Vice-Chancellor, we now have a full executive team. Our team of Professors Ndebele, West, De la Rey, Hall and Nhlapo is rightly the envy of many universities. They enjoy the support of very able academic leaders (the faculty deans, the dean of Higher Education Development and the director of the Graduate School of Business) and managers responsible for the support and service departments (the executive directors and the registrar). Professor Nicky Padayachee resigned as dean of Health Sciences at the end of 2004, and a search is under way to replace him. Professor Enrico Uliana was reappointed for a further five-year term as Executive Director Finance.

The quality of the main campus of UCT was itself reason for celebration in our 175th year. It was however built for a much smaller university. As numbers and disciplines have increased we have had to develop towards Rondebosch, at the Health Sciences faculty in Observatory, on the original Hiddingh campus site, and at the waterfront site of the Graduate School of Business. An important initiative in 2004 was the beginning of the development of a campus guide plan that envisions one university embracing upper, middle and lower Grootte Schuur campuses, and the Observatory campus. The draft guide plan was accepted by the Council in December and must now go forward into a thorough and extensive process of consultation and refinement. It defines an exciting vision for the urban campus we have become, and for our interaction with our urban environment.

In 2005 UCT will be subject to institutional audit by the Higher Education Quality Council (HEQC), the quality assurance body of the Council for Higher Education. Though there have been pilot audits, we are the first South African University to be subject to this type of audit. We welcome the audit, and spent much time in the second half of 2004 preparing for it. The preparation has proved salutary, and has led to the Council's adopting a twenty-five-point self-improvement plan. We look forward to the Audit panel's report.

During the past two years the Council has approved an overhaul of staff remuneration. A new dispensation for academic staff was implemented from 1 July 2003. It is performance-based, and where there is performance (both in teaching and in research) the rate for the job is at an acceptable market level. A similar overhaul of the compensation for professional, administrative, support and service staff was agreed during 2004 and implemented on 1 January 2005.

This report looks back on 2004 with the benefit of six months' hindsight. Much was achieved during 2004. The University's financial position, as shown in the audited financial statements, is healthy but not strong enough. We achieved a small operating surplus, and we were able to fund our capital expenditure from free cash reserves without resorting to further borrowing. But we do not have the financial strength to embark on the new ventures that will always challenge a university such as ours. That is one of the major issues we face.

The transformation agenda, however, is likely to be the key issue for the remainder of our term of office. Along with every other institution in South Africa we face the challenge of addressing the issues of racism, real and perceived, and the legacy of our history of racial oppression. There are no simple or quick-fix solutions to this challenge. It is an awful legacy. To counter it we have the promise of the new South Africa, a promise that only a combination of wisdom, honesty, generosity, compassion and hard work will realise.



MR G M BUDLENDER
CHAIR OF COUNCIL
1 JUNE 2005

REPORT OF THE VICE-CHANCELLOR

| PART 1 |

STRATEGY AND IMPLEMENTATION

Over the past year, a particular effort has been made to bring a strategic focus to the work of the University. During this period we have adopted five “Guides for Action”, in order to give direction and specific content to the University’s mission statement. These focus areas recognised that UCT should:

- Be research led;
- Remain a medium-sized, predominantly contact, institution;
- Focus our academic efforts in a manner that ensures that we offer a comprehensive range of activities, whilst at the same time stressing areas where particular excellence can be achieved (“selectively comprehensive”);
- Position ourselves globally, whilst at the same time concentrating on local effectiveness; and
- Make “transformation” a central strategic focus.

As Vice-Chancellor, I have proposed a working 10 point plan to develop broad strategic drives, upon which emphasis may be placed over the next few years. These may be summarised as follows:

- Growing a global profile;
- Consolidating UCT’s research identity;
- Growing innovation and deriving benefit from research;
- Positioning UCT within the Higher Education sector;
- Building a diverse staff profile and creating a fulfilling work environment;
- Creating a rich student experience;
- Implementing a number of organisational design, and governance proposals, to improve management efficiency and responsiveness;
- Securing UCT’s financial stability;
- Ensuring effective implementation of the University’s HIV/AIDS policy; and
- Whilst primarily focusing upon the Western Cape, developing other appropriate collaborative initiatives.

I believe that we have made good progress in a number of these areas, although many challenges and a great deal of work remains. In the area of research our record is particularly strong, but we face the challenge of growing the next generation of researchers. This concern is covered more fully in the succeeding report of the Senate, on Teaching, Learning and Research.

Many of my objectives have been carried out during 2004 through portfolio delegation to Deputy Vice-Chancellors and Executive Directors. This is in accordance with the Vice-Chancellor’s span of accountability in the areas of university governance, management, the implementation of University strategy, and meeting a variety of internal and external responsibilities and which involve effective communications.

Assisting me to manage the university is a team of four Deputy Vice-Chancellors. In this regard, Professor Thandabantu Nhlapo was successfully recruited as a Deputy Vice-Chancellor. His recruitment strengthened my Executive Team considerably. Regrettably, Professor Nicky Padayachee, Dean of the Faculty of Science, opted to resign on grounds of ill health. In his tenure he made outstanding contributions in the area of transformation.

Just over four years ago I established the Senior Leadership Group (SLG) which includes the Vice-Chancellor, Deputy Vice-Chancellors, Deans of Faculty, and Executive Directors. The SLG is an important participatory mechanism. Through this advisory structure, the senior leadership of the university participates strongly in the management of the university and in setting important policy directions. A particular achievement in this regard, in 2004 was the joint discussion of the 2005 budget involving all twenty-four budget-holders. It was the first time that this kind of consultation had ever taken place. This event considerably enhanced transparency around the budget process.

During the year, I continued my annual practice of visiting various units of the University in order to personally interact with university personnel and students. This is part of an annual communications effort. In 2004 I focused on Faculty Executive Committees, Faculty Professional and Administrative Support Staff (PASS) and student faculty structures. I learned much from these meetings and have received feedback that the staff and students appreciated them.

UCT celebrated its 175th year last year through a series of activities. A key feature of these celebrations was the launching of the Chancellor's Challenge 175 which seeks to raise R175m to support talented but needy students as well as to grow UCT's undesignated endowment especially through individual giving from UCT alumni in South Africa and worldwide. A campaign to raise funds internally at UCT got off to a good start with more than R15m in donations and pledges. We hope to raise the entire R175m over five years. Fundraising continues to require a good portion of my time.

The culmination of the 175th year celebrations was the first official visit to UCT of President Mbeki when he received the first UCT Chancellor's Award for Distinguished Leadership in Africa.

I spend a good amount of my time meeting a range of external commitments that are vital to the university. I continued to Chair the South African Universities Vice-Chancellor's Association; served as a Board Member of the Association of African Universities; and played a key role in organising the establishment of the Southern African Regional Universities Association, in terms of the SADC Protocols. This has been a successful and innovating venture that has brought much credit to UCT.

Transformation remains a primary objective of my tenure. A transformation action guide steers our pursuit of institutional transformation by making transformation a centrally driven policy objective but with a distributed implementation responsibility. That way, transformation is understood as a performance management objective. Nevertheless, it remains a major challenge to change the demographic profile of the academic staff. But an Employment Equity plan is in place to ensure success.

Finally, UCT's financial performance has been good. This speaks to very strong financial management systems.

The year 2004 has been busy and productive. I wish to pay particular tribute to my colleagues in the Senior Leadership Group for their loyal support and hard work over the past year; to members of the University Council for their attention to their fiduciary responsibility and for valuable guidance; and to all other members of the University community for varied and important contributions made in the course of a challenging year.

SENATE: TEACHING, LEARNING AND RESEARCH

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

Student Enrolments and Qualifications

Student head count enrolments grew by 21% between 2000 and 2004. The 2004 headcount enrolment total at June census date was 20 573, including concurrent registrations. In recent years, the average annual growth rate at the undergraduate level (5,3 % per annum) has slightly exceeded that at the postgraduate level (4,0% per annum). Postgraduate students (including enrolments in postgraduate diploma, postgraduate bachelors, honours, masters and doctoral degrees) made up 29% of the total enrolment in June 2004.

In accordance with UCT's restricted undergraduate growth policy, the new undergraduate intake has stabilised in recent years despite a consistent increase in the numbers of new undergraduate applications received. At the same time, the quality of these intakes (as measured by prior matric performance profiles) has improved markedly in most Faculties. The continued growth in undergraduate enrolments has resulted from declining undergraduate attrition (calculated as a proportion of students who did not complete the requirements of their degrees/diplomas), and from an apparent increase in the time to degree amongst successful graduates during the same period.

At the undergraduate level, enrolments in general academic bachelors degrees grew by 17%, whilst those in professional first bachelors degrees grew by 23% between 2000 and 2004. Although enrolments at the postgraduate diploma level declined (by 4%) between 2000 and 2004, there was substantial growth in enrolments at the honours level and above: overall honours enrolments grew by 46%, masters enrolments by 15% and doctoral enrolments by 26% over this period. The June 2004 census figures (which do not include second semester registrations) showed a combined total of slightly less than 3 600 masters and doctoral students; masters and doctoral enrolments together made up 17% of the head count enrolment total in June 2004.

Student Output Efficiencies

A total of 5151 students qualified for the award of a degree or diploma in 2004. Amongst these:

- 1416 graduated in Commerce (28% of these completing BBusSc degrees);
- 111 graduated with an MBA (Graduate School of Business);
- 523 graduated in Engineering and the Built Environment;
- 440 graduated in Health Sciences;
- 1630 graduated in Humanities;
- 294 graduated in Law; and
- 632 graduates in Science.

In 2004, 90% of all undergraduates either completed their studies, or satisfied standard readmission requirements. The 2004 graduate proportion of all undergraduates (the "graduation rate") has recovered to the 2000 level of 22% despite continued growth in the undergraduate sector. The improved undergraduate "graduation rate" relates to the decline in attrition mentioned above, and may be ascribed to a strong institutional focus on retention and throughput issues.

Overall success rates for first and second year undergraduate courses appear to have stabilised at around

84% of all registered students. At the same time, the overall success rate in third year undergraduate courses rose to 90% of all registered students in 2004, whilst that amongst students registered for fourth year courses increased to 93%.

UCT remains committed to improving performance in its educational function, a commitment that is strongly underpinned by the recognition of the need for continuing transformation within the student body, and of the need for greater efficiency without sacrificing either quality or equity. To this end, and in addition to the ongoing work of the Centre for Higher Education Development (incorporating the Academic Development Programme) and the Student Development and Services Department (SDSD), the University continues to strive towards improving overall throughput and graduation rates (with particular attention being paid to equity of outcomes), and to diminishing the phenomenon of drop-out in good academic standing, through the following inter-linked strategies:

- Moving to an output-focused approach to academic planning and resource allocation;
- Carrying out a detailed analysis of throughput patterns and establishing the factors affecting throughput;
- Strengthening foundation/extended curriculum programmes; and
- Addressing environmental obstacles to success and persistence amongst different groups of students identified in the 2004 Student Climate Survey.

Full-time Academic Staffing

The 2004 academic staff total (617, excluding staff in the Faculty of Health Sciences) was slightly lower than that reported in 2003 (610). The 2004 academic staffing complement was spread across the five Faculties and the GSB as follows:

- Faculty of Humanities: 33%;
- Faculty of Science: 28%;
- Faculty of Engineering and the Built Environment: 16%;
- Faculty of Commerce: 14%;
- Faculty of Law: 6%; and
- Graduate School of Business: 3%.

An examination of the ratios of full-time equivalent enrolled students to senior lecturer equivalents across the University indicates that academic staffing budgets increased over the 2000 – 2004 period, and that permanent academic staffing in most Faculties was significantly complemented by contract and temporary academic staff.

Quality Assurance in Teaching and Learning

The University is committed to the full implementation of its Senate approved “Quality Assurance Framework at UCT”, which will ensure that the necessary quality management systems are in place, and that a culture of self-review with a view to continuous improvement in teaching delivery is achieved. UCT’s approach to Quality Assurance stresses the centrality of reviews of academic units, and the implementation UCT’s quality assurance framework has thus necessitated the initiation of a schedule that will allow for the review of each academic unit every five years. It is recognised that the process of academic reviews must be underpinned by a well-functioning institutional quality management system, and work has commenced on the design and implementation of a management system that appropriately supports the academic review process.

Six academic reviews, spread across five Faculties, were conducted in 2004 as part of the University’s internal review process:

- Science Faculty: Department of Environmental and Geographical Science;
- Commerce Faculty: School of Economics;

- Humanities Faculty: Department of Political Studies;
- EBE Faculty: School of Architecture and Planning;
- Health Sciences Faculty: Division of Occupational Therapy; and
- CHED/ Humanities: Centre for Information Literacy.

In accordance with the University's ethos of continuous improvement in relation to its academic review processes, a composite report of the 2004 Academic Reviews will inform a possible amendment to the University's current Guidelines for Academic Review in the following key areas: scope of the review (priorities and limitations as identified by the Formal Review Panels), teaching and learning, research, social responsiveness, management, staffing and transformation.

This report includes a synopsis of key areas of commendation across the units and programmes reviewed, and summarises the recommendations put forward by respective formal review panellists for further attention by the faculties or units concerned.

Extension

In 2004 UCT initiated an annual Social Responsiveness report, in an attempt to make the multiple ways in which UCT staff are engaging with social, economic, cultural and political needs more visible. The report also aimed to contribute to debate and discussion internally and externally about responsiveness of higher education institutions to the development of an equitable, just and humane society. The first Social Responsiveness report contains a draft conceptual framework for monitoring and evaluating social responsiveness at UCT which is wider than service learning or "extension". It emphasises the link with various forms of scholarly engagement including the nature and choice of education and training programmes.

The audit responses indicated that UCT staff are addressing a range of needs through various forms of scholarly engagements. The range of needs being addressed includes:

- Enhancing economic growth and competitiveness in key economic sectors;
- Broadening the base of ownership of the economy ;
- Sustainable development;
- Infrastructure development;
- Local development including the provision of housing;
- Strengthening governance and administration;
- Improving the delivery of social security services;
- Improving living and working conditions for workers and very poor communities;
- Improving levels and quality of health care;
- Promoting gender and race equity;
- Improving justice, crime prevention and security;
- Improving the schooling system; and
- Social reconstruction and citizenship.

Research as a Strategic Objective and the Research Support System

UCT's research activities take place in the context of ongoing changes, which require continuous examination of internal arrangements to ensure appropriate responsiveness and competitiveness. At an internal level, the UCT strategic objective to be a research-led university has required re-examination of the research support system, procedures and office arrangements. This strategic imperative has led to a process of substantial revision in the functions of the Department of Research and Innovation, in an

attempt to increase research capacity and output and to develop commercialisation potential.

In 2004 UCT responded to a number of specific changes in the national research landscape. These include the National Research Foundation's (NRF) first-time call for Centres of Excellence and proposed new legislation on Intellectual Property Management. In addition, systems were prepared for the implementation in 2005 of the Department of Education (DoE)'s new policy on reward for publication outputs as well as for the prospective quality assurance audit of research at universities by the Higher Education Quality Committee (HEQC).

Strategic Research Initiatives

A review of the future role and rationale of research thrusts led to an endorsement by the Senate and Council of a new model, which proposes to recast thrusts as interdisciplinary or problem based research signature themes. This change was underpinned by an analysis of earlier strategic thrusts, namely Biotechnology, Sustainable Environments, New Materials and Manufacturing and Information and Communication Technology. In 2005 there will be a focus on identification of potential themes that can act as socially and economically responsive mechanisms to develop research capacity and increase research output.

In 2004 UCT signed agreements with two science councils: the CSIR and Mintek. The intention of these agreements is to stimulate joint research projects and to form partnerships to support human resource capacity development via scholarship and mentoring programmes.

After a successful pilot phase in 2003, the Emerging Researcher's Programme was fully implemented in 2004. Approximately 100 academic staff members have signed up since inception of the programme, and have participated in a seminar series, one-on-one mentoring sessions and faculty-specific retreats with focused research outcomes.

Research Performance

To measure the university's research performance we rely on international indicators of excellence such as research funding, publications and quality of individual researchers and research entities.

UCT's total research income grew by approximately 13% between 2003 and 2004. Of the total research income of R366 million, contract income constitutes 71%, followed by government grant funding which accounts for 23%. The annual research publication count (including books and published conference proceedings) decreased from 607 in 2003 to 563 in 2004.

This decrease may be attributed to the move away from publishing in SAPSE journals to publishing in ISI and IBSS journals in anticipation of a change in the DoE policy and to the more rigorous criteria for the accreditation of books, chapters and books and conference proceedings.

To assess the quality of individual researchers, academics are encouraged to participate in the National Research Foundation's evaluation and rating system. The total number of UCT researchers rated by the National Research Foundation increased from 214 in 2003 to 232 in 2004. Of these 18 are A-rated and 4 are P-rated.

Research groupings are subject to a peer review process that is driven by the University Research Committee. To date, 12 groupings have been reviewed, with a further 12 scheduled for review in 2005. UCT was successful in being awarded two national Centres of Excellence, one in catalysis and the other focusing on birds and bio-conservation. Each of these Centres was successfully launched by the end of 2004.

In terms of Innovation activities, there has been some progress on invention disclosures and initial patent filing. As the average time from invention disclosure to financial return is 7 to 8 years, any substantial licence revenue will not be immediate. However, the foundations for Intellectual Property protection have been laid via a flexible policy framework that was finalised in 2004.

| PART 3 |

MANAGEMENT AND ADMINISTRATION

Changes in Senior Management

Professor Thandabantu Nhlapo took office in 2004 as Deputy Vice-Chancellor. His main portfolios are responsibility for all student matters, and for international relations and relations with government. He is a former Professor of Law at the University of Cape Town, and was Deputy Chief of Mission in the SA Embassy in Washington before re-joining UCT.

Professor Paula Ensor was appointed as Dean of Humanities, and Professor Frank Horwitz as Director of the Graduate School of Business. Professor Nicky Padayachee resigned as Dean of the Faculty of Health Sciences late in 2004, owing to ill health, and was replaced by Associate Professor Gonda Perez as Interim Dean. Dr Loveness Kaunda retired as Dean of Students. This position was re-structured as Executive Director: Student Development & Services, and Ms Moonira Khan was appointed in late 2004 to commence duties in 2005.

Mr Royston Pillay was appointed to a re-graded position as Director: Office of the Vice-Chancellor.

Senior Management Meetings

Senior management meetings were slightly re-structured during 2004. The Vice-Chancellor's Management Group (the VC, the DVC's, the Registrar, and certain Executive Directors) now meets fortnightly to deal with important management matters and policy issues. The Vice-Chancellor and Deputy Vice-Chancellor's meet fortnightly to discuss matters of policy and strategy.

The Senior Leadership Group (SLG), consisting of the University Executive, Deans and Executive Directors met regularly during 2004, including two full day retreats at which matters of policy direction were debated.

The Operations Management Group, consisting of all Executive Directors and chaired by the Deputy Vice-Chancellor with responsibility for management co-ordination, met monthly during 2004. Its primary function is to coordinate the operational activities of the PASS (Professional, Administrative, Support and Service) departments and to formulate policy in respect of those activities. During 2004 the group dealt with a very wide range of operational and policy issues.

Administrative systems

The year saw considerable progress towards the installation of the PeopleSoft Student Information System which is scheduled to go live in 2006, thus replacing our ageing in-house Heritage student system. The takeover bid by Oracle of PeopleSoft was carefully monitored in terms of potential risk to the project.

The SupaTsela project to revise and upgrade the University's overall information technology provision made good initial progress under the Executive Director of ICTS, Mr Prags Naicker and Project Manager Associate Professor Andrew Duncan.

Staffing matters

The year saw a considerable improvement to salaries of the Professional Administrative and Support staff, bringing these into line with similar adjustments which had been made for academic

staff the previous year. The new scales were introduced in terms of an agreement over a new performance-based system for individual salary determinations.

The new salary system for academic staff, based on a single “Rate for the Job” (RFJ) for each rank, was bedded down in 2004. Preliminary assessments have showed a pleasing improvement in research output in some areas of previous weakness, as well as that a number of individuals whose performance was below requirements either left the university or showed sufficient improvement in areas of weakness to be re-rated a year later.

Performance management for senior management was also improved during 2004. All UCT staff are now subject to a performance management system linked to remuneration.

Academic Heads of Department form a key role in the operations of the university. An Academic Heads of Department Working Group was formed under a Deputy Vice-Chancellor and in 2004 the group drew up a comprehensive current description of the accountabilities and responsibilities of academic heads and have investigated various management models that might make this critical role more “survivable” for heads of department.

In a significant policy decision during 2004, Council agreed to a proposal to have a uniform retirement age for all staff. Prior to this academic staff had retired at 65 and other staff at 60. The new retirement age is 65 for all staff.

The year also saw the adoption of a new Employment Equity Policy, which in turn led to explicit employment equity targets being set for all major units within the university by October 2004. This remains a major challenge, and performance in this area will be closely monitored.

As mentioned in the last report, an Organisational Climate Survey was run in 2003 to ascertain issues and perceptions which might assist in rectifying existing inadequacies within the university. The results of this survey were extensively circulated, and all units were required to discuss and act on the findings as applicable. Further work was undertaken in 2004 for a matching student climate survey.

Major work was undertaken throughout the university during 2004 in preparation for the HEQC Audit in the first half of 2005. This culminated in a major self-review document which – prior to the anticipated outcome of the HEQC audit itself – already most usefully identified areas of strength and weakness within the university.

Policy development

At the end of 2004 the Executive was able to report to Senate on the successful formulation and adoption by the relevant university authorities of no fewer than 16 significant policies. These were policies on:

- Employment Equity
- Employment Equity Plan
- Student Equity
- Intellectual Property
- Private and professional work by academic staff
- Private and professional work by joint staff in the Faculty of Health Sciences
- Email and internet usage
- Recognition of Prior Learning
- Short Courses
- Assessment
- Anonymous marking
- Plagiarism
- HIV/AIDS
- Postdoctoral research fellows
- Duties of postgraduate supervisors
- Academic reviews

Student services

The University continues to provide an extensive range of student services. The Centre for Higher Education Development maintains high standards in academic development programmes, and in specialist services such as a Writing Centre, a Numeracy Centre, and a Careers Centre. The Student Development & Services Department provides a comprehensive range of services and opportunities ranging through counselling and health services, orientation programmes, extensive sports facilities, a disability unit, an employment bureau and access to many clubs and societies. There are many opportunities for student community service.



PROFESSOR N S NDEBELE
VICE-CHANCELLOR
1 June 2005

REPORT OF THE INSTITUTIONAL FORUM

The Institutional Forum (IF) is prescribed by the Higher Education Act and it is advisory to the University Council. The IF has thirty members: ten chosen by student leadership; ten chosen by staff organisations; and ten representing Council, Senate and executive management. In 2004 the IF advised the Council on several issues related to transformation including the procedures for the appointment of executives of the University.

The IF acts as the custodian of the procedures for the appointment of the executive of the University, including the Vice-Chancellor, Deputy Vice-Chancellors and Executive Directors. In May 2004 it approved the process undertaken to renew the contract of the incumbent Vice-Chancellor, Professor Ndebele. It also advised Council on the revision of procedures for the appointment of new executive directors and the re-appointment of incumbent executive directors.

The IF made several important contributions in relation to employment equity. It considered a revised employment equity policy, which was approved by the Council in May 2004. Following the adoption of this revised policy it debated and advised the Council on an employment equity plan. The IF also acted as a reference group for an institutional climate survey that was designed to identify issues that need to be addressed in order to achieve a more rapid change in the demographic profile of staff and students.

Other policy-related issues debated by the IF included the endorsement of the need for a revised policy on sexual harassment and rape that would take into consideration recent changes in national legislation and the concept of a code of conduct for all contractors and outsourced service providers.

A new SRC constitution was one of the key student-related matters on the IF agenda. This constitution was adopted by Council in 2004. Another important matter was the debate on a Student Equity Policy that was subsequently approved by Council at the end of the year. The SRC consulted the IF on a proposed Student Transformation Charter, which it subsequently adopted.

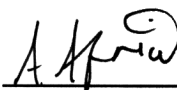
In 2004 the IF met seven times, three more than the previous year. This is reflective of the heightened focus on transformation as a consequence of the adoption of transformation as a university-wide strategic action guide.



PROFESSOR R T NHLAPO
CO-CHAIR



MS V SCHOLTZ
CO-CHAIR



MS A AFRICA
CO-CHAIR

1 June 2005

COUNCIL STATEMENT ON CORPORATE GOVERNANCE

This statement is intended to enable readers of the 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 Higher Education Institutions published under that Act (which incorporates by reference and requires compliance with the Code for Corporate Practice and Conduct, as set out in the second King report (King 2) insofar as it can apply to public Higher Education Institutions).

The Council of the University

The University's vision is to be an outstanding teaching and research university, educating for life, addressing the challenges facing our society and equipping our students with life-long skills.

The Council is enjoined to govern the University, and has recorded that, in governing, its key functions and responsibilities are: to decide policy; to influence the affairs of the University; to make key appointments; to make all financial appropriations and decide fees to be charged; to report to the State; and to require the Vice Chancellor (and the Executive) and the Senate to account to the Council for their responsibilities.

Council and Council Committees

The University is 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) with full juristic capacity.

The legislation provides for three governance bodies with specific mandates; the Council, which governs; the Senate, which is responsible for teaching and research; and the Institutional Forum, a stakeholder body, which advises the Council, and which the Council must consult on specified matters. Each is supported by specialist committees and working groups.

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

Elections were held, and appointments made, to re-constitute the Council from 1 July 2004. In terms of the amended provisions of the statute, which took account of the provisions introduced into the Higher Education Act by the Amendment Act of 2002, the Council as now constituted complies with the requirements of the Act as amended. The term of the Council now in office runs to 30 June 2008.

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 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 issue; and to recuse themselves should any such issue arise.

During the year under review the Council established an Executive Committee. Council has reserved to itself all major issues, and has established the Executive Committee in order to expedite the work of the Council. The Council and its Executive Committee met in alternate months. The following table summarises attendance by each member at Council meetings in 2004.

Attendance at Council Meetings – 2004

| Feb – Dec 2004 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Dec | % |
|-----------------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|
| L Aranes | Abs | Abs | Abs | Abs | Abs | | | | | | 0 |
| DG Aschman | P | P | Ap | P | P | P | P | P | P | P | 90 |
| A Barday | P | P | Ap | P | P | | | | | | 80 |
| EPH Bieber | P | P | P | P | P | | | | | | 100 |
| D Budlender | | | | | | P | Ap | P | P | Ap | 60 |
| GM Budlender | P | P | P | P | P | P | P | P | P | P | 100 |
| MM Burton | P | P | P | P | P | | | | | | 100 |
| V Doo | P | P | P | Ap | P | P | P | P | Ap | P | 80 |
| CM de la Rey | P | P | P | P | P | P | P | P | P | P | 100 |
| AZ Farr | P | P | P | P | Ap | | | | | | 80 |
| A Fataar | | | | | | P | Ap | P | P | Ap | 60 |
| G Finchilescu | P | P | Ap | Ap | P | | | | | | 60 |
| PI Folb | | | | | | Ap | Ap | P | P | P | 60 |
| JJ Gauntlett SC | P | P | P | P | P | P | P | P | P | Ap | 90 |
| P Govender | P | Ap | Ap | Ap | Ap | | | | | | 20 |
| G Griffin | P | Ap | P | P | Ap | | | | | | 60 |
| MJ Hall | P | P | P | P | P | Ap | P | P | P | P | 90 |
| ST Harrison | * | * | * | * | * | | | | | | * |
| R Kadalie | Ap | P | P | P | P | P | P | P | Ap | P | 80 |
| ER Kalula | Abs | Ap | P | Ap | P | P | P | P | P | P | 70 |
| J Kane Berman | Ap | P | P | P | P | | | | | | 80 |
| Mr VP Khanyile | | | | | | Ap | Ap | P | Ap | P | 40 |
| O Kinahan | P | P | Ap | P | P | | | | | | 80 |
| JD Landingwe | | | | | | P | Abs | Abs | Ap | Abs | 20 |
| M Lapsey | P | Ap | P | P | Ap | | | | | | 60 |
| PSG Leon | P | P | P | P | Ap | P | P | P | P | P | 90 |
| B Mayosi | | | | | | P | P | Ap | Ap | P | 60 |
| S Mbambo | P | P | P | P | P | P | P | P | P | Abs | 90 |
| A Mboweni | P | P | P | P | P | P | P | P | P | P | 100 |
| J Mekwa | | P | P | P | P | P | | | | | 100 |
| N Miti | Ap | P | P | Ap | P | | | | | | 60 |
| T Monyatsi | P | Ap | P | P | P | | | | | | 80 |
| NS Ndebele | P | P | P | P | Ap | P | P | P | P | P | 90 |
| T Nhlapo | | | | | | | P | P | Ap | P | 75 |
| C Nissen | P | Ap | Ap | Ap | P | | | | | | 40 |
| E Patel | P | Ap | P | P | Ap | Ap | Ap | P | Ap | Abs | 40 |
| TD Petersen | P | P | P | Ap | P | P | P | P | P | P | 90 |
| LF Platzky | | | | | | P | Ap | P | P | P | 80 |
| BD Reddy | P | P | Ap | P | Ap | P | P | P | P | Ap | 70 |
| RB Rosenthal | Ap | P | P | P | P | Ap | P | P | P | P | 80 |
| Mr AC Serote | | | | | | P | P | P | P | P | 100 |
| L Shackleton | P | P | P | P | P | | | | | | 100 |
| Mr C Sonn | P | P | Ap | Ap | Ap | P | P | P | P | Ap | 60 |
| J Terblanche | | | | | | P | P | P | Ap | P | 80 |
| M Thompson | | | | | | P | P | P | P | Ap | 80 |
| CL Vaughan | P | P | P | P | P | | | | | | 100 |
| HM Wesso | P | P | P | Ap | P | Ap | P | P | P | P | 80 |
| ME West | P | P | P | P | P | P | P | P | P | P | 100 |

P = Present Ap = Apology Abs = Absent * = On sabbatical
 = Not a Council member at date of meeting

In setting up an Executive Committee, as it did in setting up those responsible for Audit, for Strategy, for Finance, and for Remuneration, the Council followed the legislative requirement for Council that at least 60% of its members be external (that is neither staff nor students) and that both the Chair and Deputy Chair be external. The Council considers that in doing so it helps to ensure the appropriate levels of accountability of the Executive to the Council.

Code of Ethics

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 a standing committee of Senate, supported by faculty-level committees, promotes and ensures the highest ethical standards in teaching and research, and is supported by faculty level ethics committees.

Executive Committee of Council

The Executive Committee of Council consists of the Chair and Deputy Chair of Council, four members of Council and the Vice-Chancellor.

Council Appointments Committee

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

The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of three external members, one external person and the Vice-Chancellor. It met three times in 2004, and both internal and independent auditors have unrestricted access to it. The Audit Committee is reviewing its terms of reference in light of the requirements of the Department of Education regulations for Annual Reporting by Higher Education Institutions. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the Committee. During 2004 the Audit and Risk Committees continued with a comprehensive review of risk and put measures in place to manage identified risks. This will continue into 2005. 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 2004.

The Council Remuneration Committee

The Council Remuneration Committee is a standing committee of Council and consists of the Chair and Deputy Chair of Council, the Chairs of the Audit and the Finance Committees and the Vice-Chancellor. (In that the Deputy Chair is Chair of Finance, the Council has appointed an additional lay Council member to the committee). 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; and
- Determining the pay of senior leadership group members in terms of the performance management system.

During 2004 a major review of pay of professional, administrative support and service staff was undertaken which involved job grading and determining measurable objectives against which to evaluate performance. Training gaps were identified and will be addressed. This allows us to recognise merit in setting remuneration levels. New remuneration contracts were introduced with effect from 1 January 2005.

The University Student Development and Services Committee (USDSC)

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

The University Human Resources Committee

This standing committee should advise 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 once during 2004. A Council member has now been appointed to Chair this Committee.

The University Building and Development Committee

The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings. The committee met 14 times during 2004.

The University Strategy Committee

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



G M BUDLENDER
CHAIR OF COUNCIL
1 June 2004



PROFESSOR N S NDEBELE
VICE-CHANCELLOR

REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS

The University maintains systems of internal control over financial reporting and assets. These are designed to provide reasonable assurance to the Council regarding the preparation of reliable published financial statements and the safeguarding of its assets. The University has a documented organisational structure and division of responsibilities and established policies and procedures, which are communicated throughout the University.

Information systems utilising modern 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. A major re-implementation of the system supporting human resource management transactions was begun in 2003 and completed in 2004.

Accepted standards are applied to protect privacy and ensure control over all data. These include disaster recovery and “back-up” procedures. The development, maintenance and operation of all systems are under the control of competently trained staff.

Internal audit monitors internal control systems. Council, through its Audit Committee, provides oversight of the financial reporting process.

Report on Risk and the Management of Risk

The University enjoys a reputation for the quality of its graduates, the quality of its research and scholarship; for sound financial management and for safety at work. This reputation gives rise to substantial risk, and the management of this risk. Reputational, financial and other areas of risk exposure are priorities for the Council, for the executive, and for the bodies charged with the management of risk, primarily the Audit Committee (and especially the Risk Management [RMC] and Health & Safety sub-committees), the Quality Assurance Working Group, and Internal Audit.

The RMC has been established with reference to the guidelines outlined in King 2. The Committee includes the Vice-Chancellor, a Deputy Vice-Chancellor, two Faculty Deans, the Executive Director of Finance, the Executive Director of Properties & Services, the Registrar and up to two other appointees nominated by the Vice-Chancellor. At present, a non-executive Council member with the appropriate skills is being sought to join the committee.

The Physical Risk Coordinating Committee, reports to the RMC and includes in its reports items from its sub committees which are the Genetically Modified Organisms Committee, the Health and Safety Committee and the Radiation Control Committee. The RMC Committee itself reports to the Audit Committee.

The RMC met four times during 2004. The Committee:

- Received and considered reports on Human Resources, Information Technology, Property and Services and Student and Student related risks. In respect of each risk, controls were identified, assessments of the risk exposure were considered, actions taken and responsibilities assigned were reviewed;
- Received reports from the Physical Risk Coordinating Committee (including its subcommittees); and
- Received reports at each meeting on crime both on the campus and on its fringes and the steps taken to reduce criminal activities.

During the year under review the Audit Committee has, either directly or through the Risk Management sub committee:

- Reassessed areas of risk and redefined accountable and responsible individuals for the management of all key risk areas, having reviewed the impact of failure in each area, the control effectiveness, and the management gap between the actual and the desired control effectiveness, as outlined above;
- As previously reported, an audit firm (independent of the University's external auditors) was commissioned to review and report on tax compliance, with special reference to income tax and VAT. This year, SARS has performed an income tax audit; and
- Approved an expanded role for internal audit which it hopes will lead to a more effective internal audit function.

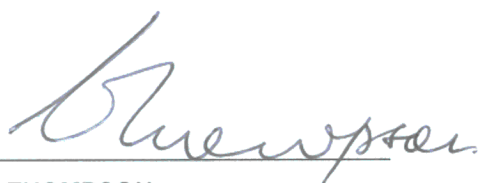
The Audit Committee is reviewing its terms of reference in light of the requirements of King 2 and of the Department of Education as set out in the manual of regulations for Annual Reporting by Higher Education Institutions.

The risk of HIV/AIDS among staff is being 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 was put into operation to complement a long-running HIV/AIDS education programme.

The Quality Assurance Working Group operates in the academic domain. Its remit is to help the University put in place the necessary quality assurance mechanisms that will give assurance on teaching and learning, on research, and on social responsiveness. These mechanisms constitute a very important subset of risk management in a university environment. Further reports on its work are included in the report of the Senate.

Financial risk decisions are taken within limits decided by Council on the advice of the Finance and Investment Committees.

Insurance policies are in place to cover risk. These are monitored by the Audit Committee, which must satisfy itself that cover against fire and related risks, accidental damage, business interruption, theft, money and fidelity and, critically, both public and employee liability is considered adequate.



M THOMPSON
CHAIR OF AUDIT COMMITTEE

1 June 2005



H T AMOORE
REGISTRAR

(And responsible for Internal Audit)

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 small surplus from 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. These encompass the main recurrent operating activities that provide and support teaching and learning;
- Research and other operations similarly dependant on specific funding;
- Staff and student housing operations;
- Investment income and financing expenditure;
- Capital expenditure. These include the acquisition of all assets in excess of R15,000;
- Capital structure and financing; and
- Cash flow planning.

Recurrent operations

The essence of our high-level financial plan focuses on sustainability. This is achieved by realising a surplus from recurrent operations. Currently our medium-term view is to achieve a “recurrent operating surplus” of 5% of total recurrent operating income. This provides a small hedge against unforeseen events. The realised “recurrent operating surplus” is applied to expenditure on strategic needs in the following year, and to enhance medium-term stability.

Capital expenditure

We evaluate the expenditure on capital items separately from operating expenditure, and it is limited by:

- Available cash resources; the depreciation charge suggests (but does not entitle) an amount available for the replenishment of existing assets.

- Donations from external sources.
- Such portions of the strategic spend allocated to capital expenditure.
- For major infrastructural developments, the borrowing capacity of the University's balance sheet, and the debt servicing capacity of the recurrent operations and the net investment income.

Other expenditure

The sum of the allocation from the "recurrent operating surplus" of the previous year as described above, and the net financing and investment income in the previous year may be used to support further initiatives consistent with UCT strategies. Should the operating result be a deficit the first use of the financing and investment income will be to reducing or "paying off" the deficit.

Medium term budget framework

The financial plans described above are given form through the Medium Term Budget Framework (MTBF), which is steered by the University Finance Committee, reporting to Council. The MTBF provides a financial framework within which to pursue the University's goals, for a period usually of four or five years. While the MTBF has a multi-year time horizon, it is reviewed annually for its continued relevance given the changing environment. It is informed by the recent operating performance of the university in particular, as well as the other financial components detailed earlier. It takes cognisance of the strategic imperatives and risks facing the university. Given these aspects, a desired financial position is targeted at the end of the framework period, and the MTBF constructed to provide a corridor of opportunities and constraints within which to operate.

Financial Highlights 2004

The annual financial statements cover all the activities of the University, including non-recurrent income and expenditure, investment activities and financing transactions; they thus provide a comprehensive overview of the financial position of the University and its progress over the past year. There have been no major changes in the operations during the year.

Key features of the financial results were:

1. Recurrent operating expenditure grew at a faster rate than recurrent operating income. This is a reversal of a four-year trend mainly due to increased expenditure on staffing for salary realignment, additional allocations to bursaries and research activities. In addition state subsidies are the slowest growing major item.
2. Major revenue streams that changed significantly in 2004 were:
 - An increase in tuition and other fee income of 16.6%, largely due to increases in student numbers, residences operating at practical capacity, and the opening of a new residence;
 - A 18.7% increase in designated state subsidy for research.
3. Total expenditure, and the year on year increase of 14.0%, is affected by:
 - The adjustment to academic salaries amounting to some R50 million for 2004.
4. The University's net cash position improved by R16.0 million to R272.8 million, after investing a further R53.5 million in fixed assets. Much of this cash, however, is specifically earmarked for designated activities such as research.
5. The University's borrowings increased by R20.4 million, being capitalisation of interest. A major portion of these (R243.4 million) are reflected as short term as they are due to be repaid during 2005. These borrowings are matched by investments designated for their settlement on due date.
6. The University's overall operating surplus dropped from R178.4 million to R156.0 million, and the surplus attributable to Council controlled unrestricted funds decreased from R74.2 million to R41.5 million, due mainly to the completion of the realignment in academic salaries, and lower net interest

rates, partially offset by an increase in student numbers.

7. Expenditure on bursaries and financial aid increased 15.7% from R83.2 million to R96.2 million
8. Designated and endowed investments rose from R834.3 million to R1,000.2 million, as a result of the recovery in equity markets. Growing the free endowment continues to be a focus incorporated in the principles of the medium term budget framework.
9. Unrestricted Council controlled funds rose modestly from R328.3 million to R381.4 million; it should be noted, however, that much of this is not supported by readily realisable assets, being primarily invested in buildings and plant.
10. The results for the core recurrent unrestricted operations are shown in the table below. They reflect the sustainable operating activities under the control of Council. They show the narrow margin between income and expenditure, and while positive, emphasise the need for continued financial discipline.

Recurrent Unrestricted Council Controlled Operations

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|------------|------------|------------|------------|-------------|
| | R'm | R'm | R'm | R'm | R'm |
| RECURRENT INCOME | 958 | 869 | 772 | 696 | 602 |
| State appropriations-subsidies & grants | 496 | 460 | 427 | 395 | 352 |
| Tuition and other fee income | 334 | 290 | 241 | 213 | 185 |
| Sales of goods & services | 102 | 91 | 88 | 75 | 61 |
| Private gifts & grants | 26 | 28 | 16 | 13 | 4 |
| RECURRENT EXPENDITURE | 941 | 837 | 760 | 691 | 681 |
| Personnel | 570 | 511 | 452 | 430 | 397 |
| Other operating expenses | 291 | 253 | 240 | 206 | 210 |
| Bursaries | 40 | 33 | 33 | 30 | 24 |
| Depreciation and minor capital items expensed | 40 | 40 | 35 | 25 | 50 |
| RECURRENT OPERATING SURPLUS (DEFICIT) | 17 | 32 | 12 | 6 | (78) |

The Future

The financial management activities of the University are focused on supporting the key strategic thrusts identified by the University's leadership and endorsed by Council, while ensuring appropriate levels of controls and discipline in the various financial processes. Significant progress has been made over the recent years in improving the budget process, review system and aligning resource allocation with UCT objectives. The emphasis on the appropriate allocation of resources will continue to grow. Further, the University Finance Committee will continue its focus on the following key issues:

- To continue to build awareness within the University community of the importance and relevance of effective financial management, via broad involvement in the budgeting process, the provision of effective management information and ensuring proper reporting of results.
- Enhancing the University's ability to attract and retain the quality of staff needed to grow the teaching and research capability and to provide a suitable infrastructure. The contributions to research activities and academic staff salaries have increased significantly over the recent years. PASS staff salaries are to be aligned to the market in 2005.
- Creating the capacity for proper planned renewal and maintenance of campus facilities, and, in

particular, the ongoing development of the residence infrastructure. The university is committed to reduce the backlog on maintenance, having increased expenditure on maintenance by 36.4% from R56.0 million to R74.5 million. The backlog will continue to receive high priority till it has been eliminated.

- Identify future needs at an early enough stage to enable cohesive financial planning.

A financial framework was adopted by Council which makes provision for continuous improvements to create capacity for strategic spending. It also provides an integrated approach to financial planning whereby the operating budgets are coordinated with investment income, capital expenditure, free cash, and financing policies. While we have begun to address the backlog of demands for spending and development, the finances of the university are finely balanced within pressure from diverse constituencies both internally and externally. Care will need to be taken that the new demands are managed within the University's overall financial capacity.



T D PETERSEN
CHAIR OF THE UNIVERSITY FINANCE
COMMITTEE



PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR: FINANCE

1 June 2005

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 28 to 45 of this annual report for 2004 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice 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. 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 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 28 to 45 were approved by the University Council on June 1 2005 and are signed on its behalf by:



MR G M BUDLENDER
CHAIR OF COUNCIL



MR T D PETERSEN
CHAIR OF FINANCE COMMITTEE



PROFESSOR N S NDEBELE
VICE-CHANCELLOR



PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR OF FINANCE

1 June 2005

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 set out on pages 28 to 45 for the year ended 31 December 2004. These financial statements are the responsibility of the University's Council. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

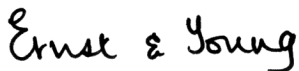
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and,
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the University of Cape Town at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Minister of Education in terms of S41 of the Higher Education Act, No. 101 of 1997 (as amended).



ERNST & YOUNG
REGISTERED ACCOUNTANT AND AUDITORS
CHARTERED ACCOUNTANTS (SA)
CAPE TOWN
1 JUNE 2005

UNIVERSITY OF CAPE TOWN CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

| | Note | 2004 R'000 | 2003 R'000 |
|---|------|---------------|---------------|
| ASSETS | | 2,139,970 | 1,872,175 |
| Non-Current Assets | | 1,494,850 | 1,522,293 |
| Property, plant and equipment | 2 | 483,616 | 476,709 |
| Investments | 3 | 998,730 | 1,030,145 |
| Investment in associates | 4 | 1,211 | 1,211 |
| Non-current receivables | 5 | 11,293 | 14,228 |
| Current Assets | | 645,120 | 349,882 |
| Inventories | 6 | 919 | 1,087 |
| Accounts receivable and prepayments | 7 | 104,001 | 65,327 |
| Loans to employees | 7 | 7,829 | 5,208 |
| Student fees receivable | 7 | 20,123 | 21,559 |
| Current portion of investments | 3 | 239,459 | - |
| Cash at bank and cash equivalents | 8 | 272,789 | 256,701 |
| ACCUMULATED FUNDS AND LIABILITIES | | 2,139,970 | 1,872,175 |
| Accumulated Funds | | 1,611,516 | 1,376,248 |
| Non-distributable funds | | 770,945 | 653,212 |
| Endowed funds | | 616,941 | 573,836 |
| Revaluation reserve | | 154,004 | 79,376 |
| Restricted funds designated for specific activities | | 459,208 | 394,722 |
| Education and general | | 405,317 | 342,065 |
| Student and staff accommodation | | 53,891 | 52,657 |
| Unrestricted Council controlled funds | | 381,363 | 328,314 |
| Non-Current Liabilities | | 214,585 | 418,302 |
| Borrowings | 9 | 18,424 | 224,348 |
| Provisions and accruals | 10 | 196,161 | 193,954 |
| Current Liabilities | | 313,869 | 77,625 |
| Accounts payable and accrued liabilities | 11 | 43,798 | 41,237 |
| Student deposits | | 11,794 | 11,201 |
| Current portion of borrowings | 9 | 243,377 | 17,037 |
| Current portion of provisions and accruals | 10 | 14,900 | 8,150 |

UNIVERSITY OF CAPE TOWN

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

(all amounts in R'000)

| | | Education and General | | | | | | |
|------|---|---|-----------|--------------------------------------|------------|------------|-----------|---------------|
| Note | Council Controlled Unrestricted | Specifically Funded Activities Restricted | Sub Total | Student and Staff Housing Restricted | 2004 TOTAL | 2003 TOTAL | Change % | |
| | TOTAL INCOME | 1,023,822 | 507,154 | 1,530,976 | 110,524 | 1,641,500 | 1,481,991 | 10.8 |
| | Recurrent Income | 1,023,618 | 471,663 | 1,495,281 | 110,576 | 1,605,857 | 1,437,579 | 11.7 |
| | State appropriations-subsidies and grants | 495,998 | 104,234 | 600,232 | - | 600,232 | 547,569 | 9.6 |
| | Tuition and other fee income | 334,090 | - | 334,090 | 99,778 | 433,868 | 371,972 | 16.6 |
| | Income from contracts | 51 | 173,836 | 173,887 | - | 173,887 | 152,094 | 14.3 |
| | Sales of goods and services | 102,137 | 66,406 | 168,543 | 10,700 | 179,243 | 153,246 | 17.0 |
| | Donations and gifts | 26,351 | 85,872 | 112,223 | - | 112,223 | 98,350 | 14.1 |
| | Sub Total | 958,627 | 430,348 | 1,388,975 | 110,478 | 1,499,453 | 1,323,231 | 13.3 |
| | Interest and dividends | 64,991 | 41,315 | 106,306 | 98 | 106,404 | 114,348 | (7.0) |
| | Non-Recurrent Income | 204 | 35,491 | 35,695 | (52) | 35,643 | 44,412 | (19.8) |
| | Loss on disposal of fixed assets | (149) | (296) | (445) | (52) | (497) | (49) | - |
| | Profit on sale of investments | 353 | 35,787 | 36,140 | - | 36,140 | 44,027 | (17.9) |
| | Other non-recurrent income | - | - | - | - | - | 434 | - |
| | TOTAL EXPENDITURE | 982,313 | 394,644 | 1,376,957 | 108,568 | 1,485,525 | 1,303,557 | 14.0 |
| | Recurrent Expenditure | 982,313 | 394,644 | 1,376,957 | 108,568 | 1,485,525 | 1,303,557 | 14.0 |
| | Personnel | 570,312 | 154,525 | 724,837 | 15,351 | 740,188 | 646,259 | 14.5 |
| | Other operating expenses | 290,860 | 154,169 | 445,029 | 88,742 | 533,771 | 470,797 | 13.3 |
| | Bursaries and financial aid | 40,466 | 55,782 | 96,248 | - | 96,248 | 83,181 | 15.7 |
| | Minor capital items expensed | 17,411 | 11,016 | 28,427 | 2,104 | 30,531 | 28,573 | 6.9 |
| | Depreciation | 22,290 | 18,186 | 40,476 | 2,037 | 42,513 | 37,302 | 14.0 |
| | Sub-Total | 941,339 | 393,678 | 1,335,017 | 108,234 | 1,443,251 | 1,266,112 | 14.0 |
| | Finance costs | 40,974 | 966 | 41,940 | 334 | 42,274 | 37,445 | 12.9 |
| | NET SURPLUS | 41,509 | 112,510 | 154,019 | 1,956 | 155,975 | 178,434 | (12.6) |

UNIVERSITY OF CAPE TOWN

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2004

(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 | |
| Note | | | | | | |
| FUND BALANCES AS AT 1 JANUARY 2003 | 537,331 | 71,400 | 287,438 | 42,256 | 239,684 | 1,178,109 |
| Net surplus 2003 | - | - | 94,020 | 10,210 | 74,204 | 178,434 |
| Transfers between funds | 24,776 | - | (39,393) | 191 | 14,426 | - |
| Realised gains on investments | - | (44,027) | - | - | - | (44,027) |
| Adjustment to market value of investments | 3 | - | 52,003 | - | - | 52,003 |
| Capital inflows - Donations | 11,729 | - | - | - | - | 11,729 |
| FUND BALANCES AS AT 31 DECEMBER 2003 | 573,836 | 79,376 | 342,065 | 52,657 | 328,314 | 1,376,248 |
| Net surplus 2004 | - | - | 112,510 | 1,956 | 41,509 | 155,975 |
| Transfers between funds | 38,440 | - | (49,258) | (722) | 11,540 | - |
| Realised gains on investments | - | (36,140) | - | - | - | (36,140) |
| Adjustment to market value of investments | 3 | - | 110,768 | - | - | 110,768 |
| Capital inflows - Donations | 4,665 | - | - | - | - | 4,665 |
| FUND BALANCES AS AT 31 DECEMBER 2004 | 616,941 | 154,004 | 405,317 | 53,891 | 381,363 | 1,611,516 |

UNIVERSITY OF CAPE TOWN

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

| | Note | 2004 R'000 | 2003 R'000 |
|---|------|--------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from students, government and private sources | | 1,366,281 | 1,257,412 |
| Cash paid to employees and suppliers | | <u>(1,296,982)</u> | <u>(1,136,657)</u> |
| Cash generated from operations | | 69,299 | 120,755 |
| Investment income | 15 | 106,404 | 114,348 |
| Interest paid | 16 | <u>(42,274)</u> | <u>(37,445)</u> |
| | | 133,429 | 197,658 |
| Endowed funds donation income | | 4,665 | 11,729 |
| Net Cash Inflows from Operating Activities | | <u>138,094</u> | <u>209,387</u> |
| Cash Flows from Investing Activities | | | |
| Additions to fixed assets | 2 | (53,459) | (132,181) |
| Proceeds on disposal of fixed assets | | 712 | 671 |
| Net additions to investments | | <u>(89,675)</u> | <u>(79,544)</u> |
| Net Cash Outflows from Investing Activities | | <u>(142,422)</u> | <u>(211,054)</u> |
| Cash Flows from Financing Activities | | | |
| Increase in long term borrowings | | <u>20,416</u> | <u>22,419</u> |
| Net Cash Inflows from Financing Activities | | <u>20,416</u> | <u>22,419</u> |
| Net Movement in Cash and Cash Equivalents | | | |
| Cash and cash equivalents at beginning of period | | 256,701 | 235,949 |
| Cash and cash equivalents at end of period | 8 | <u>272,789</u> | <u>256,701</u> |

Cash Generated from Operations

Reconciliation of net surplus to cash generated from operations:

| | | | |
|--|----|----------------|----------------|
| Net surplus | | 155,975 | 178,434 |
| Adjustments for: | | | |
| Depreciation | 2 | 42,513 | 37,302 |
| Net movement in leave and medical aid benefit provisions | 10 | 8,957 | 10,654 |
| Loss on sale of property, plant and equipment | | 497 | 49 |
| Property, plant and equipment costs written off | | 829 | - |
| Investment income | 15 | (106,404) | (114,348) |
| Interest expense | 16 | 42,274 | 37,445 |
| Profit on sale of investments | 15 | (36,140) | (44,027) |
| Provision against investment in associate company | | - | 1,200 |
| Changes in working capital | | | |
| trade and other receivables | | (36,924) | 16,929 |
| inventories | | 168 | (662) |
| payables | | <u>(2,446)</u> | <u>(2,221)</u> |
| Cash generated from operations | | <u>69,299</u> | <u>120,755</u> |

UNIVERSITY OF CAPE TOWN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

1. Accounting Policies

Basis of preparation

The consolidated annual financial statements are prepared in accordance with, and comply with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Minister of Education in terms of S41 of Act 101 1997 (as amended).

The consolidated annual financial statements are prepared under the historic cost convention as modified by the revaluation of certain marketable securities and incorporate the following principal accounting policies which are consistent with those of the previous year.

1.1 Consolidation

Subsidiary entities are those entities over which the University of Cape Town has the power directly or indirectly to exercise control or is the sole beneficiary. Subsidiaries are not consolidated when purchased for short-term purposes or when there is a restriction on the transferability of funds between the University of Cape Town and the subsidiary. Subsidiaries are consolidated from the point where the University of Cape Town has effective control or becomes the sole beneficiary. The financial statements include the operations of the subsidiaries and other entities listed below. All inter-entity transactions, balances and unrealised surpluses and deficits have been eliminated. Where necessary, appropriate adjustments have been made to the accounting policies of subsidiaries on consolidation to ensure consistency with the policies adopted by the University of Cape Town.

| Entity | Nature of ownership |
|---|---|
| The Graduate School of Business (Proprietary) Limited | Wholly owned |
| The University of Cape Town Foundation | A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary |
| The University of Cape Town Trust | A trust, formed in the United Kingdom, of which the University of Cape Town is the sole beneficiary |
| The Student Loan Fund Limited | A Section 21 company controlled by the University of Cape Town |

1.2 Investment in associates

Investments in associated entities are accounted for using the equity method of accounting. Associated entities are undertakings in which the University of Cape Town has a long-term equity interest and exercises significant influence over the financial and operational policies of those entities. The effect of the equity method is to include the University's share of profits/losses of the associate in the income statement and in the carrying value of the investment in the associate. The equity accounted profit and loss in the income statement is adjusted for the effect of any fair value adjustment at acquisition, unrealised profit, differences in accounting policies and goodwill amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

1.3 Income recognition

State subsidy and grants for general purposes are recognised as income in the financial year in which they accrue. Subsidies and grants for specific purposes such as capital expenditure are brought into the appropriate fund as income at the time that they are available to finance the expenditure for the purpose provided. Such grants are presented separately as credits in the income statement. Grants relating to specific expenses are not offset against the expense but are included in the disclosure of government grants.

Income received for designated specific purposes arises from contracts, grants and donations. Such income is brought into the income statement in the financial period in which the University becomes entitled to the use of these funds.

Income for specific endowments, comprising investment income and realised profits arising from the sale of investments, are recognised in the income statement as designated for specific purposes in the period when they accrue. It is the University's policy to utilise only a portion of this income and to re-invest the un-utilised portion in the underlying endowed funds in order to grow the capital base. 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, is effected by transfer within the Statement of Changes in Fund Balances.

Capital inflows for endowment purposes are added to endowment capital in the Statement of Changes in Funds Balances in the period in which they are received.

Tuition and residence fees are recognised in income in the period to which they relate. Deposits provided by prospective students are treated as current liabilities until the amount is billed as due.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the University. Dividends are recognised when the right to receive payment is established.

1.4 Foreign currency transactions

Foreign currency transactions are recorded at the spot rate on the transaction date.

Assets and liabilities designated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising from the translation are recognised in the income statement in the year in which they arise.

1.5 Inventories

Inventories are stated at the lower of average cost and net realisable value.

1.6 Retirement benefits

Defined contribution retirement plan

Employer contributions to the University of Cape Town Retirement Fund are recognised in the income statement in the year in which they are incurred.

Medical aid benefits

Costs of medical aid benefits are recognised as an expense in the period during which the employees render services to the group.

Post-retirement medical aid benefits

The University of Cape Town has an obligation to provide certain post retirement medical aid benefits to its eligible employees and pensioners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

1.6 Retirement benefits (Continued)

The costs incurred in respect of post-retirement medical aid benefits are charged to income as incurred, as current service costs. The present value of the future medical aid subsidies for past service costs is actuarially determined annually in accordance with South African Statement of GAAP, AC 116 Employee Benefits. The liability is recognised at the balance sheet date. Any curtailment benefits or settlement amounts are recognised against income as incurred.

Actuarial gains and losses are recognised as 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.

1.7 Property, plant and equipment and intangible assets

Property, plant and equipment are recorded at cost less accumulated depreciation. Assets costing less than R 15,000 are not capitalised. Library books are written off in the year in which they are acquired. Donations are recorded at fair value at the date of donation. Depreciation is calculated on the straight-line method at rates calculated to write off the cost of each asset to its residual value over the estimated useful life as follows:

| | |
|--|------------|
| Buildings | 50 years |
| Land improvements other than buildings | 20 years |
| Vehicles | 5-10 years |
| Furniture and equipment | 5-10 years |
| Computers and software | 3 years |

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

Routine maintenance costs are expensed as incurred. Costs of major maintenance or overhaul of an item of property, plant or equipment are recognised as an expense, except where the useful life has been extended.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the carrying value of the asset at disposal to the proceeds on disposal and are taken to the income statement.

1.8 Provisions

Provisions are recognised when there is a present legal or constructive obligation 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 of the amount of the obligation can be made.

1.9 Trade and student receivables

Receivables are carried at anticipated realisable value. Receivables that are likely to be irrecoverable are estimated and provided for, based on a review of outstanding amounts at year-end. Actual bad debts are written off during the year in which they are identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

1.10 Cash at bank and cash equivalents

For the purposes of the cash flow statement, cash at bank and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included under current liabilities.

1.11 Financial instruments

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

Investments:

Investments in sinking funds to meet certain debt obligations are held to maturity. All other investments are regarded as available for sale investments. An investment is classified as available for sale if it is not "held to maturity". All investments are measured at fair value without any deductions that may be incurred on sale or other means of disposal. The fair value of listed equities is market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. The fair value of fixed interest financial instruments is determined with reference to the market yield at the close of business at the balance sheet date. If the fair value of the investment cannot be determined the investment is measured at cost, if there is no fixed maturity, or at amortised cost if there is. Available for sale investments are classified as non-current assets.

The adjustments to the fair value of available for sale investments are recognised in the revaluation reserve until such time as the investment is sold, in which case it is recognised in the income statement.

Derivative instruments:

Derivative instruments are deemed to be held for trading even though they are not actively traded with a view to realising a gain from short-term price fluctuations. Derivative instruments are measured at fair value, being market value. The futures contracts are marked-to-market daily and the resultant gains and losses recognised in the income statement.

Disclosures about financial instruments to which the University is a party are provided in note 17.

1.12 Research costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

2. Property, Plant and Equipment

Year ended 31 December 2004

(all amounts in R'000)

| | Land and Buildings | Furniture and Equipment | Computer Equipment | Motor Vehicles | Assets under Construction | Total |
|---------------------------------|--------------------|-------------------------|--------------------|----------------|---------------------------|----------|
| Cost | | | | | | |
| Cost 1 January 2004 | 479,035 | 163,574 | 46,283 | 10,640 | 49,055 | 748,587 |
| Additions | 7,177 | 25,649 | 6,390 | 2,420 | 11,823 | 53,459 |
| Transfers | 4 | | | | (4) | - |
| Disposals | (232) | (13,538) | (4,582) | (1,223) | (2,001) | (21,576) |
| Cost 31 December 2004 | 485,984 | 175,685 | 48,091 | 11,837 | 58,873 | 780,470 |
| Accumulated depreciation | | | | | | |
| Balance 1 January 2004 | 133,876 | 100,086 | 31,982 | 5,934 | - | 271,878 |
| Disposals | (17) | (12,033) | (4,401) | (1,086) | - | (17,537) |
| Depreciation charge | 9,350 | 22,841 | 8,498 | 1,824 | - | 42,513 |
| Balance 31 December 2004 | 143,209 | 110,894 | 36,079 | 6,672 | - | 296,854 |
| Book value 31 December 2004 | 342,775 | 64,791 | 12,012 | 5,165 | 58,873 | 483,616 |

Year ended 31 December 2003

(all amounts in R'000)

| | Land and Buildings | Furniture and Equipment | Computer Equipment | Motor Vehicles | Assets under Construction | Total |
|---------------------------------|--------------------|-------------------------|--------------------|----------------|---------------------------|---------|
| Cost | | | | | | |
| Cost 1 January 2003 | 424,231 | 133,514 | 35,486 | 9,547 | 16,279 | 619,057 |
| Additions | 41,657 | 31,522 | 11,243 | 1,763 | 45,996 | 132,181 |
| Transfers | 13,220 | 38 | - | (38) | (13,220) | - |
| Disposals | (73) | (1,500) | (446) | (632) | - | (2,651) |
| Cost 31 December 2003 | 479,035 | 163,574 | 46,283 | 10,640 | 49,055 | 748,587 |
| Accumulated depreciation | | | | | | |
| Balance 1 January 2003 | 125,787 | 81,737 | 23,983 | 4,999 | - | 236,506 |
| Disposals | (37) | (1,110) | (214) | (569) | - | (1,930) |
| Depreciation charge | 8,126 | 19,459 | 8,213 | 1,504 | - | 37,302 |
| Balance 31 December 2003 | 133,876 | 100,086 | 31,982 | 5,934 | - | 271,878 |
| Book value 31 December 2003 | 345,159 | 63,488 | 14,301 | 4,706 | 49,055 | 476,709 |

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 Education. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

| 3. Investments | 2004 R'000 | 2003 R'000 |
|--|-----------------------|-------------------------|
| Available for sale | | |
| Opening balance | 834,300 | 745,666 |
| Additions - net | 91,228 | 80,658 |
| Adjustment to market value | <u>74,628</u> | <u>7,976</u> |
| Market value | 1,000,156 | 834,300 |
| (Market value approximates the fair value of available for sale investments) | | |
| Held to maturity | | |
| Sinking fund investments | 238,033 | 195,845 |
| Public Investment Commission | <u>17,325</u> | <u>23,444</u> |
| Standard Corporate and Merchant Bank Limited | <u>220,708</u> | <u>172,401</u> |
| Total investments | <u>1,238,189</u> | <u>1,030,145</u> |
| Current portion of investments | (239,459) | - |
| Total long term investments | <u><u>998,730</u></u> | <u><u>1,030,145</u></u> |

Sinking fund investments

Public Investment Commission

Various deposits from which the proceeds are to be used to redeem fixed period loans of R19.3 million included under government subsidised loans of R34.1 million in note 9. Interest accrues at 75% of the rate applicable to the individual fixed period loans, varying between 16.25% and 18.5%. The loans are repayable over the next two years. The carrying value approximates the fair value.

Standard Corporate and Merchant Bank Limited

Deposit accruing interest at 17.9%, ceded to Standard Bank of SA Limited. The proceeds will be used to redeem the Standard Bank of SA transitional retirement loan that matures on 13 March 2005. The year end value of this loan is R227.2 million (refer note 9). The fair value of the investment is R223.5 million (2003: R186.2 million).

The total investments comprise the following categories:

| | | |
|---|-------------------------|-------------------------|
| Equity – local | 470,989 | 385,620 |
| International investments | 176,019 | 145,439 |
| Capital market interest-bearing investments | 475,979 | 220,901 |
| Money market deposits | <u>115,202</u> | <u>278,185</u> |
| | <u><u>1,238,189</u></u> | <u><u>1,030,145</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

| 4. Investments in Associates | 2004 R'000 | 2003 R'000 |
|---|-----------------------|-----------------------|
| African Medical Imaging (Pty) Ltd (44%) | 1,211 | 1,211 |
| UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%) | 2,411 | 2,411 |
| Investment | <u>3,622</u> | <u>3,622</u> |
| Less: provision | <u>(2,411)</u> | <u>(2,411)</u> |
| | <u><u>1,211</u></u> | <u><u>1,211</u></u> |

Council values the investment in the associates at carrying value.

The provision against the investment in the UCT Medical Centre (Pty) Ltd has been raised in order to reflect the investment at its carrying value.

5. Non-Current Receivables

| | | |
|--------------------|---------------|---------------|
| Student loans | 4,474 | 2,782 |
| Loans to employees | 6,819 | 11,330 |
| Other | - | 116 |
| | <u>11,293</u> | <u>14,228</u> |

The current receivables relating to these items are shown in note 7. All non-current receivables are due within 5 years from balance sheet date. The carrying value of the non-current receivables is considered to approximate fair value. These amounts are unsecured. The weighted average interest rates were as follows:

| | | |
|---------------------------------|-------|-------|
| Student loans | 9.8% | 13.7% |
| Loans to employees - car scheme | 14.4% | 16.0% |
| Loans to employees - other | 14.4% | 16.0% |

6. Inventories

| | | |
|-----------------------|------------|--------------|
| Technical inventories | <u>919</u> | <u>1,087</u> |
|-----------------------|------------|--------------|

7. Accounts Receivable and Prepayments

| | | |
|--|-----------------------|----------------------|
| Accounts receivables and prepayments | 81,532 | 65,327 |
| Payment towards the acquisition of the Princess Christian Home | 22,469 | - |
| Loans to employees | 7,829 | 5,208 |
| Student fees receivable | <u>20,123</u> | <u>21,559</u> |
| | <u><u>131,953</u></u> | <u><u>92,094</u></u> |

Fees outstanding after July each year are charged interest at prime. The average for the six months was 11.04% (2003: 13.48%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

7. Accounts Receivable and Prepayments (continued)

Acquisition of the Princess Christian Home

The University has entered into an agreement to acquire the property of the Princess Christian retirement home in Mowbray. This prepayment reflects the University's commitment to finance alternative accommodation for the home in Tokai, following which the University would be given vacant possession of the Mowbray property.

The Princess Christian Home had not vacated the Mowbray premises at 31 December 2004 and, as such, the title to the property had not passed to the University.

| 2004 | 2003 |
|-------|-------|
| R'000 | R'000 |

8. Cash at Bank and Cash Equivalents

| | | |
|----------------------------------|----------------|----------------|
| Cash at bank and in hand | 673 | 1,201 |
| Short-term bank deposits - Local | 270,638 | 253,564 |
| - Foreign | 1,478 | 1,936 |
| | <u>272,789</u> | <u>256,701</u> |

The weighted average effective interest rate on short-term bank deposits was 7.67% for local deposits and 2% for foreign (2003: 11.34% for local deposits and 2% for foreign).

9. Borrowings

| | | |
|--|------------------|-----------------|
| Financial institutions for government-subsidised loans | 34,133 | 45,361 |
| Standard Bank of SA Limited transitional retirement loan | 227,245 | 189,293 |
| Rand Merchant Bank Limited | - | 5,809 |
| Student Loan Fund loans | 423 | 922 |
| Total interest bearing borrowings | <u>261,801</u> | <u>241,385</u> |
| Current portion | <u>(243,377)</u> | <u>(17,037)</u> |
| Total non-current borrowings | <u>18,424</u> | <u>224,348</u> |

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 interest rates ranging from 5.5% to 18.5% and varying repayment terms. The weighted average interest rate was 14.8% (2003 14.6%). The carrying values collectively approximate their fair values.

Standard Bank transitional retirement loan

Promissory notes with a face value of R235.4 million have been issued by the University of Cape Town in favour of the Standard Bank of SA Limited, payable on 13 March 2005. The notes were discounted for R38 million accruing interest at 18.4% (2003 18.4%). The promissory notes will be redeemed from the proceeds of the transitional retirement loan sinking fund (see note 3), which has been ceded as security for the liability. The fair value of this loan is R226.9 million (2003: R207.8 million).

Rand Merchant Bank Limited

Donations amounting to R6.7 million per annum for 10 years, pledged by a number of large corporate donors, were ceded to Rand Merchant Bank Limited for a discounted value of R33.7 million on 1 April 1995. The donations were recognised over the 10-year period at an implicit interest rate of 14.9%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

| 9. Borrowings (continued) | 2004 R'000 | 2003 R'000 |
|---|----------------|----------------|
| Student Loan Fund loans | | |
| Student Loan Fund loans bear interest at rates between prime minus 1% and prime minus 6%. The carrying value of this liability approximates its fair value. | | |
| Interest rate exposure | | |
| At fixed rates | 261,378 | 240,463 |
| At variable rates | 423 | 922 |
| Total borrowings | <u>261,801</u> | <u>241,385</u> |
| Maturity of interest-bearing non-current borrowings | | |
| Between 1 and 2 years | 11,955 | 213,392 |
| Between 2 and 5 years | 5,493 | 8,772 |
| Later than 5 years | 976 | 2,184 |
| Total non-current borrowings | <u>18,424</u> | <u>224,348</u> |

10. Provisions and Accruals

| | | |
|--|-----------------|----------------|
| Provision for tax liability | 7,000 | - |
| Leave provision academic staff | 26,950 | 23,550 |
| Leave provision for administrative and support staff | 27,850 | 31,500 |
| Post-retirement medical aid benefit obligation | 149,261 | 147,054 |
| Total provisions and accruals | <u>211,061</u> | <u>202,104</u> |
| Current portion | <u>(14,900)</u> | <u>(8,150)</u> |
| Total non-current provisions and accruals | <u>196,161</u> | <u>193,954</u> |

Provision for tax liability

This provision has been raised in respect of the potential tax liability arising from the audit of the University's compliance with the Pay As You Earn (PAYE) provisions of the Income Tax Act undertaken by the South African Revenue Services (SARS) during the latter part of 2004.

No assessment has yet been issued, and the University has, through its tax advisors, contested each of the items raised by SARS.

Leave provision academic staff

This relates to academic staff accrued study and research leave. There is, however, limited entitlement to this leave. Entitlement only arises on death, on retirement or on retrenchment from the University.

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.

Post-retirement medical aid benefit obligation

The status of the University's obligations towards post-retirement medical aid benefits, determined in terms of South African Statement of GAAP, AC116 Employee Benefits, is set out on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

10. Provisions and Accruals (continued)

| | 2004 R'000 | 2003 R'000 |
|---|----------------|----------------|
| Funding obligation | 102,000 | 96,900 |
| Unrecognised actuarial gains | 47,261 | 50,154 |
| Amount accrued in respect of funding obligation | <u>149,261</u> | <u>147,054</u> |
| Reconciled as follows: | | |
| Net obligation at the beginning of the year | 147,054 | 145,600 |
| Net expenses | 14,000 | 13,900 |
| - Interest on obligation | 9,000 | 9,900 |
| - Current service cost | 5,000 | 4,000 |
| Deduct: | | |
| Contributions paid in respect of funding obligation | (3,700) | (3,500) |
| Actuarial gains recognised | (8,093) | (8,946) |
| | <u>149,261</u> | <u>147,054</u> |

The unrecognised actuarial gains arise mainly from the change to a different health care scheme effective from 1 January 2003.

11. Accounts Payable and Accrued Liabilities

| | | |
|------------------|---------------|---------------|
| Trade payables | 11,524 | 10,978 |
| Accrued expenses | 11,281 | 5,682 |
| VAT | 888 | 833 |
| Other payables | 20,105 | 23,744 |
| Total | <u>43,798</u> | <u>41,237</u> |

12. State Appropriations-Subsidies and Grants

| | | |
|--|----------------|----------------|
| Subsidy for general purpose | 468,842 | 421,567 |
| State grants and contracts | 124,428 | 104,520 |
| Grants related to specific expenses | 6,962 | 21,482 |
| Rates subsidy | - | 10,806 |
| Subsidy on medical car scheme | - | 2,400 |
| Subsidy on interest and redemption on state guaranteed loans | 6,962 | 8,276 |
| | <u>600,232</u> | <u>547,569</u> |

13. Personnel Costs

| | Academic Professional | Other | Total | Total |
|--------------------------------------|--------------------------|----------------|----------------|----------------|
| Wages and salaries | 282,596 | 365,863 | 648,459 | 568,530 |
| Termination benefits | - | 298 | 298 | - |
| Pension costs | 39,162 | 46,362 | 85,524 | 72,774 |
| Post retirement medical aid benefits | 2,557 | 3,350 | 5,907 | 4,954 |
| | <u>324,315</u> | <u>415,873</u> | <u>740,188</u> | <u>646,258</u> |

Average number of persons employed during the year

| | No. | No. |
|-----------|--------------|--------------|
| Full time | 3,319 | 2,832 |
| Part time | 1,166 | 1,135 |
| Total | <u>4,485</u> | <u>3,967</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

| 14. Other Operating Expenses | 2004 R'000 | 2003 R'000 |
|---|---------------|---------------|
| The following items have been charged in arriving at operating surplus: | | |
| Library acquisitions | 21,042 | 20,164 |
| Repairs and maintenance | 74,453 | 56,051 |
| Expenditure on computer equipment written off | 20,861 | 19,152 |
| Software costs | 4,199 | 6,826 |
| General services outsourced | 29,835 | 24,334 |
| Catering services outsourced | 37,080 | 26,818 |
| Auditors' remuneration | 2,155 | 1,987 |
| Current year - Annual Financial Statements | 1,489 | 1,527 |
| - Other audit services | 666 | 460 |

15. Income from Investments

| | | |
|---|--------|--------|
| Interest income | 79,700 | 87,526 |
| Marketable securities | | |
| - dividend income | 26,704 | 26,822 |
| - gains on sales of marketable securities | 36,140 | 44,027 |

16. Finance Costs

| | | |
|------------------|--------|--------|
| Interest expense | 42,274 | 37,445 |
|------------------|--------|--------|

17. Financial Instruments

Objectives and significant terms and conditions

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.

At the end of December 2004, the University held 3 (2003: 23) futures contracts in the ALSI 40 Index, maturing in March 2005, with an effective maximum exposure of R0.3 million (2003: R2.2 million).

Credit risk

There is no significant concentration of credit risk.

Derivative instruments are entered into with, and cash is placed with substantial financial institutions.

The credit exposure of derivatives is subject to movements in the appropriate indices.

The University is exposed to foreign exchange risk to the extent that it does not take forward cover for foreign currency transactions in the course of operations. This exposure is reduced by the use of a GBP Sterling bank account and US Dollar bank account from which such foreign obligations are settled.

The University is also exposed to foreign exchange risk through its holdings of US Dollar and Sterling investments referred to in note 3 and banking accounts as referred to in note 8 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004 (CONTINUED)

17. Financial Instruments (continued)

2004
R'000

2003
R'000

The Student Loan Fund Limited through the Standard Bank of SA Limited grants loans to University of Cape Town students. Adequate provisions have been made for these loans.

Student fees outstanding are provided for on a sliding scale and are fully provided for after five years. These outstanding fees are widely spread amongst numerous students indicating no particular concentrated area of credit risk.

Fair values

The carrying amounts of the following financial assets and financial liabilities approximate their fair value: cash, available for sale investments, trade receivables and payables, other receivables and payables, and short-term borrowings. Information on the fair value of held to maturity investments and of borrowings is included in notes 3 and 9.

18. Contingent Liabilities

During the latter part of 2004 the South African Revenue Services (SARS) conducted an audit of the University of Cape Town's (UCT) compliance with the Pay As You Earn (PAYE) provisions of the Income Tax Act. This has resulted in their issuing a letter of finding in which they detailed items where, in their opinion, UCT did not comply with the provisions of the Act. They have evaluated their findings for non-payment of PAYE as R26 million for the tax years 1999 to 2004, exclusive of interest and penalties. No assessment has yet been issued. UCT has, through its tax advisors, contested each of the items raised by SARS.

The University has also raised a provision of R7 million towards this potential liability as reflected in note 10 above.

19. Commitments

Capital Commitments

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

| | | |
|---------------------------------|---------------|----------------|
| Approved but not contracted for | 59,782 | 63,015 |
| Contracted | 21,028 | 42,497 |
| | <u>80,810</u> | <u>105,512</u> |

It is intended that these commitments will be funded from current resources, with the balance of the required funding being met from contributions from both the public and private sectors.

20. Remuneration of Senior Staff

The following disclosure, as required by the Minister of Education, relates to compensation paid to members of the University's executive team. Remuneration is based on cost of employment to the University and comprises a flexible remuneration package. Compensation paid for other services performed within the University is reflected separately.

20. Remuneration of Senior Staff (continued)

| Name | Job Title | Gross Remuneration R'000 | |
|---------------------|--|-----------------------------|-----------------------|
| | | For Primary employment | For other services |
| Prof NS Ndebele | Vice-Chancellor | 1,193 | |
| Prof T Nhlapo | Deputy Vice-Chancellor (appointed 1 August 2004) | 760* | |
| Prof C M de la Rey | Deputy Vice-Chancellor | 760 | |
| Prof M J Hall | Deputy Vice-Chancellor | 760 | |
| Prof M E West | Deputy Vice-Chancellor | 800 | |
| Mr H T Amoore | Registrar | 680 | |
| Prof D Pitt | Dean: Commerce | 655 | |
| Prof F Horwitz | Director: Graduate School of Business (appointed 1 April 2004) | 655* | 53 |
| Prof C T O'Connor | Dean: Engineering and the Built Environment | 668 | 82 |
| Prof G N Padayachee | Dean: Health Sciences (resigned 31 December 2004) | 715 | |
| Prof P Ensor | Dean: Humanities (appointed 1 July 2004) | 640* | |
| Prof H Corder | Dean: Law | 636 | 12 |
| Prof B D Reddy | Dean: Science | 663 | |
| Dr L Kaunda | Dean: Students (resigned 31 March 2004) | 502* | |
| Ms G Kruger | Executive Director Communication and Development | 700 | |
| Prof E O Uliana | Executive Director Finance and Prof. of Accounting | 825 | 75 |
| Mr D Van Eeden | Executive Director Human Resources | 870 | |
| Mr P N Naicker | Executive Director Information and Communication Technology | 700 | |
| Ms J S Favish | Director Institutional Planning | 500 | |
| Ms J Rapp | Executive Director University Libraries | 700 | |
| Mr J Critien | Executive Director Properties and Services | 548 | |
| Assoc. Prof N Yeld | Dean Centre for Higher Education Department | 604 | |

*** Annualised**

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

| Purpose/reason for payment | Name | Position held | Amount R'000 |
|-------------------------------|-----------|---------------|-----------------|
| Retrenchment | B da Gama | HR Adviser | 298 |

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 R22 098 (2003: R17 340) were paid on behalf of one member of Council.

21. 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 R85.5 million (2003: R72.8 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. This latter fund had an estimated funding level of 60% of liabilities at the date of withdrawal.

21. Retirement Benefits (continued)

The University provided a transitional amount of R38 million towards improving the position of active members transferring to the Fund. This was fully funded by the University via the raising of a loan, referred to in note 9.

Health care benefits

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued annually based on the projected unit credit method. For the purpose of the valuation at 31 December 2004 the following key assumptions were made; discount rate 8.25% (2003: 9.25%); expected inflation on medical aid contributions of 6.25% over the long term (2003: 8.75% for 3 years, decreasing thereafter to 6.25% within 9 years).

The University revised the retirement age for professional, administrative and support staff during 2004. All staff now have the option to retire at age 65. This gave rise to a revision of the assumptions on actual retirement age. From 2004 it is assumed 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. (2003: normal retirement age of 62).

The expected average remaining working lives of the employees participating in the scheme is 16 years (2003: 16 years).

22. References to the University

In the context of these financial statements all references to the University of Cape Town refer specifically to the University itself, while all other references include the group comprising the University and its entities, the accounts of which are consolidated (Refer note 1.1).

23. Related Party Transactions

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 are 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 the Deputy Chair of Council, Chair of the University Finance Committee and is a member of the Remuneration Committee. Mr Petersen is the managing partner of Pricewaterhouse Coopers in the Western Cape. This firm provides tax services to the University and performs the audit of the Graduate School of Business (Proprietary) Limited.

24. Post Balance Sheet Event

On 1 January 2005, the University acquired the enterprise of the Graduate School of Business (Proprietary) Limited as a going concern. Previously the company was a wholly owned subsidiary of the University and its results were consolidated as outlined in Note 1.1 above. As such, the acquisition of the enterprise will have no impact on the consolidated results of the University.

The University will continue to carry on the principal activities of the company which were to act as an educational institution concerned with furthering the objectives of the Graduate School of Business of the University. The company also provided meals and accommodation facilities for students and members of the public, via the Breakwater Lodge.