

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)**

ANNUAL REPORT

2002

UNIVERSITY OF CAPE TOWN**ANNUAL REPORT****CONTENTS****Page**

Details of the Council of the University of Cape Town

[2](#)**STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS**

Report of the Chair of Council

[3](#)

Council statement on corporate governance

[4](#)

Statement on ethics, internal control, administrative and operational structures and statement on risk management

[5](#)

Report of Senate on teaching and research

[6](#)

Report of the Institutional Forum

[9](#)

Annual financial review

[11](#)**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

Council's statement of responsibility for the financial statements

[13](#)

Report of the independent auditors

[14](#)

Balance sheet

[15](#)

Income statement

[16](#)

Statement of changes in fund balances

[17](#)

Cash flow statement

[18](#)

Notes to the financial statements

[19](#)

UNIVERSITY OF CAPE TOWN**ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2002****EXECUTIVE MEMBERS OF COUNCIL**

Professor N S Ndebele (1,2, 3 ,4) (Vice-Chancellor)
 Professor C de la Rey (4) (Deputy Vice-Chancellor)
 Dr B Khotseng (4) (Deputy Vice-Chancellor)
 Professor M J Hall (3, 4) (Deputy Vice-Chancellor)
 Professor M E West (3, 4) (Deputy Vice-Chancellor)

REGISTRAR

Mr H T Amoore (5)

EXECUTIVE DIRECTOR OF FINANCE

Professor E Uliana (3)

COUNCIL OF THE UNIVERSITY OF CAPE TOWN (MAY 2003)

Mr A Z Farr (1) (Chair)
 Mrs M M Burton (1) (Deputy chair)
 Mr L Aranes
 Professor D G Aschman
 Dr A W Barday
 Mr E P H Bieber (1,2,3)
 Mr G M Budlender
 Mrs T N M Eboka
 Dr G Finchilescu
 Mr J J Gauntlett SC
 Mr M Gibson
 Mr P Govender
 Mr G Griffin (1, 2, 3)
 Professor S T Harrison
 Ms R Kadalie (4)
 Dr J Kane Berman (4, 5)
 Councillor O Kinahan (5)
 Father M Lapsley
 Mr P S G Leon
 Mr N Miti
 Mr A Mboweni (4)
 Mr T Monyatsi (4)
 Mr C Nissen (2)
 Mr E Patel
 Mr T Petersen (3)
 Professor B D Reddy (4)
 Mr R B Rosenthal (2)
 Ms L Shackleton
 Mr C Sonn (3, 4)
 Professor C L Vaughan
 Dr H M Wesso (4)

1 = Member of senior salaries committee
 3 = Member of finance committee
 5 = Member of building and development committee

2 = Member of audit committee
 4 = Member of strategy committee

BUSINESS ADDRESS

Bremner Building
 Lovers Walk
 Rondebosch
 7700

POSTAL ADDRESS

Private Bag
 Rondebosch
 7701

AUDITORS

Ernst & Young
 P O Box 656
 Cape Town
 8000

BANKERS

The Standard Bank of SA Limited
 P O Box 1
 Rondebosch
 7700

**Report of the Chair of Council
for the year ended 31 December, 2002**

A review of the work of the Council in 2002 must reflect above all the continuing and high regard in which the University is held, the significant progress being made in teaching and learning, and the University's sustained and growing record in research. We are pleased to report that the University has met and exceeded many of our goals in these areas, and that we continue to be the university of choice for so many of our country's brightest students. The Senate's teaching and learning report and the report on research, give evidence of this, and the work that is being done to address the challenges we face.

The year saw several highlights in the work of the Council itself:

First, the Statute of the University, which replaced the now-repealed University of Cape Town Private Act of 1999 was approved by the Minister and published on

20 September 2002. The Council subsequently adopted a set of institutional rules dealing with matters not provided for in the Statute.

Secondly, a new Council took office for a three-year term on 1 July 2002. The Council confirmed its confidence in Mrs Burton and me by re-electing us to serve as its Deputy-Chair and Chair respectively. The Council meets monthly during the period February to December and does not have an executive committee. The Council - of 38 members - is a large body, and this demands active involvement by its members. The Higher Education Amendment Act, 2002 requires us to reduce our size (along with all other Councils of public higher education institutions) to 30 or fewer by the end of 2003, and once we have done this we will visit again the question of having an executive committee. I am deeply appreciative of the commitments of so many Council members to monthly meetings and active engagement in two or three Council committees.

Thirdly, the Council has in place systems that are designed to ensure effective institutional governance, following an organisational and governance review conducted as part of a major project at the end of 2001. Some of these are dealt with in the report of the Chair of the Audit Committee.

Finally we saw key changes in the executive team. Professor Wieland Gevers, who had been Senior Deputy Vice-Chancellor, and who had served as a member of the executive under Dr Stuart Saunders and Dr Mamphela Ramphele retired at the end of 2002; UCT owes him a very special debt of gratitude. Professor Dan Ncayiyana had left us earlier to take up the position as Vice-Chancellor of the new Durban Institute of Technology and Dr Sibusiso Sibisi to become President of the CSIR. The difficult process of recruiting three new Deputy Vice-Chancellors was successfully completed and by the end of 2002 we had a team of Professor Martin West, Associate Professor Cheryl de la Rey, Dr Benito Khotseng and Professor Martin Hall in place as Deputy Vice-Chancellors to support the Vice-Chancellor, Professor Njabulo Ndebele, now in the middle of his first term of office. It is fitting that I record the Council's confidence in and appreciation for the work of the Vice-Chancellor, whose leadership not only of UCT, but also of the SA Universities Vice-Chancellors Association is acknowledged by all.

This team, and the teams of faculty deans, the dean of the Centre for Higher Education Development, the director of the GSB and the executive directors who head the professional and support departments, are well positioned to help the University achieve its goals and meet the challenges we face.

Fundamentally those challenges are about being a very good university. And in our South African context this means that we have to ensure that black people and women are advanced. While our student body is now 50% black, and while black student success rates have improved significantly, our success in retaining black staff, and changing the race and gender profiles of our academic and senior administrative staff have not been as marked. We have thus put transformation issues at the top of the agenda; in particular the issue of setting targets for changes in the staff profile and equity in access and student success and throughput.

The Council has a special responsibility for financial planning and financial management. In this regard we have been fortunate in the work of the Finance Director and the Chair of the Finance Committee, whose report follows.

The Council has since the end of 2002 set specific objectives for itself for 2003/2004. In the report for 2003 I hope to be able to show what we promised, what we have achieved and look at the gaps.

UNIVERSITY OF CAPE TOWN

Council Statement on Corporate Governance

The Council is committed to the principles of openness, integrity and accountability advocated in the King report on corporate governance. In doing so the Council is conscious of its responsibilities under the Higher Education Act, 1997, Act 101 of 1997 for governing the University, as a public body committed to becoming a World-Class, African University.

The Council

The Council comprises persons appointed under the statute of the University of Cape Town. Over 60% of the members are neither staff nor students, and both the chairperson and the deputy chairperson of both the Audit Committee and the Finance Committee are non-executive members of the Council (who are not staff nor students). The Council is responsible for strategy, for senior appointments, and for the operating and capital budgets. During the year under review the Council met monthly, except in January. It receives a monthly report from the Vice-Chancellor, who is the chief executive officer, and regular reports from the accountable officer on the work of each faculty and of the major operating divisions. The Council has standing committees, the most important of which are the Finance Committee, the Audit Committee, the Senior Salaries Committee, the Strategy Committee and the Building and Development Committee. Each of these is formally constituted with written terms of reference.

Council has set up an internal open governance intranet site, so that members of the University can see how the governance systems works, and what decisions are being made. The Council hopes that this will both contribute to good governance, and lead to enhanced levels of confidence within the institution.

The University Finance Committee

The Committee's work is reviewed in the report of the Chair and the Finance Director. The finance committee advises the Council on financial strategy, and has taken important steps in the year under review to bring the University nearer to having the financial muscle it needs to take advantage of opportunities and to meet important needs. The finance committee met 10 times during 2002, including a joint meeting with the strategy committee to consider and approve both the 2003 budget and the parameters of a medium term budget framework that will guide university planning up to 2007.

The University Audit Committee

The Audit Committee consists of four lay members of Council and the Vice-Chancellor. Both Internal Audit and the University's Auditors have unrestricted access to the committee. The Audit Committee meets quarterly, has a written charter, and works 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 internally and externally defined reporting requirements;
- review, on its own, and with the help of Internal Audit, the adequacy and effectiveness of internal controls; and
- review the scope and focus of external audit and reports emanating from the external auditors.

The Senior Salaries Committee

This committee consists of the chairperson and deputy chairperson of the Council and the chairperson of the Audit Committee. It acts for the Council in setting the remuneration of the executive officers, the deans, the executive directors, the registrar and senior managers. It has set in place systems of performance management for this group. The senior salaries committee met 3 times during 2002.

The University Strategy Committee

This joint committee of the Council and of the Senate advises the Council on strategy, and through the University Finance Committee on strategic budgetary allocations. It is chaired by the Vice-Chancellor and met 6 times during 2002.

The University Building and Development Committee

This Council Committee is responsible for developing physical planning and spatial development proposals for Council's consideration, and for managing large building projects. It met 8 times during 2002.

[Back to contents](#)

UNIVERSITY OF CAPE TOWN

Statement on Ethics, Internal Control, Administrative and Operational Structures

The Council has a written statement on ethics, and has written policy and procedures on conflicts of interest, which require disclosure by all Council members, and by all senior staff who have decision making authority or who serve on decision-making committees and full reporting where conflict of interest situations arise.

The University maintains systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition of such assets. Such systems are designed to provide reasonable assurance to the University and Council regarding the preparation of reliable published financial statements and the safeguarding of its assets. It includes a documented organisational structure and division of responsibilities, established policies and procedures, which are communicated throughout the University, and the careful selection, training and development of its people. Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems when identified. Council, through its Audit Committee, provides oversight of the financial reporting process.

The University has undertaken an extensive review of its systems, procedure and controls under the Analysis of Integrated Management Systems (AIMS) initiative which took place during 1999 / 2001. Its recommendations have been implemented and/or integrated into the management systems of the relevant departments. Procedures are in place to ensure that the 'continuous improvement' of systems, service and internal controls envisaged in AIMS will be sustained into the future.

Statement on Risk Management

Financial risks

Decisions on the level of risk undertaken are confined to the University's Investment and Finance Committees and endorsed by Council. These limits are established by reference to the transaction type, the values involved and an assessment of the counter party.

The University is covered in terms of its policy with regard to insurance and risk cover as set and monitored by the Audit Committee. Specifically, the University's cover against fire and related risks, accidental damage, business interruption, theft, money and fidelity, and both public and employers' liability is considered adequate.

Management and control of the consequences of risk

The University's risk profile, compiled during 2000, has been and will continue to be reviewed by both the Risk Management and the Audit Committees. The risk assessment in respect of each identified area of risk has been reviewed and a complete re-assessment of risk will be undertaken during 2003. This risk assessment will review the impact of a failure in each area, the control effectiveness, the desired control effectiveness, and the management gap between the actual and the desired control effectiveness.

MR E P H BIEBER
CHAIR OF AUDIT COMMITTEE
7 May 2003

MR H T AMOORE
REGISTRAR
(Responsible For Internal Audit)

[Back to contents](#)

UNIVERSITY OF CAPE TOWN

Report of the Senate on Teaching, Learning and Research for the year ended 31 December, 2002

The Senate is responsible for the teaching and research work of the University, including the syllabuses, curricula and examinations. The Senate undertakes much of this work through the Boards of Faculty, and the faculty structures that deal with curricula (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 19% between 1998 and 2002. The 2002 headcount enrolment total at June census date was 18 994, including concurrent registrations. In recent years, the average annual growth rate at the undergraduate level (4,7% per annum) has slightly exceeded that at the postgraduate level (4,1% per annum), and the ratio of undergraduate to postgraduate enrolments stood at 70:30 in June 2002.

Growth in UCT's undergraduate sector has, to a large extent, resulted from a steady increase in the take-up on new undergraduate offers in recent years. Despite the growth in the new undergraduate intake, the apparent quality of these intakes (as measured by prior matric performance profiles) has remained strong, and has appeared to improve markedly in the Faculties of Commerce and Engineering and the Built Environment.

At the undergraduate level, enrolments in general academic bachelors degrees grew by 26%, whilst those in professional first bachelors degrees grew by 9% between 1998 and 2002. Although enrolments at the postgraduate diploma level declined (by 9%) between 1998 and 2002, there was substantial growth in enrolments at the honours level and above. The June 2002 census figures (which do not include second semester registrations) showed a combined total of slightly less than 3 300 masters and doctoral students; masters and doctoral enrolments together made up 18% of the head count enrolment total.

Student Output Efficiencies

A total of 4455 students qualified for the award of a degree or diploma in 2002: Amongst these

- 1384 graduated in Commerce
- 505 graduated in Engineering and the Built Environment
- 451 graduated in Health Sciences
- 1338 graduated in Humanities
- 227 graduated in Law
- 550 graduated in Science

In 2002, 87% of all undergraduates either completed their studies, or satisfied standard readmission requirements. Although the graduate proportion of all undergraduates has dropped somewhat in recent years (from 21% in 1998 to 18% in 2002), this phenomenon relates directly to the concurrent significant growth in undergraduate enrolments over this period.

Success rates in undergraduate courses have improved steadily between 1998 and 2002. In 2002, the success rates in first level, second level and third level courses were all in excess of 80%, whilst the success rate in fourth level courses had climbed 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. 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, the University has identified four key strategies which will aim to improve 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. These inter-linked strategies are as follows:

- 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
- Investigating the UCT student experience by means of a survey that will identify environmental obstacles to success amongst different groups of students

Full-time Academic Staffing

The 2002 academic staff total (616, excluding staff in the Faculty of Health Sciences) was somewhat lower than that reported in earlier years. The Faculties of Humanities and of Science lost six and seven full-time academic staff respectively between 2001 and 2002. An examination of the ratios of full-time equivalent enrolled students to senior lecturer equivalents across the University however indicates that academic staffing budgets increased over this period, and that permanent academic staffing in most was substantively complemented by contract and temporary academic staff.

There has been a progressive decline in the proportion of academic staff qualified at the doctoral level in the last five years, such that in 2002, 55% of all full-time academic staff held doctoral degrees. However, an examination of the 2001 research productivity by Faculty indicates that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

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. The University's quality assurance framework ensures that a review of each academic unit is undertaken at least once every 5 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.

Research Support

The University's research activities increasingly take place in the context of ongoing changes in the external environment. The concomitant demands these changes generally place on universities require a continuous examination of internal arrangements to ensure appropriate responsiveness and competitiveness. UCT's strategic objective to be a research-led university has required a re-examination of the research support system, procedures and office arrangements. This has led to a substantial revision in the functions of the Department of Research Development, now re-titled Department of Research and Innovation (DRI), in an attempt to increase research capacity and output and to develop commercialisation potential.

Strategic Inter-Faculty Research Initiatives

The following inter-faculty research themes have been identified and resonate with the National Research & Development Strategy: Biotechnology, Sustainable Environment, Bioinformatics, Information and Communication Technology, and New Materials and Manufacturing.

Research Income

UCT's total research income grew by R38m (to R278m) between 2001 and 2002. A significant proportion of the increase in research income appeared to be attributable to the weakening of the Rand against the US Dollar. A continuation of the current strengthening of the Rand could therefore impact negatively on total research income. Contract income continued to grow more rapidly than research income from other sources: contract income made up 77% of the 2002 research income total. Although grant income grew by 11% in 2002 in comparison with 2001, the overall proportion of grant income has declined to 16.2% (17% in 2001).

Research Benchmarks

Benchmarking and related activities include:

- The rating of researchers through the National Research Foundation
The total number of UCT researchers rated by the National Research Foundation currently stands at 197, of whom 14 are A-rated.
- The annual UCT Research Report
The annual Research Report provides comprehensive information, showcasing the research output and academic capacity of each department. This shows the diversity of expertise across campus as well as the global impact of research evidenced via the peer-reviewed journal publications and international conference participation. Local influence can also be seen through the various extension service projects and publications, including policy documents written by UCT staff.
- The count of subsidy-earning publications by the national Department of Education
The annual research publication count (including books and published conference proceedings) decreased from 766 in 2000 to 627 in 2001. This decrease can be explained by the rigorous gathering of data that took place in 2000, which both captured a backlog from the previous year and also ensured a minimum backlog during the 2001 count.
- Identifying UCT's top performers
The ten top performing departments in terms of the number of SAPSE accredited articles, authored by UCT staff and published after the 2001 deadline, includes 7 departments in the Faculty of Science and 3 in the Faculty of Health Sciences.

Research Quality Assessment

A small working group for QA was convened in 2002, specifically to establish UCT's institutional position on QA for research, as well as to find ways of dovetailing the review of teaching and learning mentioned above, with the review of research processes. In tandem with participation at various regional and national forums, a document was subsequently produced and integrated into UCT's official 'Guidelines for Academic Review' that went forward to the Higher Education Quality Committee at the end of 2002.

In March 2003 the University Research Committee (URC) commenced with the review of research groupings, aligned as closely as possible with the academic quality assurance review schedule. Six research groupings are being reviewed in the course of 2003.

Information Management

The HEQC has identified an appropriate information management system as a priority for the quality management of research. The DRI will be rolling out the integrated research management system, *University Office*, in June this year to researchers and faculty officers. In addition to enabling the online tracking of grants and contracts, the system includes a module to capture data for the annual research report and publication count.

The South African Research and Innovation Managers Association (SARIMA)

SARIMA was established in February 2001, and held its inaugural meeting in Cape Town in February 2002. SARIMA aims to ensure that research contributes to the sustainable social and economic development of the region by strengthening the research and innovation system. SARIMA operates at an institutional, national and international level, and from research management through innovation to commercialisation of research. UCT has been involved in SARIMA since its conception, and currently holds the presidency of the organisation.

PROFESSOR N S NDEBELE
VICE-CHANCELLOR AND CHAIR OF SENATE

7 May 2003

[Back to contents](#)

UNIVERSITY OF CAPE TOWN

Report Of The Institutional Forum For The Year 2002

COMPOSITION OF THE INSTITUTIONAL FORUM, 2002

In accordance with the provisions of the Higher Education Act, and the Institutional Statute, the Institutional Forum consists of 30 members, 10 from each of the following groups:

Members chosen by the Council, by the Senate and Executive Officers appointed by the Vice-Chancellor:

- **3 members chosen by the Council (three and one alternate)**
- **3 members chosen by the Senate (three and one alternate)**
- **2 Executive Officers and 2 Deans appointed by the Vice-Chancellor**

Members chosen by recognized staff bodies:

- **Academics Association (two and one alternate)**
- **Black Staff Association (one and one alternate)**
- **Contract Staff (one and one alternate)**
- **F/T Medical Staff Association (one and one alternate)**
- **NEHAWU (one and one alternate)**
- **NUSAS(one and one alternate)**
- **UCT Employees' Union (two and one alternate)**

Members chosen by the Students' Representative Council:

- **Ten students (of which three must be graduate students), and up to ten specific or general alternates.**

Co-Chairs:

- **3 Co-Chairs, one drawn from each of these groups. They collectively determine the Agenda for the Forum and they Chair its meetings in rotation.**

ACTIVITIES OF THE INSTITUTIONAL FORUM IN 2002

1. Selection Process for filling the vacant Deputy Vice-Chancellor posts:
The Forum (01.03.02) endorsed the same selection procedures, which had been approved for the recruitment of a Senior Deputy Vice-Chancellor for the recruitment of Deputy Vice-Chancellors, with necessary amendments being made to the wording
2. Composition of Council:
The Forum agreed to let the matter of the reduction in size of Council rest in view of the decision taken by Council (05.12.01) that the internal number of members could not be reduced. Council had agreed in principle to set up an Appointments Commission and members were asked to discuss with their constituencies appropriate names to be put forward for consideration by the Appointments Commission to be members of Council.
3. Language issues raised by the Joint Consultative Forum on Employment Equity (JCFEE):
The Forum was asked to review the University Language Policy. The Forum referred the issue back to the JCFEE asking for information on the implementation of the Language Policy from those who were accountable for its implementation.
4. Report of the National Working Group to the Minister of Education on the Restructuring of the Higher Education System in SA:
The Forum noted the contents of the Executive Summary and the section on Recommendations for Regional Configuration.

5. Appointment Process for the Deputy Vice-Chancellor posts:

The Institutional Forum (08.05.02):

- Unanimously agreed that the process had been properly followed and that there was no impediment to the successful candidate being put to Council.
- Agreed that an addition to the process be approved, permitting the selection committee to interact with the Senate in order to attempt to resolve the problem. *(The process had been completed for one candidate, but a second had failed to gain the required two-thirds support of the Senate.)*
- Noted that if there was any further need to amend the process this would have to be discussed and approved by the IF.
- Noted the Vice-Chancellor's request that the IF review the selection process for the future.

The Institutional Forum (28.05.02) certified that the selection process for the appointment of the second candidate as Deputy Vice-Chancellor had been followed. Approved by Council (05.06.02).

The Institutional Forum (25.11.02) certified that the selection process for the appointment of the third candidate as Deputy Vice-Chancellor had been followed. Approved by Council (04.12.02).

6. Report of the Student Leadership Transformation Project and findings regarding the UCT transformation process:

The Forum's student sector submitted a report on the Student Leadership Transformation Project (SLTP), for the Forum's consideration. The Forum endorsed the initiatives and programmes proposed by the students, but agreed that it should not take ownership of these kinds of projects.

7. Institutional Forum Workshop held on 13 August 2002:

The Institutional Forum held a Workshop, the aim of which was to chart the way forward for the Forum by building its capacity and profile. Some of the future priorities of the IF as highlighted in the Executive Summary of the Workshop, were:

- **Building the capacity and profile of the IF, in terms of staffing and resources, induction, developing structures, task teams.**
- **Defining strategic purpose, role and direction – specifically setting transformation agenda around meaningful and tough issues like race and gender equity, institutional culture and education and training.**
- **Communications between IF members and between the IF and the community.**
- **Performing as monitoring/watchdog function in respect of follow-up, initiating progress on reports, initiating research.**

8. Appointment process of the Dean for Higher Education Development:

The IF (29.11.02) certified that the selection process had been duly followed. Approved by Council (04.02.02).

9. Appointment process for the Executive Director, Communication & Development:

The IF (29.11.02) certified that the selection process had been duly followed. Approved by Council (04.12.02).

Professor C de la Rey
Co-Chair, 2002

Ms V Scholtz
Co-Chair, 2002

Ms M Gqada
Co-Chair, 2002

UNIVERSITY OF CAPE TOWN

ANNUAL FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2002

Report of the Chair of the Finance Committee and the Executive Director Finance

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 income continued to grow at a faster rate than recurrent operating expenditure after the effects of one-off accounting adjustments have been eliminated.
2. The significant increases generated by the major revenue streams in 2001 were extended by increases from tuition and other fee income of 10,5%, from research contracts of 10,4% and from state subsidies and grants of 8,7%.
3. The increase in total expenditure of 9,9% was exaggerated by the redefinition of assets and the subsequent write-off of small capital items and the accelerated depreciation. The recurrent operating expenditure increase was below the rate of inflation both in total and for the Council controlled unrestricted segment.
4. An improvement in the University's net cash position from R112,0 million to R236 million, after investing a further R56,8 million in fixed assets. Much of this is due to the increase in restricted funds designated for specific activities. The University's long term borrowings increased by R12,6 million being capitalisation of interest. These borrowings are matched by investments designated for their settlement on due date.
5. The University's overall operating surplus has remained constant at R150 million, most of which is attributable to restricted funds designated for specific activities. Although the surplus attributable to Council controlled unrestricted funds has decreased to R5,3 million, much of this movement arises from non-recurrent items
6. Designated and endowed investments fell from R689,9 million to R615,9 million, as result of weak equity markets and foreign exchange losses. New inflows amounted to R7,3 million. Growing the free endowment continues to be a focus incorporated in the principles of the new medium term budget framework.
7. Unrestricted Council controlled funds have risen from R224,2 million to R239,7 million; it should be noted, however, that much of this is not supported by readily realisable assets.
8. The results for the core recurrent unrestricted operations are shown in the table below. They reflect the improvement in the University's sustainable activities, but nevertheless emphasise the need for continued financial discipline.

Recurrent Unrestricted Council Controlled Operations

	2002	2001	2000
	R'm	R'm	R'm
Recurrent income	772	696	602
State appropriations-subsidies & grants	427	395	352
Tuition and other fee income	241	213	185
Sales of goods & services	88	75	61
Private gifts & grants	16	13	4
Recurrent expenditure	760	691	681
Personnel	452	430	397
Other operating expenses	240	206	210
Bursaries	33	30	24
Minor capital items expensed	20	5	19
Depreciation	15	20	31
Recurrent Operating Surplus (Deficit)	12	6	(78)

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. To this end, 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.
- Creating the capacity for proper planned renewal and maintenance of campus facilities, and, in particular, the ongoing development of the residence infrastructure.
- Identify future needs at an early enough stage to enable cohesive financial planning.

Acceptance of a rigorous four year medium term budget framework, and the support this received from the University executive and the broader University community continued to improve the financial position. A recurrent operating breakeven was achieved ahead of expectations. As a result a new framework was adopted by Council which makes provision for continuous improvements to create capacity for strategic spending and provides an integrated approach to financial planning whereby the operating budgets are coordinated with investment income, capital expenditure, free cash, and financing policies. Such continued discipline and an integrated approach is necessary as the University has built up a backlog of demands for spending and development. Care will need to be taken that the new demands do not swamp existing reserves.

Mr G GRIFFIN
CHAIR OF FINANCE COMMITTEE

PROFESSOR E ULIANA
EXECUTIVE DIRECTOR OF FINANCE

7 May 2003

[Back to contents](#)

UNIVERSITY OF CAPE TOWN

Council's Statement Of Responsibility For The Annual Financial Statements For The Year Ended 31 December 2002

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 15 to 28 of this annual report for 2002 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 15 to 28 were approved by the University Council on May 7 2003 and are signed on its behalf by:

Mr A Z FARR
CHAIR OF COUNCIL

Mr G GRIFFIN
CHAIR OF FINANCE COMMITTEE

PROFESSOR N S NDEBELE
VICE-CHANCELLOR

PROFESSOR E ULIANA
EXECUTIVE DIRECTOR OF FINANCE

[Back to contents](#)

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 15 to 28 for the year ended 31 December 2002. These financial statements are the responsibility of the University's executive management. 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 2002 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 Act 101 of 1997 (as amended).

Ernst & Young
Registered Accountant and Auditors
Chartered Accountants (SA)
Cape Town
7 May 2003

[Back to contents](#)

UNIVERSITY OF CAPE TOWN
 CONSOLIDATED BALANCE SHEET
 AS AT 31 DECEMBER 2002

	Note	2002 R'000	2001 R'000
ASSETS		1,643,207	1,558,964
NON-CURRENT ASSETS		1,302,043	1,352,218
Property, plant and equipment	3	382,551	392,043
Investments	4	898,620	938,266
Investment in associates	5	2,411	1,211
Non-current receivables	6	18,461	20,698
CURRENT ASSETS		341,164	206,746
Inventories	7	425	383
Accounts receivable and prepayments	8	77,120	60,195
Loans to employees	8	6,039	7,535
Student fees receivable	8	21,631	26,646
Cash at bank and cash equivalents	9	235,949	111,987
ACCUMULATED FUNDS AND LIABILITIES		1,643,207	1,558,964
ACCUMULATED FUNDS		1,178,109	1,136,943
Non-distributable funds		615,939	689,881
Endowed funds		544,539	503,681
Revaluation reserve		71,400	186,200
Restricted funds designated for specific activities		322,486	222,843
Education and general		280,230	196,278
Student and staff accommodation		42,256	26,565
Unrestricted Council controlled funds		239,684	224,219
NON-CURRENT LIABILITIES		396,251	358,246
Borrowings	10	211,101	190,413
Provisions and accruals	11	185,150	167,833
CURRENT LIABILITIES		68,847	63,775
Accounts payable and accrued liabilities	12	43,210	34,570
Student deposits		11,472	6,969
Current portion of borrowings	10	7,865	15,936
Current portion of provisions and accruals	11	6,300	6,300

[Back to contents](#)

**UNIVERSITY OF CAPE TOWN
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002**

(all amounts in R'000)

Note	Education and General			Student and Staff Housing Restricted	2002	2001	Change %
	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total		TOTAL	TOTAL	
TOTAL INCOME	819,745	450,039	1,269,784	80,325	1,350,109	1,249,953	8.0
Recurrent Income	819,375	410,176	1,229,551	80,325	1,309,876	1,185,753	10.5
State appropriations-subsidies and grants	13 427,363	64,377	491,740	-	491,740	452,390	8.7
Tuition and other fee income	241,307	-	241,307	72,351	313,658	283,891	10.5
Income from contracts	233	159,899	160,132	-	160,132	145,055	10.4
For research	-	157,471	157,471	-	157,471	143,139	10.0
For other activities	233	2,428	2,661	-	2,661	1,916	38.9
Sales of goods and services	87,590	39,358	126,948	7,869	134,817	130,033	3.7
Private gifts and grants	15,883	107,909	123,792	-	123,792	93,129	32.9
Sub Total	772,376	371,543	1,143,919	80,220	1,224,139	1,104,498	10.8
Interest and dividends	16 46,999	38,633	85,632	105	85,737	81,255	5.5
Non-Recurrent Income	370	39,863	40,233	-	40,233	64,200	(37.3)
Profit on disposal of fixed	318	-	318	-	318	919	(65.4)
Profit on sale of investments	16 -	39,863	39,863	-	39,863	56,374	(29.3)
Other non-recurrent income	52	-	52	-	52	6,907	(99.2)
TOTAL EXPENDITURE	814,460	320,375	1,134,835	64,601	1,199,436	1,091,566	9.9
Recurrent Expenditure	790,698	309,233	1,099,931	64,601	1,164,532	1,091,566	6.7
Personnel	14 452,392	102,651	555,043	12,758	567,801	535,893	6.0
Academic professional	267,448	38,439	305,887	-	305,887	273,751	11.7
Other personnel	184,944	64,212	249,156	12,758	261,914	262,142	(0.1)
Other operating expenses	15 239,938	141,707	381,645	48,212	429,857	386,760	11.1
Bursaries and financial aid	32,589	40,962	73,551	-	73,551	80,723	(8.9)
Minor capital items expensed	19,609	9,670	29,279	1,615	30,894	8,974	244.3
Depreciation	3 15,463	11,945	27,408	1,590	28,998	45,263	(35.9)
Sub-Total	759,991	306,935	1,066,926	64,175	1,131,101	1,057,613	6.9
Finance costs	17 30,707	2,298	33,005	426	33,431	33,953	(1.5)
Non-Recurrent Expenditure	23,762	11,142	34,904	-	34,904	-	100.0
Accelerated depreciation	3 23,762	11,142	34,904	-	34,904	-	100.0
NET SURPLUS	5,285	129,664	134,949	15,724	150,673	158,387	(4.9)

[Back to contents](#)

**UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2002**

(all amounts in R'000)

Note	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	TOTAL
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	
FUND BALANCES AS AT 1 JANUARY 2001	449,748	104,040	209,560	10,980	116,066	890,394
Net surplus 2001	-	-	108,208	15,459	34,720	158,387
Transfers between funds	47,931	-	(48,392)	126	335	-
Realised gains on investments	-	(56,374)	-	-	-	(56,374)
Adjustment to market value of investments	4	-	138,534	-	-	138,534
Donations	6,002	-	-	-	-	6,002
FUND BALANCES AS AT 31 DECEMBER 2001	503,681	186,200	269,376	26,565	151,121	1,136,943
Reclassification of funds	-	-	(73,098)	-	73,098	-
Restated fund balances	503,681	186,200	196,278	26,565	224,219	1,136,943
Net surplus 2002	-	-	129,664	15,724	5,285	150,673
Transfers between funds	35,565	-	(45,712)	(33)	10,180	-
Realised gains on investments	-	(39,863)	-	-	-	(39,863)
Adjustment to market value of investments	4	-	(74,937)	-	-	(74,937)
Donations	5,293	-	-	-	-	5,293
FUND BALANCES AS AT 31 DECEMBER 2002	544,539	71,400	280,230	42,256	239,684	1,178,109

[Back to contents](#)

UNIVERSITY OF CAPE TOWN

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 R'000	2001 R'000
Cash flows from operating activities			
Cash receipts from students, government and private sources		1,142,463	1,022,790
Cash paid to employees and suppliers		(999,304)	(912,177)
Cash generated from operations		143,159	110,613
Investment income	16	85,737	81,255
Interest paid	17	(33,431)	(33,953)
		195,465	157,915
Endowed funds donation income		5,293	6,002
Net cash inflows from operating activities		200,758	163,917
Cash flows from investing activities			
Additions to fixed assets	3	(56,776)	(61,697)
Proceeds on disposal of fixed assets		2,654	1,792
Net additions to investments		(35,291)	(11,472)
Net cash outflows from investing activities		(89,413)	(71,377)
Cash flows from financing activities			
Increase/(decrease) in long term borrowings		12,617	(27,942)
Net cash inflows/(outflows) from financing activities		12,617	(27,942)
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		111,987	47,389
Cash and cash equivalents at end of period	9	235,949	111,987

CASH GENERATED FROM OPERATIONS

Reconciliation of net surplus to cash generated from operations:

Surplus		150,673	158,387
Adjustments for:			
Depreciation	3	28,998	45,263
Accelerated depreciation	3	34,904	-
Net movement in leave and medical aid benefit provisions	11	17,317	15,592
Profit on sale of property, plant and equipment		(318)	(919)
Investment income	16	(85,737)	(81,255)
Interest expense	17	33,431	33,953
Profit on sale of investments	16	(39,863)	(56,374)
Changes in working capital			
trade and other receivables		(8,177)	(7,892)
inventories		(45)	182
payables		11,976	3,676
Cash generated from operations		143,159	110,613

[Back to contents](#)

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002**

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 principle accounting policies which, apart from the change in accounting policy disclosed in note 2, 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 Investments 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 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.

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.

Funds which cannot be used until some specific future period or occurrence, are held in an appropriate fund until the financial period that the funds may be used, at which time the amount is recognised as income. Until that time the amount is included in one of the funds comprising equity.

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 only to utilise 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.

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.

UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 the expected average remaining working lives of the employees participating in the scheme.

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, 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
Computer 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 operating surplus.

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.

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.

UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 at cost. 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 18.

1.12 Research costs

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

2. CHANGE IN ACCOUNTING POLICY

The University has changed its accounting policy with regard to the recognition of income for specific endowments. Previously such income, comprising investment income and realised profits arising from the sale of investments, was recognised in the Statement of Changes in Fund Balances, with the portion utilised for operations transferred to the income statement. This income is now taken directly to the Income Statement (refer note 1.3), and has resulted in an increase in investment income for specifically designated purposes of R22.013m (2001 – R24.795m) and in profit on sale of investments, also for specifically designated purposes, of R32.064m (2001 – R44.674m).

The net surplus shown in the Income Statement for the two years have been adjusted to reflect the above. Un-utilised funds have been capitalised by way of transfer in the Statement of Changes in Fund Balances, as also indicated in note 1.3. There has, consequently, been no impact on the fund balances as disclosed in the Balance Sheet.

3. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2002

(all amounts in R'000)

Cost	Land and Building	Furniture and Equipment	Computer Equipments	Motor Vehicles	Assets under Construction	Total
Cost 1 January 2002	404,968	148,176	75,781	7,809	12,577	649,311
Additions	9,531	21,639	9,267	2,383	13,956	56,776
Transfers	10,254	-	-	-	(10,254)	-
Disposals	(522)	(36,301)	(49,562)	(645)	-	(87,030)
Cost 31 December 2002	424,231	133,514	35,486	9,547	16,279	619,057
Accumulated depreciation						
Balance 1 January 2002	111,929	87,970	53,395	3,974	-	257,268
Accelerated depreciation	7,738	13,928	12,828	410	-	34,904
Disposals	(1,391)	(35,434)	(47,622)	(217)	-	(84,664)
Depreciation charge	7,511	15,273	5,382	832	-	28,998
Balance 31 December 2002	125,787	81,737	23,983	4,999	-	236,506
Book value 31 December 2002	298,444	51,777	11,503	4,548	16,279	382,551

The accelerated depreciation of R 34.9 million consists of R 8.1 million in respect of a change in depreciation rates in respect of land improvements other than buildings (R 7.7 million) and motor vehicles (R .4 million) and R 26.8 million that relates to the accelerated depreciation prior to write off of assets costing under R 15,000.

[Back to Balance Sheet](#)
[Back to Cash Flow Statement](#)
[Back to Income Statement](#)

UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2001		(all amounts in R'000)					
Cost	Land and Building	Furniture and Equipment	Computer Equipment	Motor Vehicles	Assets under Construction	Total	
Cost 1 January 2001	386,634	127,858	61,035	6,293	8,798	590,618	
Additions	8,399	22,114	15,217	2,179	13,788	61,697	
Transfers	10,010	-	-	-	(10,010)	-	
Disposals	(75)	(1,796)	(471)	(663)	-	(3,005)	
Cost 31 December 2001	404,968	148,176	75,781	7,809	12,576	649,310	
Accumulated depreciation							
Balance 1 January 2001	105,968	72,414	32,310	3,444	-	214,136	
Disposals	(42)	(1,397)	(26)	(667)	-	(2,132)	
Depreciation charge	6,003	16,953	21,110	1,197	-	45,263	
Balance 31 December 2001	111,929	87,970	53,395	3,974	-	257,267	
Book value 31 December 2001	293,039	60,206	22,386	3,835	12,576	392,043	

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.

4. INVESTMENTS

	2002 R'000	2001 R'000
Available for sale		
Opening balance	819,376	662,731
Additions	7,287	18,784
Disposals	(6,060)	(673)
Adjustment to market value	(74,937)	138,534
Market value	745,666	819,376
(Market value approximates the fair value of available for sale investments)		
Held to maturity		
Sinking fund investments – at cost	152,954	118,890
Public Investment Commission	20,324	17,563
Standard Corporate and Merchant Bank Limited	132,630	101,327
Total investments	898,620	938,266

Sinking fund investments

Public Investment Commission. Various deposits from which the proceeds are to be used to redeem fixed period loans of R29,6m included under government subsidised loans of R48,2m in note 10. Interest accrues at 75% of the rate applicable to the individual fixed period loans, varying between 15.5% and 18.5%. The loans are repayable between 2 and 5 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 R157.8m (refer note 10). The fair value of the investment is R147.2m (2001: R 92m)

The total investments comprise the following categories:

Equity – local	322,160	365,856
International investments	165,620	225,949
Capital market interest-bearing investments	187,884	282,728
Money market deposits	222,956	63,733
	898,620	938,266

At 31 December 2002 the international foreign currency holdings were US\$8.3m and Sterling 2.6m (2001: US\$14.9m and Sterling 2.8m)

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

5. INVESTMENT IN ASSOCIATES	2002 R'000	2001 R'000
African Medical Imaging (Pty) Ltd (44%)	1,211	1,211
UCT Medical Centre (Pty) Ltd (26%)	1,200	-
	<u>2,411</u>	<u>1,211</u>
Council values the investment in the associates at carrying value.		
6. NON-CURRENT RECEIVABLES		
Student loans	8,066	10,642
Loans to employees	10,395	10,056
	<u>18,461</u>	<u>20,698</u>
The current receivables relating to these items are shown in note 8. 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	13.58%	13.00%
Loans to employees - car scheme	16.00%	16.00%
Loans to employees - other	16.00%	14.50%
7. INVENTORIES	R'000	R'000
Technical inventories	<u>425</u>	<u>383</u>
8. ACCOUNTS RECEIVABLE AND PREPAYMENTS		
Accounts receivables, sundry debt and prepayments	77,120	60,195
Loans to employees	6,039	7,535
Student fees receivable	21,631	26,646
	<u>104,790</u>	<u>94,376</u>
Fees outstanding after July each year are charged interest at prime. The average for the six months was 16.58% (2001 13.5%).		
9. CASH AT BANK AND CASH EQUIVALENTS		
Cash at bank and in hand	84	166
Short-term bank deposits - Local	227,975	111,821
- Foreign	7,890	-
	<u>235,949</u>	<u>111,987</u>
The weighted average effective interest rate on short-term bank deposits was 11,12% for local deposits and 3% for foreign (2001: 9.8% - local only).		
10. BORROWINGS		
Financial institutions for government-subsidised loans	48,151	50,657
Standard Bank of SA Limited transitional retirement loan	157,758	131,475
Rand Merchant Bank Limited	10,884	15,300
Student Loan Fund loans	2,173	8,917
Total interest bearing borrowings	<u>218,966</u>	<u>206,349</u>
Current portion	(7,865)	(15,936)
Total non-current borrowings	<u>211,101</u>	<u>190,413</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 14.6% (2001 14.6%). The carrying values collectively approximate their fair values.

[Back to Balance Sheet](#)

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

10. BORROWINGS (CONTINUED)

Standard Bank transitional retirement loan: Promissory notes with a face value of R235,440,000 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% (2001 18.4%). The promissory notes will be redeemed from the proceeds of the transitional retirement loan sinking fund (see note 4), which has been ceded as security for the liability. The fair value of this loan is R180.4 million (2001: R 128m)

Rand Merchant Bank Limited: Donations amounting to R6.7million 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 R33.71million on 1 April 1995. The donations are being recognised over the 10-year period at the implicit interest rate of 14.9% (2001 14.9%). The fair value of this loan is R11.5 million.

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.

	2002 R'000	2001 R'000
Interest rate exposure		
At fixed rates	216,793	197,432
At variable rates	2,173	8,917
Total borrowings	<u>218,966</u>	<u>206,349</u>
Maturity of interest-bearing non-current borrowings		
Between 1 and 2 years	33,168	24,878
Between 2 and 5 years	174,146	159,489
Later than 5 years	3,787	6,046
Total non-current borrowings	<u>211,101</u>	<u>190,413</u>
11. PROVISIONS AND ACCRUALS		
Leave provision academic staff	16,900	19,933
Leave provision for administrative and support staff	28,950	25,200
Post-retirement medical aid benefit obligation	145,600	129,000
Total provisions and accruals	<u>191,450</u>	<u>174,133</u>
Current portion	<u>(6,300)</u>	<u>(6,300)</u>
Total non-current provisions and accruals	<u>185,150</u>	<u>167,833</u>

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 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 as follows:

Funding obligation	91,700	133,200
Unrecognised actuarial gains / (losses)	53,900	(4,200)
Amount accrued in respect of funding obligation	<u>145,600</u>	<u>129,000</u>

Reconciled as follows:

Net obligation at the beginning of the year	129,000	115,100
Net expenses	20,600	17,300
- Interest on obligation	14,600	12,800
- Current service cost	6,000	4,500
Contribution paid in respect of funding obligation	<u>(4,000)</u>	<u>(3,400)</u>
	<u>145,600</u>	<u>129,000</u>

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

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES			2002	2001
			R'000	R'000
Trade payables			10,902	8,889
Accrued expenses			5,705	4,538
VAT			1,124	780
Other payables			25,479	20,363
Total			<u>43,210</u>	<u>34,570</u>
13. STATE APPROPRIATIONS AND GRANTS RELATING TO INCOME				
Subsidy for general purpose			379,020	350,047
State grants and contracts			85,320	77,143
Grants related to specific expenses			27,400	25,200
Rates subsidy			16,635	14,000
Subsidy on medical car scheme			2,400	2,400
Subsidy on interest and redemption on state guaranteed loans			8,365	8,800
			<u>491,740</u>	<u>452,390</u>
14. PERSONNEL COSTS				
	Academic	Other	Total	Total
	Professional			
Wages and salaries	260,953	221,309	482,262	458,283
Termination benefits	-	1,400	1,400	743
Pension costs	33,933	29,606	63,539	59,567
Post retirement medical aid benefits	11,000	9,600	20,600	17,300
	<u>305,886</u>	<u>261,915</u>	<u>567,801</u>	<u>535,893</u>
			No.	No.
Average number of persons employed during the year				
Full time			2,821	2,781
Part time			1,027	1,008
Total			<u>3,848</u>	<u>3,789</u>
15. OTHER OPERATING EXPENSES				
The following items have been charged in arriving at operating surplus:			R'000	R'000
Library acquisitions			23,300	21,869
Repairs and maintenance			42,074	36,750
Expenditure on computer equipment written off			9,355	5,762
Software costs			4,469	3,496
General services outsourced			21,413	19,182
Catering services outsourced			23,915	22,240
Auditors' remuneration			1,590	2,150
Current year - Annual Financial Statements			1,120	970
- Other audit services			470	430
Under provision in prior years			-	750
16. INCOME FROM INVESTMENTS				
Interest income			53,726	71,217
Marketable securities				
- dividend income			32,011	10,038
- gains on sales of marketable securities			39,863	56,374
17. FINANCE COSTS				
Interest expense			<u>33,431</u>	<u>33,953</u>

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

18. FINANCIAL INSTRUMENTS

Objectives and significant terms and conditions

The University's portfolio managers make use of forward foreign exchange contracts to manage exposure to fluctuations in foreign exchange rates on specific transactions (no positions were open at the end of the year) and futures contracts to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

Both the University and the UCT Foundation portfolio managers make use of futures contracts.

At 31 December 2002, there were no futures contracts in place. At the end of December 2001, 13 call contracts of INDFH2 (20 March 2002) and 116 futures contracts of ALSI (20 March 2002) were held. In addition, a short position existed with regard to a further 53 futures contracts of ALSI (20 March 2002).

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 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 4 above.

Loans to University of Cape Town students are granted by the Student Loan Fund Limited through the Standard Bank of SA Limited. 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 wide 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 4 and 10.

19. CONTINGENT LIABILITIES

Out-sourced services

As at 31 December 2001, there was an appeal pending, in the constitutional court, against the outsourcing of cleaning and gardening services. In December 2002 the Constitutional Court ruled against the University and referred the matter back to the Labour Court. Should the Labour Court overturn its ruling on this matter in the light of the inputs from the constitutional court, the University of Cape Town may have to compensate 241 workers for unfair dismissal. It is not known at this stage whether any liability will arise, or the extent of any liability that may arise.

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

20. COMMITMENTS

Capital Commitments

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

Project	Total Approved Project R'000	31 December 2003		
		Approved but not contracted for R'000	Contracted R'000	TOTAL R'000
Chemical Engineering building	57,881	10,526	35,545	46,071
Institute for Infectious Diseases and Molecular Medicine Building	45,122	41,527	-	41,527
Building to house the animal breeding unit	15,000	15,000	-	15,000
TOTAL	118,003	67,053	35,545	102,598
TOTAL 2001		1,500	2,550	4,050

The University has allocated R33.05 million to these projects over the next 2 years (2003/4). It is intended that the balance of the required funding will be met from contributions from both the public and private sectors.

21. 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.

Name	Job Title	Gross Remuneration R'000	
		For Primary employment (Annualised)	For other services
Prof NS Ndebele	Vice-Chancellor	1,044	
Prof W Gevers	Senior Deputy Vice-Chancellor (retired December 2002)	816	
Assoc. Prof CM de la Rey	Deputy Vice-Chancellor	567	
Prof MJ Hall	Deputy Vice-Chancellor	600	
Prof ME West	Deputy Vice-Chancellor	630	
Mr HT Amoore	Registrar	583	
Prof D Pitt	Dean: Commerce	589	
Prof NS Segal	Director: Graduate School of Business	606	161
Prof CT O'Connor	Dean: Engineering and the Built Environment	583	62
Prof GN Padayachee	Dean: Health Sciences	612	
Prof R Cohen	Dean: Humanities	589	
Prof H Corder	Dean: Law	536	53
Prof BD Reddy	Dean: Science	554	
Dr L Kaunda	Dean: Students	379	
Ms G Kruger	Executive Director Communication and Development	500	
Prof EO Uliana	Executive Director Finance and Prof. of Accounting	664	145
Mr D Van Eeden	Executive Director Human Resources	749	
Mr PN Naicker	Executive Director Information and Communication Technology	525	
Dr ED Malaza	Director Institutional Planning (resigned December 2002)	554	
Ms J Rapp	Executive Director University Libraries	557	
Mr J Critien	Executive Director Properties and Services	475	

**UNIVERSITY OF CAPE TOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002 (CONTINUED)**

21. REMUNERATION OF SENIOR STAFF (CONTINUED)

Disclosure is made of the following lump sum payments in excess of R250 000, as also required by the Minister:

Purpose/reason for payment	Name	Position held	Amount R'000
Severance package	Mr A Abrahams	Human resource officer	377
Retirement package	Prof P Cook	Professor of Zoology	256
Retirement package	Prof W Gevers	Senior Deputy Vice-Chancellor	331

No payments are made 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.

22. RETIREMENT BENEFITS

University of Cape Town Retirement Fund

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R63.5m (2001: R59.6m).

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. 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 by the raising of a loan, referred to in note 10.

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 2002 the following key assumptions were made; discount rate 11% (2001: 12%); expected inflation on medical aid contributions of 10,5% for 4 years, decreasing thereafter to 8% within 9 years (2001: 11,5% for 5 years, decreasing to 9% thereafter); normal retirement age of 62 (2001: 62).

23. 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).

24. 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.

25. POST BALANCE SHEET EVENTS

The University of Cape Town has, in February 2003, transferred all of its endowed funds, together with their related investments, to the University of Cape Town Foundation. This has been done for management purposes and has no impact on the presentation of the consolidated financial statements as the University of Cape Town Foundation is fully consolidated.