

# 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 2010

# UCT MISSION

UCT aspires to become a premier academic meeting point between South Africa, the rest of Africa and the world. Taking advantage of expanding global networks and our distinct vantage point in Africa, we are committed, through innovative research and scholarship, to grapple with the key issues of our natural and social worlds. We aim to produce graduates whose qualifications are internationally recognised and locally applicable, underpinned by values of engaged citizenship and social justice. UCT will promote diversity and transformation within our institution and beyond, including growing the next generation of academics.

## Foundation statement underpinning the mission statement

### **Our research-led identity is shaped by a commitment to:**

- academic freedom as the prerequisite to fostering intellectual debate and free inquiry;
- ensuring that research informs all our activities including teaching, learning and service to the community;
- advancing and disseminating knowledge that addresses the key challenges facing society – South African, continental and global;
- protecting 'curiosity driven research';
- nurturing and valuing creativity in the sciences and arts, including the performing and creative arts;
- stimulating international linkages of researchers and research groupings.

### **We strive to provide a superior-quality educational experience for undergraduate and postgraduate students through:**

- providing an intellectually and socially stimulating environment;
- inspired and dedicated teaching and learning;
- exposure to the excitement of creating new knowledge;
- stimulating the love of lifelong learning;
- the cultivation of competencies for global citizenship;
- supporting programmes that stimulate the social consciousness of students;
- offering access to courses outside the conventional curricula;
- attracting a culturally and internationally diverse community of scholars;
- guaranteeing internationally competitive qualifications;
- offering a rich array of social, cultural, sporting and leadership opportunities;
- providing an enabling physical and operational environment.

### **In advancing UCT as an Afropolitan university, we will:**

- expand our expertise on Africa and offer it to the world;
- extend our networks on the continent, along with our global connections and partnerships;
- promote student and staff exchanges and collaborative research and postgraduate programmes;
- engage critically with Africa's intellectuals and world views in teaching and research;
- contribute to strengthening higher education on our continent.

### **We strive to provide an environment for our diverse student and staff community that:**

- promotes a more equitable and non-racial society;
- supports redress in regard to past injustices;
- is affirming and inclusive of all staff and students and promotes diversity in demographics, skills and backgrounds;
- offers individual development opportunities to all staff;
- is welcoming as a meeting space for scholars from Africa and around the world.

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## A) DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

EXECUTIVE OFFICERS OF THE COUNCIL		REGISTRAR
Dr M R Price (1, 2, 3, 4 & 6)	(Vice-Chancellor)	Mr H T Amoore (5)
Professor R T Nhlapo (5,6)	(Deputy Vice-Chancellor)	<b>EXECUTIVE DIRECTOR: FINANCE</b>
Associate Professor N Yeld (6)	(Acting Deputy Vice-Chancellor)	Professor E O Uliana (4)
Professor C Soudien (6)	(Deputy Vice-Chancellor)	
Professor D P Visser (4, 6)	(Deputy Vice-Chancellor)	
The COUNCIL (1 JULY 2008-30 JUNE 2012) as at June 2011		
The Most Reverend N W H Ndungane (1) (Chair)		
Ms D Budlender (1, 4) (Deputy chair)		
Professor D G Aschman		
Dr A W Barday (4)		
Ms S Barsel		
Mr G Bloch (8)		
Mr G Bloor		
Ms V Doo (3, 7, 8)		
Mr Justice I G Farlam (2, 6, 8)		
Mr G Gabriels		
Mr J J Gauntlett SC (1)		
Mr Justice C T Howie (5)		
Professor M Jeebhay		
Professor E Kalula (1, 7)		
Alderman O Kinahan (5)		
Mr A Kriel		
Ms Q Loxton (4)		
Ms G Mamba		
Ms A Ngwenya (1, 6)		
Dr C Okeahalam (3)		
Mr T D Petersen (1, 3, 4)		
Associate Professor U Rivett		
Mr M Seligson SC (1, 2)		
Emeritus Professor J Terblanche		
Ms P Vinjevoid		
1 = Member of Council Executive Committee		2 = Member of Audit Committee
3 = Member of Remuneration Committee		4 = Member of Finance Committee
5 = Member of Building and Development Committee		6 = Member of Strategy Committee
7 = Member of the HR Committee		8 = Member of the Institutional Forum
BUSINESS ADDRESS		AUDITORS
Bremner Building		Ernst & Young Inc
Lover's Walk		P O Box 656
7701 Rondebosch		8000 Cape Town
POSTAL ADDRESS		BANKERS
Private Bag X3		The Standard Bank of SA Limited
Rondebosch		P O Box 1
7701		7700 Rondebosch

# B) STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS

## REPORT BY THE CHAIR OF COUNCIL

2010 began with the unopposed re-election of Graça Machel for a second, ten-year term of office as Chancellor. We were delighted that she was prepared to accept this office for a second term.

Any assessment of the work of the University of Cape Town (UCT) for the calendar year 2010 must reflect on considerable achievements and considerable challenges, some met and others still to be met.

Among the achievements were: the successes of staff and students in teaching, learning and research and in social engagement (in the language of business, our core business); inspired leadership at many levels; what I believe to be high standards of governance; and effective management that has ensured continued financial strength.

The reports that follow provide evidence of considerable achievement in teaching and learning, in research and in socially responsive work of the highest quality. The Annual Financial Review by the Chair of the Finance Committee and the Executive Director Finance, read together with the financial statements to which our reports are a preface, show a robust and financially sound institution, but an institution that balances needs and resources, as it must, very finely. They also reflect on the challenges we face as a University with an Afropolitan vision.

At the end of 2009 we set six goals for UCT for the years 2010 to 2014. These goals take as given, first, that the core business of UCT, in teaching and learning and research, will continue and will be conducted at a very high level of quality, and second, that we will remain financially strong. An assessment of the work of UCT must examine, first, how well we are doing in the core business, second, how financially robust we are, and third, what progress we have made in the six goals which aim to give UCT a distinctive edge.

These six goals are:

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

In each of these areas, and in the critical area of ensuring that our students succeed – and that in enhancing the quality and profile of our graduates we close the gap between the throughput rates of white and black South African students – we continue to face important (and exciting) challenges.

### **The Council and questions of governance**

During 2010 the UCT Council reached the mid-point in our current four-year term, and as we submit this report in June 2011 we will have completed three of the four years of our term. The past year has been an interesting and challenging one for the Council.

By law public universities in South Africa have councils of which 60% of the members must be external; they must also include people chosen by all internal constituent groups, and which must include the University's executive officers. We are elected or appointed by a diversity of bodies: six members are chosen by the world-wide membership of Convocation, three are appointed by the Minister of Higher Education and Training, one each by the Premier of the Western Cape and the Council of the City of Cape Town, two by donors, and five by the Appointments Committee (the external members); three members are elected by the Senate; two students elected by the Students' Representative Council (SRC); one each by the academic staff and by the professional administrative service and support staff; while the Vice-Chancellor (VC) and the Deputy Vice-Chancellors (DVCs) serve ex-officio (the internal members). We hold office for four-year terms, except the student members who now hold office for one year. Although we come from a range of constituencies we must all act in the best interests of the University – we do not serve as representatives and we do not hold mandates or mandated positions. This point was emphasised by the Council after the Minister (who ordinarily deals with the Chairs of Councils and with the Vice-Chancellors) called a meeting of all ministerially-appointed members of all councils of public universities. Of our three ministerial appointees, the two who were able to attend went with the blessing of Council on the understanding that they did so as members of Council and not as members who might return with mandates or mandated positions.

In exercising our responsibilities we are assisted by standing committees. I pay tribute to the work of Council members and to the work of members of Council Committees. The report on corporate governance gives some idea of what this work entails.

The relationships between the Council, the Senate, the

Institutional Forum, the SRC and the University Student Affairs Committee (the structure that advises the Council on student matters, as required by the Higher Education Act) all impinge on governance. The reports that follow touch on these relationships. The Institutional Forum (IF) has achieved greater coherence in 2010, and though the Council has not accepted its proposals that it have direct representation on the Council, we have strengthened the relationship and communication channels between the IF and the Council. This is a subject that will continue to receive Council's attention.

I reported last year that at the end of 2009 we reviewed the way in which we conducted our work and made important changes, which were introduced in 2010. We decided to have four full-day meetings annually. We also agreed to delegate sets of decisions to EXCO, to standing committees and to the executive (the Vice-Chancellor) and we agreed to support a proposal by the SRC and the University Student Affairs Committee that the term of office of the two student members of Council run for a year, concurrent with the term of office of the SRC. This would allow the Council to focus more on matters of a strategic nature. The changes to the statute were approved and gazetted. While the new modus operandi has been in operation for only a year, the consensus is that it is working well and providing the University with more effective governance. We have however agreed to have five, and not four, full Council meetings in future. This change in the pattern of meetings has also facilitated membership of Council for people not resident in Cape Town.

The Council has seen several changes in membership. We mourn the loss of Emeritus Professor Ralph Kirsch, who died early in the year. The vacancies were all filled during the year and we welcomed as new members Messrs Sizwe Mpofu-Walsh and Dave Watson (SRC appointees for 2009/2010), Dr Charles Okeahalam, Ms Sheila Barsel, Ms Qarnita Loxton, Mr Andre Kriel and Ms Gloria Mamba. After Mr Watson resigned to pursue doctoral studies in Cambridge the SRC appointed Ms Portia Gama (a former student member of Council) for the remainder of the term of office. Subsequent appointments for the new SRC term of office are Mr Gareth Bloor and Ms Amanda Ngwenya. Subsequent to the 2010 year-end we had the resignation, after some two years in office, of Deputy Vice-Chancellor Professor Jo Beall and the appointment of Associate Professor Nan Yeld as an acting Deputy Vice-Chancellor in her stead.

It would be remiss of me not to pay tribute to Ms Debbie Budlender, the deputy chair, who, under our new way of working, has responsibility for managing the work of Council and of EXCO, or to record again our joy at the award to her of an honorary degree in 2009 by the University of KwaZulu-Natal.

### **The core business of teaching and learning, research and social responsiveness**

The Senate accounts to the Council for the teaching and learning, research and social responsiveness work of the University in three major annual reports. These are summarised in a report which follows on page 15. The Council has been pleased with the levels of achievement and innovation reflected in these reports. There have been important gains in teaching, though there remain very considerable challenges: the throughput rates of UCT undergraduates are relatively good, but those of black UCT students are well below those of white UCT students, and ensuring that all students whom we admit have adequate opportunities to succeed, and to overcome prior educational disadvantage, remains as important as ever. Research productivity, by all the measures we regard as important, continued to grow. The report on social responsiveness provided, through portraits of practice, examples of the initiatives staff and students are taking to take their expertise into, and learn from its application in, communities.

The Higher Education Act requires the Council, in concert with the Senate, to determine the admissions policy of the University. It also requires that the admissions policy must provide for redress. Our admissions policy is published (as the Act requires) and continues to be the subject of debate in national and international media (for example a November 2010 front-page lead in the *New York Times*) and inside the University. This debate is rigorous and vigorous, as it should be. This debate is far from concluded. However, it seems appropriate that I summarise where we are. For 2012 we have an admissions policy designed to ensure that we have a diverse student body (where the South African component of our student body increasingly reflects the demographic diversity of the South African population and in which we have a significant number of international students) because we believe that everyone gains from a diversity.

The admissions policy is also designed for redress. The legacy of decades of inequality, and in particular structural educational inequality in South Africa and the continuing (and in many cases increasing) disparities in public education provision, is a reality with which our admissions policy must deal. We interpret this as placing an obligation on us to provide redress for past, racially-based discrimination in our society, in our schools and in public higher education because we acknowledge that the effects of pre-1994 discrimination remain in our society.

In order to meet this obligation we divide South African applicants into categories: those whom we judge to have been affected by inequality and disadvantage (the redress categories), and those who have not (the open category). We do this on the basis of the self-declared race category of each applicant. International applicants are a

separate category. We ask South African applicants to indicate whether or not they belong to one of the following previously-disadvantaged categories and we will apply our redress measures to those who do so:

- black South African;
- Indian South African;
- coloured South African; or
- Chinese South African.

We will use an applicant's indication as a member of a previously disadvantaged category for effecting redress because it remains the best initial, broad-brush measure of past structural inequality. We are working towards alternative measures for identifying disadvantage; a test for such measures must be that they identify disadvantage so that we can give disadvantaged South Africans of ability the opportunity to develop to their full potential.

### **Financial strength and the adoption of a new financial policy**

The Council has given priority attention to financial matters during 2010. Much of two meetings was devoted to debating the details of a revised financial policy, and this was adopted in October 2010 in the context of an overview of financial governance structures. Council is confident that this provides the framework for ensuring that the University is financially sound, that the appropriate governance is in place in regard to financial decisions, that we are able to provide for access, and that we have the resources to cover both operations and necessary capital expenditure. The budget for 2010 aimed to have a small surplus, and we achieved a larger than expected surplus on the operating account just ahead of the target (3% of total recurrent operating income) in our financial plan. This makes an important contribution to our ability to fund the capital programme we have for the next few years. The Annual Financial Statements and the Financial Review which follow on page 29 to 63 give more detail of this. The margins are small and there is no room for complacency or for a view that we have surpluses to spend, but I can report with confidence that we ended 2010 financially secure.

### **The Higher Education Summit**

The Stakeholder Summit on Higher Education Transformation called by the Minister in April 2010 was a significant event. The UCT delegation included a Council representative and the Vice-Chancellor, while another member of Council was there in a different capacity. Access and success issues were high on the agenda. There was recognition not only that the system of public higher education is differentiated but that it needs to be, and a debate on what this implies for policy, including funding policy. Changes in funding policy have been envisaged in the Minister's latest statement on funding, and the decisions of the Government on the recommendations of the Committee that reviewed the National Student Financial Aid Scheme

are awaited. These could have major implications for the University.

### **Planning for the future**

In the 2006/2007 enrolment planning exercise this University was given a target 2010 enrolment of 24 000 students. At the time we saw this as an aspirational target, and did not believe that we would, or would wish to, reach this number. In fact our 2010 enrolment was closer to 25 000. This has forced a re-think and a major shape-and-size exercise was entrusted to a Deputy Vice-Chancellor. With the current campus and the current modes of delivery (contact and largely full-time) we cannot increase enrolment without compromising the experience of staff or students, and the student members of the Council have warned us that we have already grown beyond capacity. Recognising this we have recently agreed to build a major new lecture theatre on our upper campus, to cater for existing numbers, but this on its own will not eliminate the existing backlog of classroom places. We hope to conclude the debate on size and shape in 2011. The decisions we take will be far-reaching. If we were to continue on the trajectory of the past 50 years, during which numbers have increased by a third each decade, we will have some 33 000 students in 2020. This does not seem possible without adding an additional campus.

The capital programme planned for the years 2009 to 2013 has proceeded. During 2010 we occupied a new student administration building, and a newly-acquired building for our ICT services. Both of these released much-needed space for academic departments. At the end of the first quarter of 2011 the School of Economics moved into its new middle campus building, again releasing much-needed space on the upper campus for other academic departments. Student housing is at a premium and work on the 887-bed residence complex in Observatory, due for completion at the end of 2011, is ahead of schedule. Planning continued for a new engineering complex, to cater for expansion in chemical and civil engineering, and in June 2011 we approved the tenders for this R210 million project.

### **Highlights of the year under review**

The following are some highlights of 2010:

- Record enrolments were achieved as nearly 25 000 students registered at UCT in 2010;
- Increasing diversity was achieved in the student body as over 50% of enrolments were women; 18.6% were international students, over half of whom were from Southern African Development Community countries, emphasising our continental reach. Of the 20 169 South African students more than 50% were black, coloured and Indian;
- Throughput increased as the overall undergraduate course success rate was 84,5%;
- Real progress was made in delivering academic development support to students who needed it;

- Increased research productivity was evident as measured by publication count, peer recognition of the standing of our researchers, and the over R550 million of research contracts won in a tough economic climate;
- We concluded a review of our strategy of outsourcing key services. This led to the adoption of some revisions to the code of conduct which attempts to ensure appropriate wage levels and conditions of service for the employees of contractors who provide services to the University. The revisions provided for several additional worker benefits which approximate the benefits enjoyed by staff who work at UCT and are employed by UCT;
- We adopted a comprehensive policy on the performance management of academic staff;
- We adopted a far-reaching policy on fixed-term employment contracts; and
- Receiving continued support from our major and minor donors in particular foundations which provide such important support for new initiatives, resulted in donor income for 2010 exceeding R177 million.

#### Challenges in the years ahead

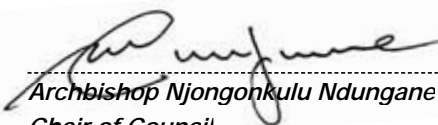
Our key challenges are about students. We need to ensure that we have a fair and defensible admissions policy that makes provision for redress and identifies the applicants who have the potential not only to succeed but to do well. Our fee policies, financial aid policies and budgets, and student housing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

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

Transformation is a key Council objective and we have devoted considerable Council time in this past year to examining our role in transformation, prompted in part by the report of the Ministerial Committee on racism in South African public higher education institutions, chaired by UCT's Professor Crain Soudien. It is an issue high on our agenda for 2011. It is notable that most of the new strategic goals address different aspects of the transformation challenge we face. At the end of 2010 we appointed an Ombud for the first time and we hope that the office will contribute to effective resolution of disputes and the improvement of the institutional climate. At the same time we have strengthened and regrouped several services in a Transformation Services Directorate.

#### Ensuring effective and good governance

As a Council we must ensure effective governance and give attention to ensuring that the University's finances are sound, and properly applied to meet the University's needs. We continue to give greater attention to governance issues and in this regard are ably supported by the work of five important committees: the Remuneration Committee (in 2010 chaired by Mr Jeremy Gauntlett (SC), the most senior member (in terms of years of service) of the Council and now chaired by Dr Charles Okeahalam); the Finance Committee (chaired by a former deputy chair of Council, Mr Trevor Petersen); the Human Resources Committee (chaired by Ms Vuyiswa Doo); the University Building & Development Committee (chaired by Alderman Owen Kinahan); and the Audit Committee (chaired by Mr Colin McClelland, an independent member who has the right to receive Council papers and to attend and speak at Council meetings). To the members of the Council who serve without reward, and in particular to the members of EXCO and the committee chairs, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.



Archbishop Njongonkulu Ndungane  
Chair of Council

15 June 2011





## SELF ASSESSMENT BY THE VICE-CHANCELLOR OF HIS PERFORMANCE IN THE YEAR ENDING DECEMBER 2010

Much of my performance must be measured by the day-to-day management and functioning of the university since all the senior officers – both academic and support staff - ultimately report to me. Thus the performance of the University as reflected in the financial statements, the teaching and learning report, the research report, the reports on UCT's responsiveness to local and global social issues are all a direct or indirect reflection of my performance. These are covered extensively in this Annual Report and I will not repeat these achievements here.

In addition, at the end of 2010 the Chair and Deputy-Chair of Council conducted my performance appraisal, which included a formal anonymous 360-degree survey of over 20 colleagues including Council members, DVCs, deans, executive directors, students and others. This assessment focused on management style, interpersonal relationships, creating a transformative and inclusive work environment, and leadership qualities. The feedback has been positive and constructive.

I will therefore focus in this section on my performance with respect to the high-level goals that I set out in my 2008 inaugural address, including a new vision for the University. The following are highlights of what had been achieved by the end of 2010 in relation to those ideas.

- A Vice-Chancellor's strategic fund of R100 million was created to fund, over five years, new initiatives that promote the newly approved strategic goals and the first year's allocation was awarded in 2010. R13m was actually spent and the progress report on the mission-related projects was submitted to Council. R7m was rolled over to 2011 and in late 2010 new projects for 2011 were solicited and a further R20m awarded.
- Under the umbrella of transformation:
  - The Council had agreed to establish an ombud position and an alternative dispute resolution (ADR) process promoting a restorative justice approach that we hope will positively affect the institutional climate. During 2010 the Ombud Officer was selected and the ADR system negotiated with unions and implemented; 15 mediators were trained.
  - We conducted a widely consultative review of our student admissions policy in 2009 with a particular focus on the use of 'race'. The task team continued in 2010; significant further changes were made for 2012 admissions. I have been engaged in many public debates and articles on the topic.
  - Over three budget cycles (2008-10) we have doubled the allocation from our core budget to financial aid in order to increase access. During 2010 I intervened to ensure that everyone eligible would be able to access financial aid.
  - The cluster of transformation services was reconfigured as the Transformation Services Office, and a new director, Ms Glenda Wildschut, was appointed.
  - We secured several large foundation grants for developing the next generation of academics – mostly black candidates and women.
- I had identified a number of critical social issues where I believed UCT's expertise might make a national contribution. In addressing these we have:

- established an African Climate Change and Development Initiative. After failing to fill a Pro-VC for Climate Change and Development post in 2010 we re-advertised and have now made an excellent appointment.
- established and filled a Chair in Constitutional Governance.
- concluded an investigation into how UCT might intervene more effectively in the local school system and established the EDULAB project for which funding is being sought.
- established a working group of researchers focusing on violent crime and security.

I had hoped that more progress would have been made in some of these focus areas, but I recognise that the many different groups already working in these areas need to own and drive the initiatives.

- UCT's position internationally and within the continent has been strengthened through building relationships and networks at the executive level and funded research partnerships at the departmental level.
  - In 2010 DVC Professor Thandabantu Nhlapo and I undertook visits to Universities of Dar es Salaam, Makerere, Nairobi and Jomo Kenyatta University of Agriculture and Technology. We also established alumni processes through meetings in these three cities.
  - DVC delegations attended meetings on the continent dealing with Climate Change and the World Economic Forum - Africa.
  - UCT co-hosted the Association of Commonwealth Universities annual meeting of VCs and presidents.
- I personally, and UCT more generally, have championed a more activist profile for the university and the students, encouraging academics in their role as public intellectuals. Political and social issues have been taken up in public protest, op-ed articles, letters to editors, speeches, programme of public lectures and private meetings.
- I have attempted to improve collegiality and a sense of inclusiveness. This continued in 2010, with regular VC Desks, weekly departmental visits. All HoDs and deputy deans attended at least one dinner at the VC's residence with partners.
- Fundraising targets have been restored to previous record levels (in an increasingly difficult climate for fundraising) and alumni relations have been strengthened with many chapters visited in South Africa and abroad. A bequest programme and student-run telephone donations campaign were initiated. I undertook two trips to US and two to UK.

In summary it has been a successful year for UCT and for me personally. We are making good progress on the strategic goals. Financially, we are well managed. Morale is generally positive. We are attracting high-quality staff and students, including from abroad. Research output has continued to grow. There is a sense of vibrancy and growth in most areas of activity at UCT.



Dr Max Price  
Vice-Chancellor

# COUNCIL STATEMENT ON CORPORATE GOVERNANCE

The purpose of this statement is to enable readers to understand the University's governance and legal structures.

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

The Council is required to make this report by virtue of provisions in the Higher Education Act, 1977 and regulations published in terms of the Act (published on 1 August 2007, Government Gazette No 30132).

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

## The Council and Council Committees

The University of Cape Town grew out of the South African College. It became a University in 1918 by an Act of the Union Parliament passed in 1916. That, and successive pieces of legislation, gave way to the Higher Education Act, 1997, and the promulgation in terms of the Higher Education Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as subsequently amended).

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

The Council governs the University in terms of the Act and the Statute. It consists of 30 members, of whom 18 (60%) are external or independent (in that none may be a student or a staff member) and 12 internal. The term of office (other than for the student members who serve for one year, and the Vice-Chancellor and Deputy Vice-Chancellors who serve *ex officio*) is for four years. The current term extends to 30 June 2012.

While the Council governs the University, the Senate has jurisdiction over the academic and research functions of the University. It consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 330 members in 2010. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

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

The Council is supported by specialist committees and working groups.

The matters reserved for decision by full Council are those specified in the Act (changes to the Institutional Statute, adopting institutional rules, acquiring or disposing of fixed property, and specified financial transactions), those listed in the Institutional Statute (paragraph 12(5)), and matters that Council has in addition reserved to itself. Beyond this, the Council has made use of its powers to delegate or assign its powers and functions to a committee of the Council, a member of the Council, or an officer of the University (paragraph 12(4) of the Statute). Schedules of delegated authority are reviewed annually by the Council, and were again revised by Council in December 2010.

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

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

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

- The University has clear strategic goals and objectives;
- The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving 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 the University's members (staff, students, and alumni), donors, customers, and suppliers are treated in an appropriate manner;
- The University complies with all relevant laws, regulations and accounting policies; and
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted with a relevant composition and have appropriate terms of reference and reporting procedures.

Members of Council are not remunerated, but where they

travel from out of Cape Town to attend meetings they may be reimbursed for travel expenses incurred. In order to ensure that there is neither an actual nor a perceived conflict of interest, each Council member, all senior managers, and all Committee members are required to make an annual declaration of interests and to declare any conflict or potential conflict ahead of discussion of the relevant issues. They are also expected to recuse themselves should any such issue arise. At the same time they must subscribe to the code on conflicts (or potential conflicts) of interest before the first meeting of Council in each year.

### Ethics in University work

The Council is committed to integrity and ethical behaviour in all its dealings.

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

jects of research and to animal experimentation. A third committee ensures both ethical and bio-safety issues are dealt with in matters related to genetically modified organisms. Controls and systems for ensuring that these are effective were actively reviewed during 2010.

### Council and its Executive Committees

The Council is supported by a standing Executive Committee; Council has delegated formal decision-making functions to this committee. Council meets quarterly and EXCO meet monthly from February to November in those months in which the Council does not meet.

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

The table below sets out the number of Council and EXCO meetings held in 2010 and each Council member's attendance record.

### Attendance at Council Meetings – 2010

2010	Mar	Jun	Oct	Dec	%
D G Aschman	P	P	P	P	100
A W Barday	Ap	Ap	P	P	100
J Beall	P	Ap	P	Ap	50
S Barsel	P	P	P	P	100
G Bloch	P	P	Ap	P	75
D Budlender	P	P	P	P	100
V Doo	Ap	P	P	P	75
I G Farlam	P	P	P	P	100
G Gabriels	P	Ap	P	P	75
P Gama	Nm	Nm	Nm	P	100
J J Gauntlett SC	P	P	P	P	100
C T Howie	P	P	P	P	100
M Jeebhay	P	P	P	P	100
E Kalula	P	P	Ap	P	75
O Kinahan	Ap	P	P	P	75
A Kriel	Ap	Ap	Ap	P	25
Q Loxton	P	P	Ap	Ap	50
G Mamba	P	P	Ap	P	75
S Mpofo-Walsh	P	P	P	Nm	100
N W H Ndungane (Chair)	P	P	P	P	100
A Ngwenya	Nm	Nm	Nm	Ap	0
R T Nhlapo	P	P	P	P	100
C Okeahalam	P	Ap	P	P	75
T D Petersen	P	P	Ap	P	75
M R Price	P	P	P	P	100
U Rivett	P	P	P	P	100
M Seligson SC	P	Ap	P	P	75
C Soudien	P	P	P	P	100
J Terblanche	P	P	P	P	100
P A Vinjevold	P	Ap	P	Ap	50
D P Visser	P	P	P	P	100
D Watson	P	P	Nm	Nm	100
P = Present	Ap = Apology			Abs = Absent	
Nm = Not a Council member					

## Attendance at Council EXCO Meetings – 2010

2010	Feb	April	August	Nov	%
D Budlender (Deputy Chair)	P	P	P	P	100
J J Gauntlett SC	P	Ap	P	P	75
E Kalula	Ap	P	P	Ap	50
S Mpofu-Walsh	P	P	P	Nm	100
N Ngwenya	Nm	Nm	Nm	P	100
N W H Ndungane (Chair)	P	P	P	Ap	75
T D Petersen (Chair of the Finance Committee)	P	P	P	P	100
M R Price	Ap	P	P	P	75
M Seligson SC	Nm	P	P	P	100
P = Present	Ap = Apology		Nm = Not an EXCO Member		

### Council Appointments Committee

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

### The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external members and the Vice-Chancellor. It met four times in 2010, and both internal and independent auditors have unrestricted access to it. The Chair of the Audit Committee is independent but by decision has the right to attend and speak at all Council meetings. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the Committee. The Audit and Risk Committees continued with a comprehensive review of risk and put measures in place to manage identified risks. The Audit Committee's responsibilities are to:

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

A comprehensive risk policy framework was adopted by the Council in December 2010 on the advice of the Risk and Audit Committees.

### 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 nine times during 2010. A Council member chairs the Committee.

### The Council Remuneration Committee

The Council Remuneration Committee is a standing committee of Council and consists of external members of Council, the Chairs of the Audit, Human Resources and Finance Committees, and the Vice-Chancellor (except for matters relating to the Vice-Chancellor). It is responsible for:

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

Full details of the compensation of each member of the senior leadership group are given in the annual financial statements.

### The University Student Affairs Committee (USAC)

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

### The University Human Resources (HR) Committee

This standing committee advises Council on HR policy, and is responsible for advising Council on employment equity policy and plans, and for keeping abreast of staff issues and staff concerns. The committee met five times during 2010. A Council member chairs the Committee.

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

The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of 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 10 times during 2010. A Council member chairs the Committee.

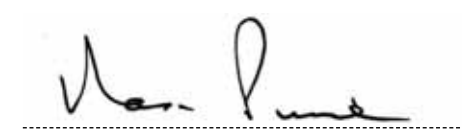


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**Archbishop Njongonkulu Ndungane**  
*Chair of Council*  
15 June 2011

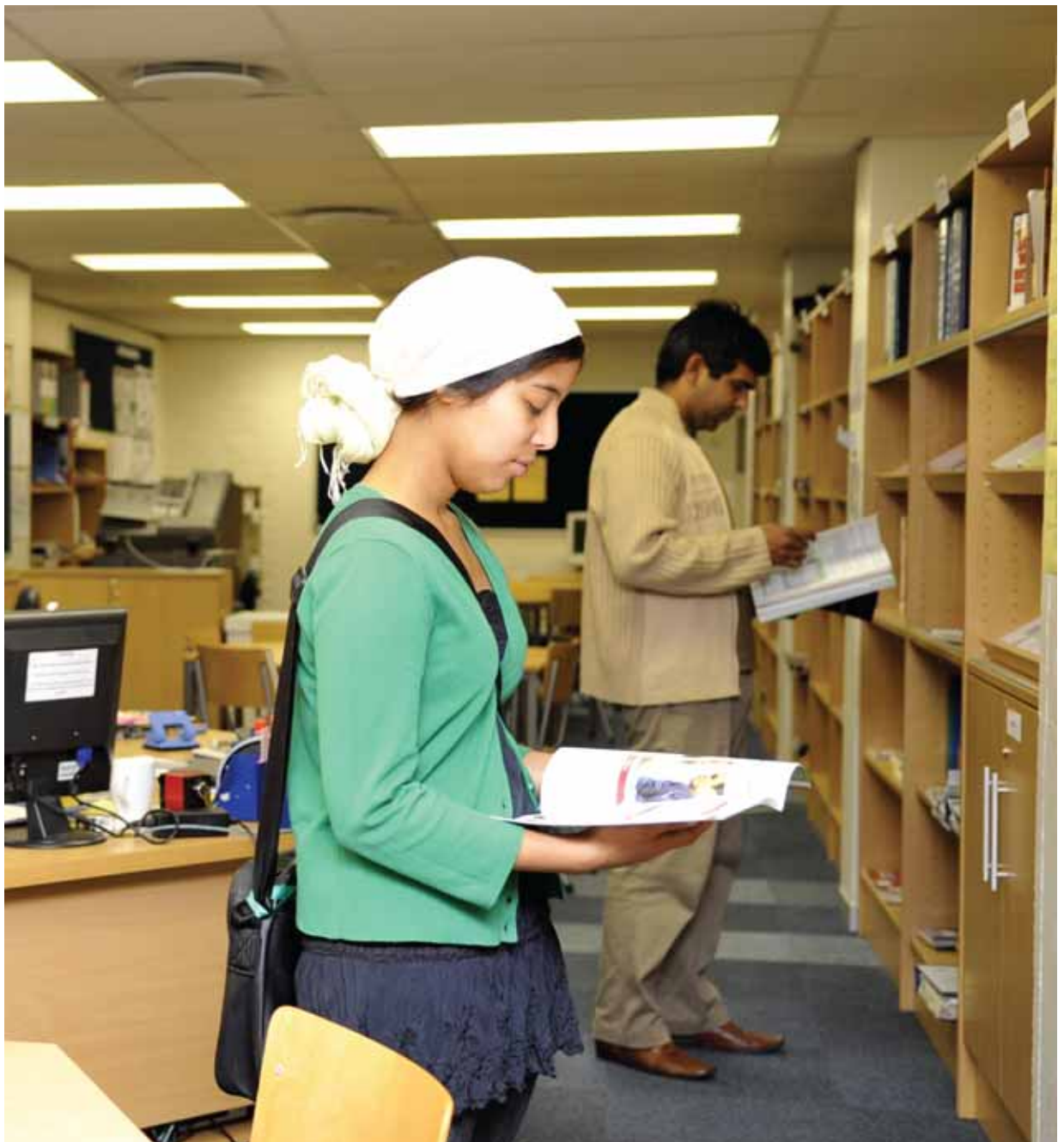
**The University Strategy Forum**

Chaired by the Vice-Chancellor, consisting of Council Members and elected staff and student representatives, this standing committee advises Senate and Council on strategy. It met twice in 2010.



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**Dr Max Price**  
*Vice-Chancellor*  
15 June 2011



# REPORT OF THE INSTITUTIONAL FORUM

The Institutional Forum (IF) is a statutory body set up in terms of the Higher Education Act 101 (1998) to advise Council on issues affecting the institution, including:

- The implementation of the Higher Education Act and the national policy on higher education;
- Race and gender policies;
- The selection of candidates for senior management positions;
- Codes of conduct, mediation and dispute resolution procedures;
- The fostering of an institutional culture which promotes tolerance and respect for fundamental human rights and creates an appropriate environment for teaching, research and learning; and
- Performing functions determined by Council.

The Institutional Forum convened five times during the course of 2010. The first meeting of the IF for 2010 was an induction workshop organised around inputs from the three major sectors of the IF, namely the Unions, students and executive, supplemented by an input from Ms Kirti Menon, the Acting Deputy Director General of Higher Education and Training.

Four of the meetings were scheduled meetings and one was called to consider the process for the appointment of a Deputy Vice-Chancellor. A further special meeting was scheduled to take place on 30 November to consider feedback on the selection processes for and recommendations of the selection committees for the positions of the Dean of Science and the Executive Director (Human Resources).

The Forum was not quorate on two occasions. On both these occasions the meeting was well attended but fell short in respect of representatives from Senate, the National Education Health and Allied Workers Union and the Medical Staff Association (12 March 2010) and the Employees Union, Medical Staff Association, Executive and Council (11 November 2010). On these occasions, chairs' circulars were distributed for decision-making purposes.

Three key issues occupied the IF in 2010. The first was defining and playing an active and relevant role in relation to transformation in general at UCT. The second was the IF's relationship with Council. It made repeated requests to Council for representation at Council meetings. The IF, in noting Council's rejection of this proposal, indicated that it would continue to seek ways of strengthening this relationship. The third issue was problems for workers emerging out of outsourcing which were reported on and discussed at all but one of the meetings of the IF. Other issues debated in the IF were the University Policy on Appointments without Advertisement, the Higher Education Summit, the Contract Staff Policy, and the issue of public comment and debate by the University with respect to events in the broader society.

An important innovation for the meeting in 2010 was placing the item 'Questions for the Executive' on the standard agenda. This facility was used in the last meeting when questions were posed to the Executive on the implementation of the University's Outsourcing policy with respect to compliance.

## Co-Chairs:



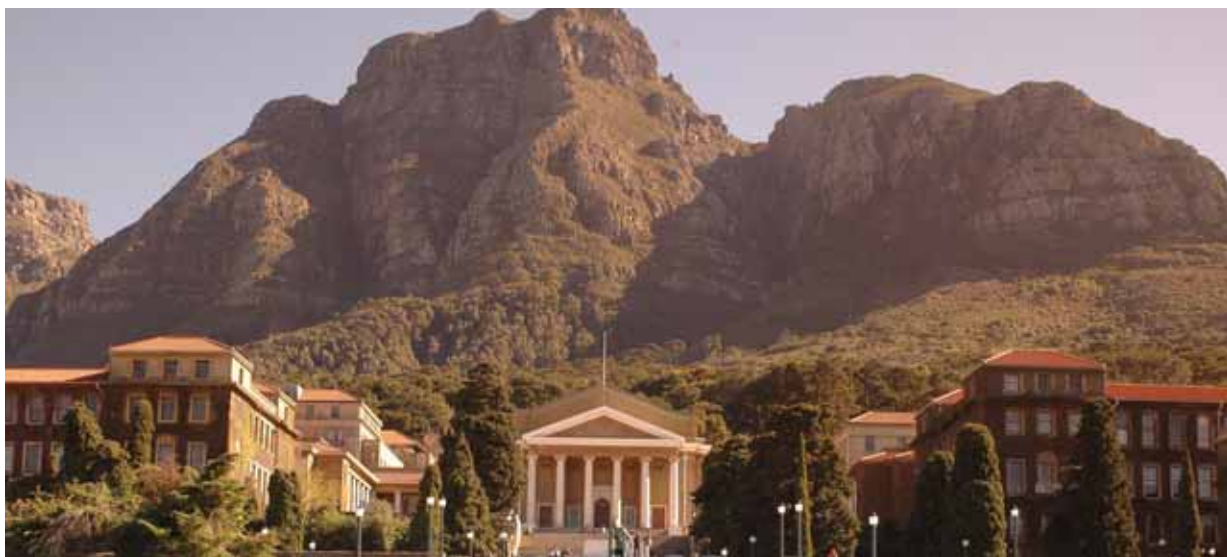
*Dr Jonathan Grossman*



*Mr Saif Islam*



*Professor Craih Soudien*  
15 June 2011



# REPORT ON UCT OPERATIONS DURING 2010 BY THE VICE-CHANCELLOR

This Report is divided into the following sections:

- a) Teaching and learning
- b) Research
- c) Social responsiveness
- d) Other key developments during 2010

## A) TEACHING AND LEARNING

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

### Graduate attributes

We have made a strategic commitment to produce graduates whose qualifications are internationally recognised and locally applicable, underpinned by values of engaged citizenship and social justice. This commits the University to providing a superior-quality educational experience for undergraduate and postgraduate students through, among other things:

- Stimulating the love of life-long learning;
- The cultivation of competencies for global citizenship;
- Supporting programmes that stimulate the social consciousness of students;
- Exposure to the excitement of creating new knowledge;
- Offering access to courses outside the conventional curricula; and
- Guaranteeing internationally competitive qualifications.

During 2010, progress in this regard included developing the Global Citizenship, Leadership and Social

### Demographic statistics

Headcount student enrolments by population group 2006 to 2010 showing percentage growth on baseline.

	2006	2007	2008	2009	2010	% growth from 2006 to 2010
SA African	3 843	3 924	4 354	5 068	5 281	21,3
SA Coloured	2 767	2 869	3 252	3 623	3 589	14,5
SA Indian	1 470	1 455	1 522	1 630	1 665	6,7
SA White	8 833	8 590	8 768	8 983	9 133	36,9
International	4 143	4 088	4 320	4 307	4 608	18,6
Other	453	493	392	401	497	2,0
<b>Total</b>	<b>21 509</b>	<b>21 419</b>	<b>22 608</b>	<b>24 012</b>	<b>24 773</b>	<b>100</b>

Justice Project aimed at providing students with an opportunity to

engage critically with contemporary global debates and to reflect on issues of citizenship and social justice through meaningful community service. 115 students registered for the programme with 17 students registering for both modules. The 2010 Teaching and Learning Symposium and the 2009 Teaching and Learning Report, published in 2010, focused debate on how faculties are engaging with the graduate attributes.

### Student numbers

The 2010 unduplicated student headcount enrolment total at the end of 2010 was 24 721. This is the highest in UCT's history and is 3,2% higher than that in 2009. The 2010 postgraduate enrolment (7 636) represented an increase of 5% over 2009. Enrolments in professional first bachelor's degrees made up 42% of the overall 2010 undergraduate total. We admitted and enrolled 3 681 first-time entering full degree undergraduate students in 2010. The majority of these students had written the NSC examinations at the end of 2009 (the second year of the NSC). Of the first-time entering cohort, 68% had achieved A or B aggregates in either the SC or the NSC examinations, suggesting that we had maintained the high-quality intake achieved in recent years. Enrolments at the master's and doctoral levels both peaked in 2010 (at 3 605 and 1 095 respectively). The 4 736 master's and doctoral enrolments together made up 19% of the 2010 enrolment.

### Enrolment trends

Student numbers grew by 15,6% between 2006 and 2010, or at a rate of 3,7% per annum. Enrolments over the 2006 – 2010 period grew at 3,1% per annum among undergraduates and at 5,1% per annum at the postgraduate level. Honours enrolments grew steadily between 2006 and 2010 at a rate of 3,3% per annum, to a total of 1 124 in 2010.

## Headcount student enrolment by population group 2006 to 2010 showing percentage of total.

	2006	2007	2008	2009	2010
SA African	3 843	3 924	4 354	5 068	5 281
% of total (incl int)	17,9	18,3	19,2	21,1	21,3
% of total (ex int)	22,1	22,6	23,8	25,7	26,2
SA Coloured	2 767	2 869	3 252	3 623	3 589
% of total (incl int)	12,8	13,3	14,3	15	14,5
% of total (ex int)	15,9	16,5	17,7	18,3	17,8
SA Indian	1 470	1 455	1 522	1 630	1 665
% of total (incl int)	6,8	6,7	6,7	6,7	6,7
% of total (ex int)	8,4	8,3	8,3	8,2	8,3
SA White	8 833	8 590	8 768	8 983	9 133
% of total (incl int)	41,1	40,1	38,7	37,4	36,9
% of total (ex int)	51	49,5	47,9	45,5	45,3
International	4 143	4 088	4 320	4 307	4 608
% of total (incl int)	19,3	19	19,1	17,9	18,6
Other	453	493	392	401	497
% of total (incl int)	2,1	2,3	1,7	1,6	2,0
% of total (ex int)	2,6	2,8	2,1	2	2,5
<b>Total</b>	<b>21 454</b>	<b>21 419</b>	<b>22 608</b>	<b>24 012</b>	<b>24 773</b>

\*this row is % of total (including international students)

\*this row is % of total (excluding international students)

## International students

	2001	2005	2009	2010
Total UCT students enrolled	18 119	21 356	24 012	24 773
Total UCT students (excl. SSA*)	17 837	20 666	23 168	23 763
Total international students (excl. SSA)	2 254	3 727	3 464	3 594
% international students (excl. SSA)	13%	18%	14%	15%
Number of countries represented	74	96	97	101
Number of African countries represented	-	31	31	35
Total SADC students	1 603	2 546	1 987	2 096
% SADC students at UCT	9%	12%	8%	8%
Total Non-SADC International students (excl. SSA)	651	1 181	1 478	1 536
Total Non-SADC International students from Africa	-	442	567	798
Total Study Abroad Students	282	690	843	1 014
Total International Students incl SSA/non-degree seekers	2 536	4 374	4 307	4 608
% All International student registrations at UCT	14%	20%	18%	19%
Total international undergraduates	1 291	2 033	1 760	2 908
Total international postgraduates	963	1 467	1 631	1 700

\* Semester Study Abroad

## Completion rates

A total of 6 167 students qualified for the award of a degree or diploma in 2010. This included 1 914 students in Commerce (443 of these completing BBusSc degrees), 771 in Engineering and the Built Environment, 628 in Health Sciences, 1 946 in Humanities, 253 in Law and 655 in Science.

The proportion of all undergraduates excluded from the university on academic grounds appears to have stabilised at around 4 to 5% of the total undergraduate enrolment. In 2010 an overall undergraduate course success rate of 84,5% was achieved, and the success rates in 100, 200, 300 and 400-levels were all above 80%.



Examination of the longitudinal performance of the 2005 first-time entering undergraduate (FU) entry cohorts shows the following:

- 69% of the 2005 FU entry cohort (in comparison with 67% of the equivalent 2001 FU cohort) had successfully completed undergraduate qualifications within five years of entering UCT (i.e. by end 2009);
- 15% of both the 2005 and 2001 FU entry cohorts had been excluded from UCT on academic grounds during the five-year period of the analysis;
- the rate of drop-out in good academic standing among 2005 FU entrants (a term which applies to all students who leave UCT without completing an undergraduate qualification, but who were not excluded on academic grounds) was 11%, down from 15% among the equivalent 2001 cohort; and
- 5% of the 2004 entry cohort was still registered at the undergraduate level. This proportion was slightly higher than that among the 2001 FU cohort (3%).

The improved completion rates among recent cohorts suggest that UCT's persistent focus on throughput and retention is yielding positive results. In particular the marked decrease of dropouts in good academic standing is noteworthy.

### **Academic staffing**

UCT's 2009 HEMIS staffing submission shows that a total of 966 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents a 17% increase over the 2005 figure of 829. However, the increase in permanent staff was largely a consequence of the change in our policy which shifted many who were previously in contract positions to permanent positions. A further 31% of all academic staff held master's- level qualifications. Moreover, the Research section of this report suggests that students across the University could expect to be taught by academic staff actively engaged in research in their disciplines.

### **The Libraries**

The Libraries are integral to UCT's success at all levels and include the Chancellor Oppenheimer (Main) Library, nine branches, including Law and Health Sciences, and major research collections such as the African Studies Library, Manuscripts and Archives, and Rare Books. The Libraries' extensive website provides on- and off-campus access to more than 35 000 electronic journals and 180 electronic databases. There are about 1,2 million print volumes, with more than 16 700 print journal titles. UCT's Special Collections focus on Africana, with a great variety of historically important maps, manuscripts, films, photographs, diaries, and sound recordings. Many of these collections have been digitised and are accessible online. A team of subject-specialist librarians is supported by modern equipment and technologies, high-end computer workstations, audio-visual viewing areas, group study areas, presentation facilities,

wireless Internet access, and ample photocopying, printing, and scanning facilities. The Libraries have pioneered several innovative services: one of the most popular facilities is the Knowledge Commons, a dedicated undergraduate research facility where students can access the Libraries' electronic resources via state-of-the-art software and IT equipment, and receive expert assistance in researching and writing reports, essays, and assignments. In 2008 UCT partnered with the Carnegie Corporation of New York in establishing the Research Commons, a modern high-tech facility which supports the work of postgraduate students and academics, providing access to sophisticated electronic searching tools and subject-specialist knowledge in a scholarly environment that is responsive to the needs of researchers. The new Research Commons facility was opened at the beginning of 2010.

## **B) RESEARCH**

### **International rankings**

UCT continues to improve its international rankings, and moved into position 107 of the new Times Higher Education (THE) 2010 rankings. This is up from 146th position when the THE and Quacquarelli Symonds (QS) rankings were still combined. The new QS system continues to rank UCT as the only university in Africa in the top 200, although the university dropped from 146 to 161. In addition, UCT retained its place in the 200-300 category of the Shanghai World University Rankings. Two Research Indabas were held in 2010 specifically focused on each faculty's plan to enhance international research competitiveness in their areas. Benchmarking with competitive peers of choice continues to inform the faculty strategies, an approach sanctioned by evidence from an externally-commissioned report on trends in UCT's publication profile. Engagement with the international ranking systems therefore continues to raise awareness about key indicators in the research environment, and serves as a catalyst to focus our research efforts.

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

Launched in 2006, the DST/NRF South African Research Chairs Initiative (SARChI) is a brain-gain initiative to develop research capacity in the country. In 2010 UCT was awarded a Strategic Chair in nano-science, and recruiting will begin for this Chair in 2011. Furthermore the university successfully recruited a world-renowned researcher to take up the SKA SARChI chair in Multi-wavelength Extragalactic Astronomy in 2011. This Chair was awarded to UCT in 2009. 2010 was not however without its losses. At the end of 2009 Professor Drucilla Cornell vacated her SARChI Chair in Customary Law, Indigenous Values and Dignity, Jurisprudence.

### **Research income, grants and contracts**

Total research income from external sources decreased by 2% or R13,8 million, from R726,7 million in 2009 to R712,9 million in 2010. This decrease is partly attributable to a

decrease in contract income over the same period (R519 million vs R450,2 million). Government-related grants on the other hand grew by 34%, from R157,7 million to R201 million. (These figures represent income received or accrued, but exclude amounts awarded but not yet paid.) The number of research contracts approved in 2010 increased by 20% year-on-year (compared to the 9,7% increase in 2009 over 2008), with a marginal increase in the value of the contracts (R550 million vs R543,9 million).

### **Postgraduate studies**

Financial support to postgraduate students grew from R97 million in 2009 to R120 million in 2010, while 370 postdoctoral fellowships were awarded to 223 post-doctoral researchers, to a total value of R38 million. The performance of our researchers through the internationally benchmarked process of peer-evaluation and rating is carried out by the NRF and is based primarily on the quality of their recent research outputs. The number of NRF-rated researchers at UCT grew from 320 in 2009 to 336 in 2010. This growth was partly attributed to the anticipated funding from the NRF in the form of incentive awards. However, due to budgetary constraints the NRF's research incentive funding was topped up by an allocation from the VC's strategic fund – a measure which was very well received by the research community, since it gave considerable relief to a wide range of researchers in a greatly restricted funding environment.

However, an important challenge is to engage with the NRF about the concentration of so much funding in targeted ventures that very little funding remains to compete for outside these areas. The Research Office has embarked on a project to track changes in the NRF funding pipeline over the past 10 years which will be used to inform this engagement.

### **Publication count**

UCT was awarded 1 188 units for its 2009 publication count submission to the National Department of Higher Education and Training, representing a 9% growth over its 2008 subsidised output. From 2005 to 2009, we increased our publication output by an average annual growth rate of 5% (this includes output published in journals, conference proceedings and books).

### **Developing research**

We offer a number of activities designed to ensure the transfer of research skills and the development of research capacity. The Emerging Researcher Programme, which started in 2003 with 44 participants, had 432 active participants in 2010. The Programme for the Enhancement of Research Capacity (PERC) offered seven 'mid-career' workshops and seminars attended by a total of 161 academics. In 2010, 93 research development grants, amounting to over R3,4 million, were awarded, of which

80 (totalling more than R2,9 million) were from Carnegie Corporation funds and the remainder (R476 715) from UCT funds. PERC aims to strengthen collaborative, multi-disciplinary research in – and on issues related to – Africa and the global South. Four PERC grants were awarded to research teams for collaborative, interdisciplinary projects, and a further two pilot grants were awarded to develop proposals. While the Mellon Visiting and Retired Scholars Mentorship Project came to an end in December 2009, the AW Mellon Foundation granted permission for the continued roll-out of mentorship activities into 2010. Ten mentors were appointed during the course of 2010. Due to the success of the Project, funding has been extended until 2013.

### **Accredited research groupings**

At the end of 2010, the number of UCT-accredited research groupings stood at 67. This number includes nine MRC/UCT groupings, as well as five new research groupings which received UCT accreditation in the course of the year.

### **Signature Themes**

Five Signature Themes were established at UCT three years ago to provide a framework for inter-departmental and inter-faculty research. The Signature Themes are grounded in existing areas of internationally-recognised excellence at UCT while being aligned to institutional, regional and national priorities. The five themes are the African Centre for Cities, Brain and Behaviour Initiative, Drug Discovery, Marine Research Institute, and Minerals to Metals. Four of the themes are recognised as Research Niche Areas (RNAs) by the National Research Foundation. During 2010 we reviewed the progress made under each theme and approved a further three-year funding cycle.

### **Intellectual property**

2010 was a year of significant change in the South African Intellectual Property (IP) and innovation landscape, with the promulgation of the IP Rights from Publicly Funded Research and Development Act (IPR Act), which is to come into effect on 2 August 2011, the establishment of an interim National Intellectual Property Office (NIPO) and the official launch of the Technology Innovation Agency (TIA) and its first call for proposals. We took a number of actions in response. Three publications (*Inventors Handbook*, *UCT Laboratory Notebook*, and *Innovation at UCT 2010*) were launched at an Innovation Evening where prolific inventors were recognised. The *Innovation at UCT 2010* report ran alongside the activities of a Working Group chaired by Prof Francis Petersen, that investigated the 'State of Innovation' at UCT as the basis for developing an innovation strategy that will dovetail with our research strategy.

### **Patents**

Thirty-six international patents were granted in 2010. Unfortunately, a number of invention disclosures received by Research Contracts & Intellectual Property Services did not result in provisional patent applications, as prior public

disclosure prevented this. Increased awareness of the need to patent before publishing (through ongoing departmental seminars and information sessions) should minimise this in the future.

### **Research portal**

Pleasing progress was made with the development of a sophisticated research portal integrated into the Enterprise Content Management project. Professor Ed Rybicki was commissioned to co-ordinate the efforts of ICTS, the Research Office and Faculties to ensure that the Research Portal meets the requirements of researchers. It is hoped that a prototype version will be up and running in November 2011.

### **Support**

The support for postgraduate students was increased through the greater availability of funds, the launch of the A-Z Guide for Postgraduate Students and the A-Z Guide for Postdoctoral Research Fellows, as well as the creation of the 'Blue Desk' in the Postgraduate Centre and Funding Office, which provides support to postgraduates and postdoctoral research fellows.

### **Establishing an Office of Research Integrity**

A pilot project for the establishment of an Office of Research Integrity made good progress during 2010.

### **Laboratory standards**

A working group under Professor Cyril O'Connor completed a review of the state of all the laboratories at UCT during 2010, and its recommendations will be implemented by a Laboratory Audit Working Group chaired by Professor O'Connor. This will happen in a phased way, starting in 2011.

## **C) SOCIAL RESPONSIVENESS**

UCT has set a strategic goal to expand and enhance our contribution to South Africa's development challenges. We are committed to engaged, policy-relevant research and teaching, as well as to expanding opportunities for students to become directly involved in socially-responsive learning. Our aim is to ensure that our research contributes to the public good through sharing knowledge for the benefit of society and through fostering in our students the acquisition of the civic literacy, knowledge and skills necessary to build a more just, equitable and unified South African society.

During 2010 work in this regard continued across campus, reflecting innovative partnerships between UCT academics and external stakeholders, including government at all levels, local communities, national and international social movements, continent-wide organisations, institutions from the global South and various international organisations.

Our social responsiveness engagements take varied forms including research activities, engagement with policy development, public commentary on development issues and strategies, social outreach activities by students, programmes to empower external constituencies, the improvement of the relevance of the curriculum and providing opportunities for lifelong learning.

### **Safety and Violence Initiative (SaVI)**

A multidisciplinary initiative around violence and crime was formed in 2010, drawing participation from the Faculties of Humanities, Law, Health Sciences, Science, and Engineering & the Built Environment. Work has begun on developing a paper to address the question of why there is so much violence in South Africa. Activities for 2011 include a UCT colloquium in April and a national conference in September. A selection process has been established for the appointment of a Pro Vice-Chancellor to lead the initiative.

### **Schools crisis**

An advisor was appointed during 2009 to assist the Vice-Chancellor develop a proposal for a UCT response to the schools crisis. Consultations initiated by the advisor led to the establishment of Edulab, a university-wide initiative that includes various departments, units and individuals that work in the field. Edulab committed itself in 2010 to focus the University's school improvement work in the township of Khayelitsha, Cape Town. A process was begun in the closing months of 2010 to find a co-ordinator for the schools crisis work and to steer the Edulab initiative.

### **The African Climate and Development Initiative (ACDI)**

During 2010 a "collective" grant was awarded from the Vice-Chancellor's Strategic Fund to support six research proposals related to climate change and development. Research has begun in the Department of Botany, the Climate Systems Analysis Group, the Graduate School of Business, the Environmental Policy Research Unit and the Environmental Evaluation Unit in this regard. The work includes studying matters relating to (i) changing atmospheric CO<sub>2</sub> as a driver of land-cover change in Africa, (ii) strategic change in organisations and governance systems in response to complex socio-ecological problems, (iii) the characterisation of the mechanisms of desiccation tolerance in plants, (iv) climate change, climate justice and behavioural responses to climate risk, (v) environmental governance for social justice as well as, (vi) developing a new "climate smart" capacity for climate services.

The Marine Research Institute (MA-RE) held three public seminars during 2010, drawing an audience from all walks of life. The debates stimulated through these seminars are important to raising awareness and facilitating intellectual discussion.

The process of selecting a Pro-Vice-Chancellor to lead the ACDCI started in 2010, but the appointment will be taken up in 2011. Emeritus Professor John Parkington agreed to be acting Pro Vice-Chancellor until the permanent appointment is concluded.

### **UCT Knowledge Co-op**

This project aims to help external constituencies (including NGOs and civil society groups) access the knowledge, skills, resources and professional expertise held within the University. A project manager has been appointed and the work in 2010 focused on promoting the project to UCT staff and to the external community. During the last quarter of 2010 the emphasis was on identifying possible pilot sites that could be used to generate guidelines for implementation. A list of 10 projects was drawn up, based on discussions with 22 UCT academics. Eight community groups were introduced to the UCT Knowledge Partnership. Funding from the National Research Foundation has been obtained to evaluate the impact of the project.

### **Participating in public debate**

During 2010 UCT staff and students continued their extensive participation in public discourse through debates on public platforms, and via the media. The media print clippings totalled 16 489 between February 2010 and January 2011. In terms of broadcast, coverage for UCT has totalled 5 364 feeds for the same time period, with radio accounting for 4 110 segments and TV coverage equalling 1 252 segments inclusive of UCT features, interviews or mentions. Online mentions of UCT during 2010 totalled 15 597.

### **CHEC activities**

UCT, is one of the four member universities of the Cape Higher Education Consortium (CHEC) during 2010. These activities included seminars on student performance and best practices in bursary provision, a study on the role of universities in driving innovation in the Western Cape, engagement with the Department of Economic Development and Tourism around the establishment of a Regional Innovation Forum and a Regional Innovation Strategy. One example of a response from UCT to provincial priorities is the development of a new postgraduate diploma in addiction care and a specialised honours degree in clinical social work focusing on substance abuse. UCT also participated in the discussions between CHEC and the Department of Economic Development in the City of Cape Town about possible partnerships. The partnership project plans to include seminars, staff training, a graduate placement programme, and research.

## **D) OTHER KEY UCT DEVELOPMENTS DURING 2010**

### **Rankings**

Aside from being the top-ranked African university on various research weighted ranking systems, UCT's Gradu-

ate School of Business was placed 49th in the world for customised programmes on the Financial Times' executive education custom ranking for 2010. The Times Higher Education Life Sciences Universities 2010 listing placed UCT 45th out of the top 50 life sciences universities. Institutions in the top half of the list hail from the US, Canada and the UK.

### **Milestone awards**

The Department of Science and Technology (DST) announced Professor Jill Farrant (molecular and cell biology) as winner of the Distinguished Woman Scientist in the Life Sciences award and Prof Karen Sliwa-Hahnle (cardiology) as runner up. Dr Floretta Boonzaier (psychology) was first runner-up in the Distinguished Young Woman Researcher in the Social Sciences or Humanities category.

The South African Institute of Physics (SAIP) awarded A-rated researcher and cosmologist Emeritus Professor George Ellis their De Beers Gold Medal - the institute's highest award - for his work in theoretical cosmology.

Professor Chuma Himonga was awarded the DST NRF Chair in Customary Law, part of the South African Research Chairs Initiative.

Zoologist Dr Gary Bonner had a fossil named after him, in recognition of his "major contributions" to understanding the biology of Africa's endemic and enigmatic golden moles.

Dr Hanna-Andrea Rother was the 2010 recipient of the VC's Distinguished Social Responsiveness Award for her work on the use of illegal and highly toxic pesticides among the poor in Cape Town's peri-urban communities.

Professors Margit Härting and David Britton won the Academic Research and Development Award at the IDTechEx Printed Electronics Europe Awards 2010, beating competitors from some of the world's most illustrious universities.

Professor Jean-Paul van Belle won the IBM Faculty Award, leading to funding of more than R162 000 to create an ICT resource toolkit which will assist small African organisations in assessing their readiness for e-commerce.

Five UCT researchers – among 12 from South Africa – were selected to contribute to the Fifth Assessment Report (AR5), expected to be released late in 2011, of the Intergovernmental Panel on Climate Change.

### **Distinguished visitors and events**

Former president Thabo Mbeki addressed the inaugural African Student Leaders' Summit in Jameson Hall. The

summit was attended by 40 student leaders from seven universities in South Africa and nine other countries in Africa. Students engaged with key issues facing Africa.

Dr Blade Nzimande, Minister of Higher Education and Training, and his ministerial delegation visited the campus for a five-hour tour and briefing on 17 August.

Pulitzer Prize-winning author Professor Alice Walker delivered the 11th Annual Steve Biko Memorial Lecture, drawing on her poetry and personal history.

Several Vice-Chancellor's Open Lectures were held during the year. These are open to the UCT community and to the general public. Nobel Laureate Professor Richard Ernst's presentation explored the fascinating insights in chemistry, biology and medicine by nuclear magnetic resonance and magnetic resonance imaging. Sir Norman Myers, Professor and Fellow of the 21st Century School, Green College, and the Said Business School, Oxford University, spoke on the mass extinction of species and what can be done to halt it. Professor Rajmohan Gandhi talked of the impact of dialogue on peace and security in the 21st century. Professor Thandika Mkandawire of the London School of Economics spoke on the challenges of African development.

The TB Davie lecture, hosted by the UCT Academic Freedom Committee (AFC), is an annual lecture on academic freedom. This year Mr Robin Briggs, Senior Research Fellow, All Souls College, Oxford, spoke on the impact of managerialism on academic freedom in the European context in his lecture titled *The Knowledge Economy and Academic Freedom*. This was followed by a panel discussion on 16 August. Briggs is a prominent contributor to debates on the restructuring of universities in the UK and a commentator on similar initiatives in France. The theme addressed one of the main concerns of the AFC.

The World Cup had an extended impact, from the re-arranging of term timetables and late graduations, to the revamping of 3 500 bedrooms in UCT residences to equip these for tourists, to the public viewing sites and park-and-ride from UCT, which brought many new visitors onto the campus.

### **Appointments and operations**

Professor Alison Lewis was named as University Orator, a position she took on formally when she delivered the citations for UCT's five honorary graduates at the 2010 June graduation ceremonies.

Professor Don Ross took the reins as Dean of Commerce on 1 June. The terms of office of two other Deans, Professors Paula Ensor (humanities) and Marian Jacobs (health sciences), were extended to December 2013 and December 2012 respectively, following strong votes of confidence from the members of their faculty boards.

A new study commissioned by the Higher Education HIV and AIDS programme showed that UCT has a relatively low HIV prevalence, but it also identified trends that constitute serious risk factors for contracting HIV. For UCT, the prevalence rates for the sample of students and staff was low at 0.2%. The national student HIV prevalence rate was reported as 3.4%. The survey established a useful baseline, and suggested that the UCT strategy for fighting HIV/AIDS is on the right track and achieving the desired results.

The Transformation Management Advisory Committee and the Joint Consultative Forum on Employment Equity were merged into the Vice-Chancellor's Transformation Advisory Committee, chaired by the Vice-Chancellor.

A number of policies were streamlined to improve operations. These included the new Integrated Financial Policy; the new policies on retaining retired staff; improving conditions for employment for contract staff; a review of the criteria for ad hominem promotion and performance evaluation of academics, creating more consistency and flexibility across faculties, and introducing the merit awards.

The Outsourcing Review, which began in late 2009, was completed. The independent external review recommended that two of the service providers be 're-insourced'. However, it was subsequently decided that the university would continue to outsource all seven services on campus and that UCT would tighten up implementation of its code of good practice and provide further benefits to outsourced workers.

A research project on academic unions in SA and abroad was commissioned and completed.

UCT Admissions office launched an online application system, which was implemented for the 2011 admissions cycle. Half of all applications were subsequently made on-line – well above what was expected for the first year. A task group is working on the development of an on-line registration system.

UCT continued to invest millions on campus security to safeguard staff and students against crime. As a result, crime has decreased. However, UCT students and staff become victims of crime in the areas around campus where they live. The University's commitment to forge a new social contract with local businesses, property owners and residents bore fruit with the establishment in September of the Groote Schuur Community Improvement District.

There were significant developments from an infrastructure point of view and a particularly busy year for the University Building & Development Committee (UB&DC). UCT acquired new and additional spaces for teaching, learning and research during 2010. UCT committed to

spending more than R900 million over the next three years on infrastructure development. The Department of Higher Education funded about one third of this capital expenditure programme through an infrastructure development grant, with the remainder funded through the University's multi-year budget process from interest earnings reserves and loans. During the year ICTS relocated to new premises on Main Road. The Archives were relocated from Middle Campus to Mill Court. UCT refurbished, reconfigured and relocated Student Housing from Grotto Mews to Avenue Road. The new Student Administration Building was completed (December 2010) and the School of Economics on the Middle Campus, is due to be completed in mid-2011. A new engineering building is in the pipeline. UCT has made excellent progress in the building of Obz Square student residence, for handover in 2012. UCT refurbished the Breakwater Lodge and completed phase II of the Capital Asset Management Plan.

The Admissions Policy Review Task Team continued working this year to further develop the criteria to minimise or eliminate the use of race as proxy for disadvantage. UCT hosted a debate on campus on its admissions policy and there was extensive public engagement through television, radio and newspapers.

UCT launched its OpenContent Directory, which allows for easy, free online access to a selection of UCT teaching and learning resources.



*Dr Max Price*  
*Vice-Chancellor*



# REPORT ON INTERNAL ADMINISTRATION OPERATIONAL STRUCTURES AND CONTROLS BY THE AUDIT COMMITTEE

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

The University maintains systems of internal control to mitigate identified risks and to safeguard its assets. The University has a documented organisational structure and division of responsibilities, and established policies and procedures, which are communicated throughout the University. The documentation on organisational structure was reviewed by management during 2009 and a report made to the Audit Committee. Details of organisational structure are not static and are continuously under review. However, the essential elements are now stable.

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

The University applies what it considers to be acceptable standards to protect privacy and ensure control over all data, including disaster recovery and back-up procedures, while at the same time complying with the intention and the letter of the Promotion of Access to Information Act to make available information and data that should be in the public domain, as befits a public institution. Steps have been taken to prepare the University for data protection legislation which may be introduced when the Protection of Personal Information Bill becomes law insofar as it may relate to data on staff and students.

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

The university's independent auditors, Ernst & Young, assess the key accounting systems on an annual basis and have found that, while controls are generally adequate, there are areas where the control environment could be improved. These have been brought to the attention of the Audit Committee and management and are being attended to. Ernst & Young have reported on

the progress made in addressing these issues, indicating where items have been resolved, partially resolved or not yet resolved. In certain instances management may suggest that they are comfortable with accepting a particular risk. These latter items require the acceptance of the Audit Committee. There were no such instances in the period under review.

It is the role of Internal Audit to monitor internal control systems and to assist line management in ensuring the adequacy of such controls. The Audit Committee has been concerned about the effectiveness of Internal Audit in fulfilling this role, and reports that the University has instituted measures to rectify the situation. The University has now appointed a new Director of Internal Audit, at a more senior level than the previous Head. The new Director, who commenced work in January 2011, has been tasked with establishing an effective Internal Audit function.

Council, through its Audit Committee, provides oversight of the preparation, integrity and fair presentation by management of the financial statements and of the financial reporting process.

### **Committee structures**

The University Audit Committee is a standing committee of the Council, which in terms of its constitution consists of 'at least three members (who should be financially literate) of whom at least two should be from members of Council other than the Executive Officers, staff or students'. The current membership of the Committee, which is compliant with the constitution, is set out in the table below.

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

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

Attendance at Audit and Risk Management Committee meetings during 2010 is given in the tables below.

Audit Committee		Feb	April	May	Aug	Nov	%
Mr C McClelland	Chair	P	P	P	P	P	100
Mr A Jakoet	Deputy Chair	P	P	P	P	P	100
Mr Justice I G Farlam	Council Member	P	Ap	Ap	P	P	60
Advocate A C Mopp	Member	P	P	P	P	P	100
Dr M R Price	Member (Vice-Chancellor)	P	P	P	P	P	100
Advocate M Seligson SC	Council Member	P	P	P	P	P	100

Risk Management Committee		Feb	May	Aug	Nov	%
Dr M R Price (VC and Chair)		Ap	Ap	P	P	50
Professor E Uliana (Deputy Chair)		P	P	P	P	100
Professor K Driver		P	Ap	Ap	P	50
Professor F Petersen		Ap	P	P	Ap	50
Mr C McClelland (Audit Committee assessor member)		P	P	P	P	100
Mr H T Amoore		Ap	P	Ap	P	50
Mr J Critien		P	Ap	P	P	75
Ms M Khan		P	Ap	P	Ap	50
Ms G Kruger		Ap	Ap	P	P	50

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

### Assessing and managing risk

The Risk Management Committee continues to identify areas of risk and ensure that there are appropriate controls for managing key risk areas. Areas which have been identified as requiring more detailed work include the health and safety system and legal compliance. A sub-committee of the Risk Management Committee has assessed the University's insurance and levels of cover and is satisfied that adequate insurance is in place.

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

Financial and contractual risk decisions are taken within limits decided by Council on the advice of the Audit, Finance and Investment Committees. The Audit Committee is satisfied that, at a macro level, risks have been identified and appropriately addressed. The Audit Committee remains committed to ensuring that a risk-awareness culture is promoted more actively. Extending risk awareness within the University must remain a major focus of risk management.

The following list of delegated authorities was reviewed by the Committee and, following amendment, recommended to Council where they were approved at its December 2010 meeting:

- financial authority limits;
- authorities for human resources;
- authorities for research and research-related contracts;
- authorities in respect of development contracts; and
- authorities delegated to the Registrar.

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

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

The key responsibilities of the Audit Committee are listed on page 12 of the Council Report on Corporate Governance.

### Areas of focus of the Audit Committee

As the Audit Committee is required by Council to ensure that management has adequate controls in place over assets, risk and financial systems and controls generally,



and has systems to allow for timeous and accurate financial reporting that comply with all applicable requirements, its focus is on the following key areas:

#### *Tax risks*

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

#### *Going concern*

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

#### *Risk associated with research and related funds*

Understanding the drivers of risk in the tax arena motivated the Committee to gain a better understanding of the overall control risks associated with research activity and related funds. All external members of the Committee attended a workshop in January 2010 on how these areas are managed and controlled within the University. Significant support for the correct use of research funding is gained from the various factual findings audits required by funders.

#### *Risk Policy Framework for the University, and Whistle Blowing Guidelines*

Both the Risk Management and Audit Committee spent a considerable amount of time developing a Risk Policy Framework and Whistle Blowing Guidelines. Both of these documents were adopted by Council in December 2010.

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

The Committee, through its Risk Management Committee, has initiated a programme to assess the University's compliance with the various legal and governance requirements to which it is subject. The task was hampered by delays in the appointment of a legal officer and will continue to be a focus of the Risk Management Committee for 2011.

#### *Information Technology*

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

### **Risk Policy Framework**

As indicated above, the University Council, at its meeting held on 4 December 2010, adopted the following policy framework for addressing risk on the recommendation of the Risk Management Committee and the University Audit Committee:

### **Risk Policy Framework**

The Council recognises the importance of managing risk, and has assigned accountability for this to the Vice-Chancellor.

1. The first priority for risk management relates, and will always relate, to the safety and welfare of all who work at or for the university: all staff, all students, visitors and contractors. Risk management must in the first instance be directed towards the safety and welfare of people.
2. The integrity of the university's academic work (teaching and learning, research and social responsiveness) is of paramount importance and every possible step must be taken to limit risks to this integrity.
3. The university owes it to all its members to safeguard its reputation. Risk mitigation measures must be in place to deal with strategic and reputational risk.
4. The university is a public institution, and has a duty to itself and to society to safeguard its material assets and to ensure their appropriate use. Risk mitigation strategies must take this into account.

Having regard to the above, the Council:

- vests in the Vice-Chancellor (supported by management and the Risk Management Committee (RMC)) responsibility for all aspects of risk, including people risk;
- vests in the Senate accountability and responsibility (which Senate exercises through its officers and its structures, in particular the Senate Executive Committee, the Faculty Boards, the Faculty Examinations Committees, the Admissions & Progression Committee and the University Research Committee (URC)) for combined assurance for risk in relation to the University's academic work. The Quality Assurance Working Group (QAWG) has as its brief, responsibility for ensuring that adequate controls are in place to mitigate academic risk in relation to teaching and learning and to strengthen systems where needed. Direct oversight of risk in relation to academic matters is exercised by Deans and Faculty Boards, and Heads of Academic Departments. Similarly, the URC is accountable to Senate for ensuring that adequate controls are in place to mitigate risk in relation to research, and to strengthen systems where needed; and the Social Responsiveness Committee has a parallel role in relation to social responsiveness;
- vests in the Vice-Chancellor, the Executive Officers (the DVCs) and through the Vice-Chancellor all levels of senior leadership responsibility for the management of

risk, including but not limited to strategic and reputational risk;

- vests in the standing RMC (which is chaired by the Vice-Chancellor) responsibility for (i) identifying all areas of risk and ensuring that risk mitigation strategies are in place for all areas of risk; (ii) reviewing the management of risk in relation to academic work by the QAWG and URC on an annual basis; (iii) reviewing the management of risk in relation to research undertaken by the URC; (iv) reviewing the management of risk by health and safety structures; (v) reviewing the management of risk by the Physical Risk Co-ordinating Committee; and (vi) holding designated executive officers, deans and senior managers accountable for specific areas of risk mitigation/containment, across all areas of the University;
- requires the RMC to satisfy the Audit Committee that there is an overall combined assurance strategy and structure for risk management; and
- requires the Audit Committee to satisfy itself that systems of internal control are regularly tested and, where necessary, dealt with. The Audit Committee is to have an opportunity at every Council meeting to report on issues of importance as it sees them; this is done by having a standing item for every Council meeting.

The RMC must identify risks and regularly review risk management and risk mitigation strategies in the following areas:

1. Safety of people risks (the RMC must oversee and ensure health and safety compliance);
2. Risk related to the integrity of the University's academic work, teaching and learning, research and social responsiveness;
3. Reputational risk (reputational risk arises indirectly in most areas, but the RMC has an added responsibility for reviewing this as a separate risk area as well);
4. Risk related to legal compliance (or failure to comply); and
5. Risk arising from crime.

Risks related to each of the following broad operational areas for which risk schedules must be prepared and be regularly assessed.

- Commercial (ED Finance)
- Communication and Marketing (ED Communication and Marketing)
- Financial (ED Finance)
- Human Resources (ED HR)
- Information Technology (ED ICTS)
- Property and Services, including crime and safety of people (ED Properties & Services)
- Student on-campus experience (ED Student Affairs)
- Student and Student Related Risk (Academic, academic record, throughput rates etc.) (Registrar)
- Legal Compliance and Litigation (Registrar)

- Development & Alumni (ED DAD)
- Reputational risk

As insurance is an important risk-mitigating strategy, the RMC must undertake periodic reviews of insurance cover so as to ensure that the university is adequately covered for insurable risks. A standing working group headed by the ED Finance or nominee must arrange adequate cover for all insurable risk.

The Quality Assurance Working Group and the University Research Committee will report to the RMC on an annual basis, while the Physical Risk Co-ordination Committee and the Insurances Working Group report as and when required. The RMC reports to the Audit Committee. The RMC is accountable, as part of its responsibility for mitigating business risks, for ensuring that effective policies and procedures are in place dealing with ethics, fraud prevention, and whistle blowing.

Senate accounts to Council in three annual reports for its work in terms of a Council requirement that the Senate account to it for the academic work of the University: this is done, inter alia, by annual reports on teaching and learning, on research, and on social responsiveness.

#### **Rotation of the independent auditors**

The University's policy is that, in the ordinary course of events, an audit firm will be appointed for an initial three-year period, followed by a full-scale review of performance after which, if the performance is judged satisfactory, there would be an expectation of annual appointments for a period of five additional years. The University is able to terminate the appointment at any time during the initial three-or subsequent five-year period. At the end of the second period (i.e. after a total of eight years) the University will seek tenders for the audit appointment. The incumbent audit firm will not be debarred from competing for the appointment.

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

The Committee reviewed the scope of the independent auditors' programme. It also considered a separate independent report which was made of the IT environment with a focus on controls and applications that are key from a financial audit perspective.

During the year the Committee interacted with Internal Audit in respect of its programme of work and continues to review progress and the findings in Internal Audit Reports. As previously reported, concerns about the effectiveness of the internal audit function led to a decision to seek an independent review of this from Ernst & Young. As explained above, this led to a plan to strengthen the internal audit function, both in general and with regard to skills in the area of information systems audit.

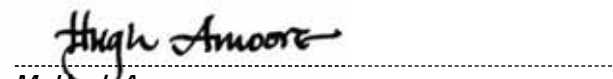
**Assurances received and review of the Annual Financial Statements**

The Committee received an assurance from the independent auditors that there were no material unresolved accounting or audit problems relating to the audit of the 2010 financial year, and was also assured by the auditors that adequate accounting records were being maintained. The Annual Financial Statements are prepared in terms of International Financial Reporting Standards and in the manner required by the Minister of Higher Education and Training as set out in the manual on annual reporting issued by the Department of Higher Education (previously the Department of Education). All accounting policies had been approved by the Audit Committee and there have been no changes to those adopted in previous years.

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



**Mr Colin McClelland**  
**Chair of Audit Committee**



**Mr Hugh Amoore**  
**Registrar**  
**15 June 2011**



# ANNUAL FINANCIAL REVIEW BY THE CHAIR OF THE FINANCE COMMITTEE AND THE EXECUTIVE DIRECTOR FINANCE

## **Securing Financial Stability for UCT**

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

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

- *We target a surplus from Council-controlled recurrent operations to fund new initiatives and provide a hedge*

*against unforeseen circumstances.*

- *Capital expenditure is undertaken in terms of the strategic framework, and is constrained by affordability as evidenced by available cash resources and borrowing capacity.*
- *Debt finance is used conservatively if required and further constrained by the ability to service the debt, in terms of both the interest and capital repayments.*
- *Investment income after deducting all financing costs, being volatile in nature, is only used to seed new initiatives and other strategic choices.*

## **Financial Management**

UCT pays particular attention to financial management, seeking to ensure a combination of good practice, stewardship and forward projection that provides the university with the financial resources needed to meet its objectives. The comprehensive university financial plan consists of seven distinct yet interrelated components: continuing educational operations; research and other operations similarly dependant on specific funding; staff and student housing operations; investment income and financing expenditure; capital expenditure; capital structure and financing; and cash flow planning.

## **Highlights 2010**

The University financial policy was revised during 2010 after extensive consultation. The fundamental principles remained but details were amended to reflect current circumstances and to sharpen the integration of the various components of the policy and other university processes.

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

Total recurrent operating income increased by R208 million (13,8%) to R1 719 million, mainly from increases in:

- State subsidy of R127 million (16,4%) to R903 million. This includes the first release of infrastructure subsidies received in previous years which are now reflected under income to match expenditures (R7 million) as required in terms of IFRS reporting requirements.
- Tuition and other fee income of R77 million (13,3%) to R654 million. The increase in tuition fees comprised a general increase of 9,75%; differentiated increases in the faculties of Health Science, Engineering and the Built Environment and Commerce (R77 million); increased enrolments generated a further R15 million, mainly in the Faculty of Humanities and the Semester Study Abroad program.

lion, mainly due to an increase in personnel costs of R126 million (13,7%) to R1 046 million.

Our undergraduate students received R355 million in total financial support, up from R312 million in 2009 and R232 million in 2008. This support comes from various sources; corporate and other external bursaries support students to the value of R157 million, and NSFAS provided loans amounting to R72 million. UCT added R24 million to bursaries and scholarships, bringing the total to R110 million, increased from R40 million in 2007. The financial aid portion amounted to R93 million. In addition, income from endowments and other funds available to the University contributed a further R33 million.

The net result of the recurrent operations was a modest surplus of R33 million (2009 R24 million), being 1,9% of total operating revenues, emphasising the tight margins within which we function. The subsidy framework is currently under review by the Department of Higher Education and Training, and we are aware that the consequences for UCT could be destabilising, particularly in light of the pressures on fee levels.

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

After several years of high growth, tripling the level of activity, revenues have stabilised at about R1,1 billion. Hidden by this flattening of revenues is the fact that there has been a decrease in inflows from the private sector offset by an increase in Government-related grants, which is described in more detail in part 2 of the Vice-Chancellor's report. The growth over an extended period has placed significant demands on our operations as the impact of the tripling of activities has manifested itself in the Research Office, Con-

Expenditure grew by R199 million (13,4%) to R1 686 mil-

tracts Office, Human Resources, Finance Department and a host of others. Donations and gifts of R178,8 million were marginally above the amount raised in 2009 (R177,1 million), probably reflecting the difficult economic conditions. Staff and Student Housing is required to cover its costs and provide enough resources for long-term maintenance and to contribute towards increased residence capacity. Revenues increased by 12,7% to R210 million, generating a surplus of R5 million. This surplus is applied to extending the housing stock, thereby providing greater access to UCT. The increased fee revenue in the student housing area resulted from increased fees of 10,5% on accommodation and 10% on food, and an increase in available beds. Increases in operating costs were mainly due to the increased student numbers, the cost of utilities and the setting up of the new Pinelands Grove residence. UCT participated in the 2010 Soccer World Cup, providing a unique experience for students who were involved in the initiatives. While accommodation did not reach the hoped-for levels, we were more successful than other universities. Other UCT involvement generated considerable profile for UCT and on balance we believe it was worth the effort and the marginal net cost.

Capital Expenditure of approximately R1 billion has been initiated for the period to 2012. The middle campus development of the School of Economics and the Student Administration buildings was near completion late in 2010. The Information and Communication Technology unit moved to Mowbray. Their space on upper campus was reassigned for academic purposes. The construction of the residence in Observatory to house approximately 900 students got underway late in 2009. The total cost of the residence will be in the region of R500 million and the project has progressed well and is expected to be completed within budget and in time for the student intake in 2012. Planning for a new Engineering building, for completion in time for the 2013 intake of students, has commenced, while the refurbishment of the Centlivres building for Architecture has been delayed as alternative opportunities have been identified which may yield better facilities. These opportunities have yet to be finalised. The refurbishment of the Breakwater Lodge has also progressed well in terms of both time and budget.

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

borrowing capacity which is constrained by our ability to service debt.

In approving the capital projects outlined above, Council indicated that the free cash reserves should not fall below R200 million during the currency of their implementation. Due to the delays in the commencement of some of these projects it may be possible to fund these from cash flow, with limited, if any, use of external funding. It is thus unlikely that we will need to borrow in respect of these projects. This situation provides us with the leverage to undertake further projects if necessary, subject to a revised financial assessment at such time.

The Cash Flow cycle at UCT has a low point at the end of the financial year and peaks in July/August after the bulk of the fees and most subsidies have been received. Careful planning and management of our cash is crucial in generating interest income and in providing the capacity to undertake major projects such as those described above.

The Financial Sustainability of UCT is a function of recurrent operations and free cash reserves. The table below shows that the Council-controlled unrestricted operations generated a surplus of R33 million in 2010. While these margins are extremely low, the risk is somewhat mitigated as we know the bulk of our income (subsidy and fees) early in the operating cycle, and if these were significantly different from plan we would be able to react and adjust our operations accordingly.

The UFC has assessed the free cash balance, future commitments and plans and is satisfied that the free cash holding is substantially in line with the financial policy.

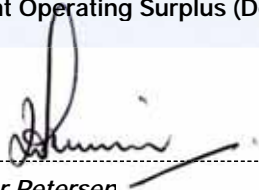
Of the overall operating surplus of R339,8 million reflected in the Consolidated Income Statement, R139,3 million arises from non-recurrent items primarily relating to profits on the sale of investments, with R80,6 million being in respect of specifically funded restricted activities. While these activities contribute greatly to the mission of the university, they do not often provide for sustainability and draw on infrastructure support.

The recurrent surplus attributable to Council controlled unrestricted funds has remained static at R114,9 million, compared to R115 million in 2009, investment income being the major contributor in both years.



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

	2010	2009	2008	2007	2006
<b>Recurrent income</b>	<b>1,719</b>	<b>1,511</b>	<b>1,306</b>	<b>1,207</b>	<b>1,082</b>
State appropriations-subsidies & grants	903	776	684	640	570
Tuition and other fee income	654	577	483	425	401
Sales of goods & services	146	151	134	134	106
Private gifts & grants	16	7	5	8	5
<b>Recurrent expenditure</b>	<b>1,686</b>	<b>1,487</b>	<b>1,319</b>	<b>1,185</b>	<b>1,078</b>
Personnel	1,046	920	801	721	681
Other operating expenses	505	461	443	405	342
Bursaries	110	86	56	40	40
Depreciation and minor capital items expensed	25	20	19	19	15
<b>Recurrent Operating Surplus (Deficit)</b>	<b>33</b>	<b>24</b>	<b>-13</b>	<b>22</b>	<b>4</b>



Mr Trevor Petersen  
Chair: Finance Committee  
15 June 2011



Professor Enrico Uliana  
Executive Director: Finance  
15 June 2011



## C) CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

The annual financial statements presented on pages 33 to 65 of this annual report for the calendar year 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Minister of Higher Education and Training, as contained in the manual on annual reporting issued by the Department of Higher Education and Training, and include amounts based on judgements and estimates made by management as more fully laid out in the notes to the financial statements. Council also prepared other information as required to be included in this annual report and is responsible for both its accuracy

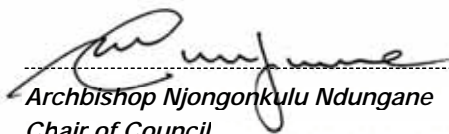
and consistency with the annual financial statements.

The going concern basis has been adopted in the preparation of the annual financial statements. 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 confirm the viability of the institution.

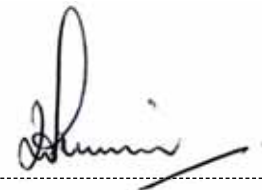
The financial statements have been audited by Ernst & Young Inc. who have been given unrestricted access to all financial records and related data, including minutes of the meetings of Council and all its committees. Council believes that all representations made to the independent auditors during their audit were valid and appropriate.

#### Approval by Council of the Annual Financial Statements

The annual financial statements set out on pages 33 to 65 were approved by the University Council on 15 June 2011 and are signed on its behalf by:



*Archbishop Njongonkulu Ndungane*  
*Chair of Council*  
*15 June 2011*



*Mr Trevor Petersen*  
*Chair of Finance Committee*  
*15 June 2011*



*Dr Max Price*  
*Vice-Chancellor*  
*15 June 2011*



*Professor Enrico Uliana*  
*Executive Director: Finance*  
*15 June 2011*



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

We have audited the annual financial statements of the University of Cape Town, which comprise the statement of financial position as at 31 December 2010, the income statement, the statement of comprehensive income, changes in fund balances and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 65.

## Council's Responsibility for the Annual Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk as-

essments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the University of Cape Town as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Minister of Higher Education and Training in terms of S41 of the Higher Education Act 101, 1997 (as amended).

*Ernst & Young Inc.*

**ERNST & YOUNG INC.**

**Marise Delpont: Director**

**Registered Auditor**

**Chartered Accountant (SA)**

**Ernst & Young House**

**35 Lower Long Street**

**Cape Town**

**15 June 2011**





# UNIVERSITY OF CAPE TOWN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2010

	Note	2010 R'000	2009 R'000
<b>ASSETS</b>		4,964,799	4,415,286
<b>Non-current assets</b>		3,861,866	3,234,918
Property, plant and equipment	5	1,478,736	1,041,618
Investments	6	2,364,892	2,173,352
Investments in associates	7	-	-
Non-current receivables and prepayments	8	18,238	19,948
<b>Current assets</b>		1,102,933	1,180,368
Inventories	9	648	685
Accounts receivable and prepayments	10	269,441	292,550
Loans to employees	10	1,508	266
Student fees receivable	10	33,504	38,615
Cash at bank and cash equivalents	11	797,832	848,252
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		4,964,799	4,415,286
<b>Accumulated funds</b>		4,260,736	3,875,760
Non-distributable funds		1,766,756	1,592,674
Endowed funds		1,383,671	1,254,740
Revaluation reserve		383,085	337,934
Restricted funds designated for specific activities		1,439,214	1,353,549
Education and general		1,300,124	1,219,376
Student and staff accommodation		139,090	134,173
Unrestricted council controlled funds		1,054,766	929,537
<b>Non-current liabilities</b>		437,422	325,306
Interest bearing borrowings	12	317	976
Deferred revenue – government grants	13	227,075	140,000
Provisions – employee benefits	14	210,030	184,330
<b>Current liabilities</b>		266,641	214,220
Accounts payable and accrued liabilities	15	143,801	116,501
Deferred revenue – government grants and project income	16	9,412	7,115
Student deposits		34,535	29,616
Provisions – employee benefits	14	78,234	59,779
Current portion of interest bearing borrowings	12	659	1,208

# UNIVERSITY OF CAPE TOWN

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in R'000)

		Education and General					
	Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2010 TOTAL	Change %
<b>Recurrent revenue</b>		1,784,331	1,087,472	2,871,803	210,394	3,082,197	6.1
State appropriations-subsidies and grants	17	902,911	230,340	1,133,251	-	1,133,251	12.4
Tuition and other fee revenue		654,404	-	654,404	183,391	837,795	13.3
Income from contracts		1,114	458,358	459,472	-	459,472	(6.5)
Rendering of services		144,194	116,279	260,473	24,011	284,484	0.3
Donations and gifts		16,007	162,806	178,813	-	178,813	1.0
<b>Sub-total</b>		1,718,630	967,783	2,686,413	207,402	2,893,815	7.2
Interest and dividends	18	65,701	119,689	185,390	2,992	188,382	(8.8)
<b>Recurrent expenditure</b>		1,669,464	1,006,886	2,676,350	205,332	2,881,682	13.1
Personnel	19	1,045,988	405,602	1,451,590	27,388	1,478,978	14.4
Other operating expenses	20	504,959	401,385	906,344	159,202	1,065,546	8.0
Financial aid and Scholarships		109,849	179,362	289,211	-	289,211	26.6
Depreciation	5	25,166	20,535	45,701	2,051	47,752	21.3
<b>Sub-total</b>		1,685,962	1,006,884	2,692,846	188,641	2,881,487	13.1
Net finance costs		(16,498)	2	(16,496)	16,691	195	(44.6)
Finance costs	21	135	2	137	58	195	(44.6)
Interest on internal borrowings		(16,633)	-	(16,633)	16,633	-	-
<b>RECURRENT SURPLUS</b>		114,867	80,586	195,453	5,062	200,515	(44.0)
<b>NON-RECURRENT ITEMS</b>		5,592	133,798	139,390	(80)	139,310	90.1
Loss on disposal of property, plant & equipment		(3,354)	(5,037)	(8,391)	(209)	(8,600)	981.8
Realised profit on sale of investments		9,043	150,444	159,487	130	159,617	105.9
Impairment of available-for-sale investments		(97)	(11,609)	(11,706)	(1)	(11,707)	238.2
<b>NET OPERATING SURPLUS</b>		120,459	214,384	334,843	4,982	339,825	(21.2)
Transfer between funds		(4,865)	4,930	65	(65)	-	-
<b>NET SURPLUS *</b>		115,594	219,314	334,908	4,917	339,825	(21.2)

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

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

*(All amounts in R'000)*

	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2010 TOTAL
<b>Surplus for the period</b>	115,594	219,314	-	4,917	339,825
<b>Other comprehensive income:</b>					
Available for sale – changes in fair value	-	-	45,151	-	45,151
Unrealised movement in market value	-	-	193,061	-	193,061
Reclassification adjustment for items included in income statement	-	-	(147,910)	-	(147,910)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>115,594</b>	<b>219,314</b>	<b>45,151</b>	<b>4,917</b>	<b>384,976</b>

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2010

*(All amounts in R'000)*

	Non-Distributable		Funds Restricted for Specific Activities	Unrestricted Funds	TOTAL	
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing Council Controlled		
<b>FUND BALANCES AS AT 1 JANUARY 2010</b>	1,254,740	337,934	1,219,376	134,173	929,537	3,875,760
<b>Total comprehensive income</b>	-	45,151	219,314	4,917	115,594	384,976
Net surplus for 2010	-	-	219,314	4,917	115,594	339,825
Other comprehensive income	-	45,151	-	-	-	45,151
Transfers between funds	128,931	-	(138,566)	-	9,635	-
<b>FUND BALANCES AS AT 31 DECEMBER 2010</b>	<b>1,383,671</b>	<b>383,085</b>	<b>1,300,124</b>	<b>139,090</b>	<b>1,054,766</b>	<b>4,260,736</b>

# UNIVERSITY OF CAPE TOWN

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in R'000)

Note	Education and General			Student and Staff Housing Restricted	2009 TOTAL	Change %	
	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total				
<b>Recurrent revenue</b>	1,596,642	1,122,892	2,719,534	186,788	2,906,322	13.3	
State appropriations-subsidies and grants	17	776,488	231,630	1,008,118	-	1,008,118	11.8
Tuition and other fee revenue		576,678	-	576,678	162,852	739,530	18.5
Income from contracts		105	491,252	491,357	-	491,357	21.9
Rendering of services		150,506	112,701	263,207	20,436	283,643	12.6
Donations and gifts		7,142	169,928	177,070	-	177,070	1.4
<b>Sub-total</b>		1,510,919	1,005,511	2,516,430	183,288	2,699,718	14.6
Interest and dividends	18	85,723	117,381	203,104	3,500	206,604	(1.1)
<b>Recurrent expenditure</b>		1,481,634	895,170	2,376,804	171,353	2,548,157	14.8
Personnel	19	919,974	348,851	1,268,825	24,378	1,293,203	16.3
Other operating expenses	20	460,860	386,360	847,220	139,644	986,864	10.6
Financial aid and Scholarships		85,999	142,361	228,360	-	228,360	28.4
Depreciation	5	19,904	17,594	37,498	1,880	39,378	10.5
<b>Sub-total</b>		1,486,737	895,166	2,381,903	165,902	2,547,805	14.8
Net finance costs		(5,103)	4	(5,099)	5,451	352	(36.9)
Finance costs	21	232	4	236	116	352	(36.9)
Interest on internal borrowings		(5,335)	-	(5,335)	5,335	-	-
<b>RECURRENT SURPLUS</b>		115,008	227,722	342,730	15,435	358,165	3.7
<b>NON-RECURRENT ITEMS</b>		5,276	67,930	73,206	68	73,274	26.5
Loss on disposal of property, plant & equipment		(174)	(621)	(795)	-	(795)	54.1
Realised profit on sale of investments		5,763	71,700	77,463	68	77,531	(27.1)
Impairment of available-for-sale investments		(313)	(3,149)	(3,462)	-	(3,462)	(92.8)
<b>NET OPERATING SURPLUS</b>		120,284	295,652	415,936	15,503	431,439	6.9
Transfer between funds		(10,385)	10,401	16	(16)	-	-
<b>NET SURPLUS *</b>		109,899	306,053	415,952	15,487	431,439	6.9

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

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

(All amounts in R'000)

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

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

(All amounts in R'000)

	Non-Distributable		Funds Restricted for Specific Activities	Unrestricted Funds	TOTAL	
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing Council Controlled		
<b>FUND BALANCES AS AT 1 JANUARY 2009</b>	1,168,462	216,718	1,009,631	118,686	809,608	3,323,105
<b>Total comprehensive income</b>	-	121,216	306,053	15,487	109,899	552,655
Net surplus for 2009	-	-	306,053	15,487	109,899	431,439
Other comprehensive income	-	121,216	-	-	-	121,216
Transfers between funds	86,278	-	(96,308)	-	10,030	-
<b>FUND BALANCES AS AT 31 DECEMBER 2009</b>	<b>1,254,740</b>	<b>337,934</b>	<b>1,219,376</b>	<b>134,173</b>	<b>929,537</b>	<b>3,875,760</b>

# UNIVERSITY OF CAPE TOWN

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 R'000	2009 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from students, government and private sources		2,619,710	2,353,670
Cash paid to employees and suppliers		(2,466,486)	(2,283,577)
<b>Cash generated from operations</b>		153,224	70,093
Investment income – interest	18	162,353	178,115
Investment income – dividends	18	26,029	28,489
Finance costs	21	(195)	(352)
<b>Net cash inflows from operating activities</b>		341,411	276,345
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to maintain property, plant and equipment	5	(493,840)	(157,421)
Proceeds on disposal of property, plant and equipment		370	191
Purchase of available-for-sale investments		(242,935)	(217,694)
Proceeds from sale of available-for-sale investments		248,854	136,001
Ukukhula Trust loan		(272)	(343)
<b>Net cash used in investing activities</b>		(487,823)	(239,266)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in long term interest bearing borrowings	12	(1,208)	(1,603)
Increase in deferred revenue – government grants	13	97,200	80,000
<b>Net cash inflows from financing activities</b>		95,992	78,397
Net (decrease)/ increase in cash and cash equivalents		(50,420)	115,476
Cash and cash equivalents at beginning of period		848,252	732,776
<b>Cash and cash equivalents at end of period</b>	11	797,832	848,252
<b>CASH GENERATED FROM OPERATIONS</b>			
Reconciliation of net surplus to cash generated from operations:			
<b>NET SURPLUS</b>		<b>339,825</b>	<b>431,439</b>
<b>Adjustments for:</b>			
Depreciation	5	47,752	39,378
Release of deferred revenue	13	(7,525)	-
Increase in employee benefit provisions		44,156	22,676
Utilisation of TENET prepayment		1,931	-
Loss on sale of property, plant and equipment		8,600	795
Investment income – interest	18	(162,353)	(178,115)
Investment income – dividends	18	(26,029)	(28,489)
Finance costs	21	195	352
Profit on sale of investments		(159,617)	(77,531)
Impairment of available-for-sale investments		11,707	3,462
<b>Changes in working capital</b>			
Accounts receivable, prepayments and loans		22,630	(117,688)
Inventories		37	(247)
Accounts payable, accrued liabilities and deposits		31,915	(25,939)
<b>Cash generated from operations</b>		153,224	70,093

# UNIVERSITY OF CAPE TOWN

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2010

### 1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of Council on 15 June 2011.

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

### 2. Basis of preparation

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

The accounting policies adopted are consistent with those of the previous financial year.

Amendments resulting from improvements to the following International Financial Report Standards (IFRS) did not have any impact on the accounting policies, financial position or performance of the University:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended);
- IAS 1 Presentation of Financial Statements;
- IAS 17 Leases;
- IAS 39 Financial Instruments: Recognition and Measurement;
- Improvements to IFRSs (May 2008); and
- Improvements to IFRSs (April 2009).

The following standards which are not yet effective but could impact future financial statements have been issued or revised:

#### *IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013.

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the University's financial assets and liabilities. The University will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture.

#### *IAS 24 Related Party Disclosure (Amendment)*

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The University does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

#### *Improvement to IFRSs (issued in May 2010)*

The IASB issued 'Improvements to IFRSs', an omnibus of amendments to IFRS standards. The amendments have not been adopted as they became effective for annual periods on or after 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the University:

- IFRS 3 Business Combinations;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 1 Presentation of Financial Statements; and
- IAS 27 Consolidated and Separate Financial Statements.

The University, however, expects no impact from the adoption of the amendments on its financial position or performance.

### 2.1. Statement of compliance

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

### 2.2. Basis of consolidation

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

The financial statements include the operations of the entities listed below.

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

## 2. Basis of preparation (continued)

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When there is a disposal or loss of control of a related entity, the consolidated financial statements would include the results for the part of the reporting period during which the University had control.

Any difference between the net proceeds on disposal and the carrying amount of the subsidiary is recognised in the University's Statement of Comprehensive Income. All inter-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

### 2.3. Segment information and accumulated funds

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

#### 2.3.1. Endowed funds income

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

It is the University's policy to utilise only a portion of this income and to re-invest the un-utilised portion in the

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

#### 2.3.2. Segment information and accumulated funds

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

#### 2.3.3. Revaluation reserve

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

#### 2.3.4. Specifically funded activities restricted (Education and General)

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

#### 2.3.5. Unrestricted Council controlled funds

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

#### 2.3.6. Student and Staff housing restricted

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

## 2.4. Transfers between funds

Transfers between segments are reflected in two areas:

#### 2.4.1. Operational transfers

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

#### 2.4.2. Endowment related transfers

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



### 3. Significant accounting judgements and estimates

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

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

#### 3.1. Judgement

##### 3.1.1. Investments

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

#### 3.2. Estimation uncertainty

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

##### 3.2.1. Impairment

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

The University classifies certain assets as available-for-sale and recognises movements in their fair value in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the Income Statement. An investment is considered to be impaired if either the fair value at year end is more than 30% below cost or the fair value has been below cost for a period of twelve months.

At 31 December 2010 an impairment loss of R11.7 million (2009: R3.5 million) had been recognised for available-for-sale assets.

The carrying value of available-for-sale assets at 31 December 2010 was R2,365 million (2009: R2,173 million) refer Note 6.

##### 3.2.2. Depreciation

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

##### 3.2.3. Gratuity provision academic staff

The University pays a gratuity on retirement, retrenchment or death in special circumstances. In order to estimate the probability of incurring this liability, management make assumptions in respect of the number of University staff that will reach retirement. In addition, to calculate the fair value of the liability the University needs to make assumptions regarding both expected future salary increases and a suitable discount rate. More details on these assumptions are provided in Note 14. The carrying value of the gratuity provision for academic staff at 31 December 2010 was R37.2 million (2009: R29.0 million).

##### 3.2.4. Post retirement medical aid benefits obligation

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued based on the projected unit credit method. For the purpose of the valuation at 31 December, key assumptions were made in respect of the discount rate, expected inflation on medical aid contributions, expected age of retirements and mortality rates. More details on these assumptions are provided in Note 14. The carrying value of the post retirement medical aid obligation at 31 December 2010 was R186.7 million (2009: R167.5 million).

##### 3.2.5. Student fees receivables

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2010 was R33.5 million (2009: R38.6 million), refer Note 10.

## 4. Summary of significant accounting policies

### 4.1. Foreign currency translation

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

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

Monetary assets and liabilities denominated in foreign cur

## 4. Summary of significant accounting policies (continued)

rencies are translated at the exchange currency rate ruling at the statement of financial position date. All differences are taken to profit or loss in the year in which they arise.

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

Conversely, when a gain or loss on a non-monetary item is recognised directly in profit or loss, any exchange component of that gain or loss shall be recognised directly in profit or loss.

### 4.2. Revenue recognition

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

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

#### 4.2.1. State appropriations - subsidies and grants

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

Subsidies and grants for specific research purposes are reflected in the Income Statement in the financial period in which they accrue to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately as credits in the Income Statement. Subsidies and grants relating to specific expenses are not offset against the expense but are included in the disclosure of 'State appropriations - subsidies and grants.' (refer Note 17)

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

#### 4.2.2. Designated income from contracts, grants and donations

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

Capital inflows for endowment purposes are included

in the Income Statement in the period in which they are received.

#### 4.2.3. Tuition and residence fees

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

#### 4.2.4. Interest income

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

#### 4.2.5. Dividends

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

#### 4.2.6. Rendering services

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

### 4.3. Retirement benefits

#### 4.3.1. 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 made.

#### 4.3.2. Medical aid benefits

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

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

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

The present value of the future medical aid subsidies for past service costs is actuarially determined annually in accordance with IAS 19 Employee Benefits. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions.

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

## 4. Summary of significant accounting policies (continued)

Actuarial gains and losses are recognised as an income or expense when the cumulative actuarial gains or losses exceed 10% of the defined benefit obligation.

These gains or losses are recognised over a period of five years.

### 4.4. Borrowing costs

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

### 4.5. Research costs

Research costs are expensed as incurred.

### 4.6. Library acquisitions

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

### 4.7. Property, plant and equipment

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

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

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

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

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

	2010	2009
Buildings	75-200 years	75-200 years
Leasehold improvements	Lease period	Lease period
Land improvements other than buildings	30 years	30 years
Motor vehicles	15 years	15 years
Furniture and equipment	5-50 years	5-50 years
Computers and hardware	5-10 years	5-10 years

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

### 4.8. Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

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

### 4.9. Financial assets and liabilities

Financial assets and financial liabilities are initially recognised in the Statement of Financial Position when the University becomes party to the contractual provisions of the instrument. The trade date method of accounting has been adopted for 'regular way' purchase or sale of financial assets. The trade date is the date that the University commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial

#### 4. Summary of significant accounting policies (continued)

assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

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

Financial assets in the scope of IAS 39 are classified as either available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss and loans and receivables, as appropriate.

The University determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

##### 4.9.1. Available-for-sale financial assets

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

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

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

##### 4.9.2. Loans and receivables

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

Such assets comprise student fees receivable, accounts receivable in terms of contracts, student loans and loans

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

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

##### 4.9.3. Financial Liabilities

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

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

Deposits provided by prospective and current students are treated as current liabilities until the amount is billed as due. Deposits are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in net profit or loss when the liabilities are de-recognised as well as through the amortisation process.

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

##### 4.10.1. Financial Assets

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

- The rights to receive cash flows from the asset have expired;
- The University retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or;
- The University has transferred its rights to receive cash flows from the asset and either (a) has trans

#### 4. Summary of significant accounting policies (continued)

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

- The University has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the University's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the University could be required to repay; and
- Continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the University's continuing involvement is the amount of the transferred asset that the University may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the University's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### 4.10.2. Financial Liabilities

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

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

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

##### 4.11. Impairment of financial assets

The University assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as

a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

##### 4.11.1. Assets carried at amortised cost

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

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

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

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

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

##### 4.11.2. Available-for-sale financial assets

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

## 4. Summary of significant accounting policies (continued)

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

### 4.12. Investment in associates

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

Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the University's share of the profit or loss of the associate after the date of acquisition. The University's share of the profit or loss is recognised in the Statement of Comprehensive Income.

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

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

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

Where there has been a change recognised directly in the equity of the associate, the University recognises its share of any changes and discloses this, when applicable, in the statement of changes in funds.

The reporting dates of the associates and the University are identical and the associate's accounting policies con-

form to those used by the University for like transactions and events in similar circumstances.

### 4.13. Inventories

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

Inventory is made up of consumables.

### 4.14. Provisions

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

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

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

### 4.15. Leases

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

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

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

#### 4. Summary of significant accounting policies (continued)

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

##### 4.15.1. University as a lessee

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

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

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

##### 4.15.2. University as a lessor

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



## 5. Property, Plant and Equipment

Year ended 31 December 2010						
	<i>(All amounts in R'000)</i>					
	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
<b>Cost</b>						
Cost 1 January 2010	805,236	373,561	84,359	22,972	40,145	1,326,273
Additions	151,956	62,777	8,392	4,114	266,601	493,840
Transfers	771	-	-	-	(771)	-
Disposals	(815)	(16,355)	(8,923)	(846)	-	(26,939)
Cost 31 December 2010	957,148	419,983	83,828	26,240	305,975	1,793,174
<b>Accumulated depreciation</b>						
Balance 1 January 2010	105,001	119,340	53,952	6,362	-	284,655
Disposals	(209)	(9,795)	(7,490)	(475)	-	(17,969)
Depreciation charge	14,057	21,742	10,322	1,631	-	47,752
Balance 31 December 2010	118,849	131,287	56,784	7,518	-	314,438
<b>Book value 31 December 2010</b>	<b>838,299</b>	<b>288,696</b>	<b>27,044</b>	<b>18,722</b>	<b>305,975</b>	<b>1,478,736</b>

Year ended 31 December 2009						
	<i>(All amounts in R'000)</i>					
	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
<b>Cost</b>						
Cost 1 January 2009	743,110	307,107	78,889	20,755	20,783	1,170,644
Additions	43,145	67,223	5,693	2,810	38,550	157,421
Transfers	18,981	-	-	-	(18,981)	-
Disposals	-	(769)	(223)	(593)	(207)	(1,792)
Cost 31 December 2009	805,236	373,561	84,359	22,972	40,145	1,326,273
<b>Accumulated depreciation</b>						
Balance 1 January 2009	96,239	100,562	44,168	5,114	-	246,083
Disposals	-	(327)	(202)	(277)	-	(806)
Depreciation charge	8,762	19,105	9,986	1,525	-	39,378
Balance 31 December 2009	105,001	119,340	53,952	6,362	-	284,655
<b>Book value 31 December 2009</b>	<b>700,235</b>	<b>254,221</b>	<b>30,407</b>	<b>16,610</b>	<b>40,145</b>	<b>1,041,618</b>

A register of land and buildings is available for inspection at the business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the approval of the Minister of Higher Education and Training. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act. The University's buildings and land improvements have an insured value of R7.9 billion (2009: R5.5 billion).

Land and buildings above include leasehold improvements with a net book value of R39.1 million (2009: R39.5 million).



## 6. Investments

	2010 R'000	2009 R'000
The total investments comprise the following categories:		
<b>Listed investments</b>		
Local equities	1,030,620	1,000,070
Collective investment schemes	632,637	537,220
Local capital markets	246,273	213,670
International investments	366,285	382,468
Equity	57,402	55,579
Mutual funds	308,883	326,889
<b>Unlisted investments</b>		
Money market deposits	89,077	39,924
Total available-for-sale investments	2,364,892	2,173,352

### *Fair value hierarchy*

As at 31 December 2010, the University held the following financial instruments measured at fair value. The University uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

### **Assets measured at fair value**

Year ended 31 December 2010

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<b>Available-for-sale financial assets</b>				
Local equity shares	1,030,620	1,026,796	3,824	-
Collective investment schemes	632,637	632,637	-	-
Local capital market interest bearing investments	246,273	246,273	-	-
International investments				
Equity shares	57,402	57,402	-	-
Mutual funds	308,883	308,883	-	-
Local money market and call deposits	89,077	89,077	-	-
<b>Total</b>	2,364,892	2,361,068	3,824	-

During the reporting period ending 31 December 2010, there was one transfer out of level 1 into level 2 and no transfers into and out of level 3 fair value measurements. This transfer related to a company that has been suspended from trading. The fair value of the shares transferred is R232,429.

Derivative instruments are entered into with substantial financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices.

## 6. Investments (continued)

Year ended 31 December 2009:

### Assets measured at fair value

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

## 7. Investments in associates

	2010 R'000	2009 R'000
African Medical Imaging (Pty) Ltd (44%)	1,311	1,311
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Total investment	<u>3,722</u>	<u>3,722</u>
Less: share of accumulated losses	<u>(3,722)</u>	<u>(3,722)</u>
<b>Carrying value</b>	<u>-</u>	<u>-</u>
Council values the investment in the associates at carrying value.		
Share of the associate's balance sheets:		
Non-current assets	2,434	1,058
Current assets	9,716	10,418
Non-current liabilities	(23,795)	(16,713)
Current liabilities	(1,680)	(10,701)
<b>Net liabilities</b>	<u>(13,325)</u>	<u>(15,938)</u>
Share of the associate's revenue and profits/(losses):		
Revenue	16,557	15,377
Profit/(losses)	2,544	(143)

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

## 8. Non - current receivables and prepayments

	2010 R'000	2009 R'000
Loans to employees	1,589	1,640
The University of Cape Town Ukukhulu Trust	3,990	3,718
Total non-current receivables	5,579	5,358
Prepayment – Tertiary Education Research Network of South Africa (TENET)	12,659	14,590
	<u>18,238</u>	<u>19,948</u>

Non-current loans to employees are due within 2 years from the reporting date.

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 7.08% (2009: 9.72%).

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

## 9. Inventories

Consumables	<u>648</u>	<u>685</u>
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## 10. Accounts receivable and prepayments

Research receivables	76,436	77,055
Other trade receivables	47,547	44,744
Trade receivables total	123,983	121,799
Property deposits and guarantees	64,066	93,116
Prepayments	20,034	28,479
Research funding accrual	51,392	35,127
Sundry receivables	9,966	14,029
Accounts receivables and prepayments	269,441	292,550
Loans to employees	1,508	266
Student fees receivables	33,504	38,615
	<u>304,453</u>	<u>331,431</u>

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

From 1 January 2010 the rate of interest charged to students was a fixed rate of 1.25% per month. This rate of interest is charged on 2009 unpaid student fees and on 2010 outstanding student fees not paid by 30 June 2010.

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

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

Amounts in R'000	Up to 30 days	30 - 60 days	60 - 90 days	90 -180 days	180 days plus	Total
2010	52,238	20,000	5,919	32,057	13,769	123,983
2009	36,845	22,466	14,740	14,253	33,495	121,799

## 10. Accounts receivable and prepayments (continued)

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

As at 31 December, trade receivables at a nominal value of R1.9 million (2009: R3.5 million) were impaired and fully provided for.

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

	Individually impaired R'000	Collectively impaired R'000	Total R'000
<b>At 31 December 2008</b>	1,325	1,750	3,075
Charge for the year	1,504	(250)	1,254
Used	-	-	-
Unused amounts reversed	(870)	-	(870)
<b>At 31 December 2009</b>	1,959	1,500	3,459
Charge for the year	566	(147)	419
Used	(911)	-	(911)
Unused amounts reversed	(1,048)	-	(1,048)
<b>At 31 December 2010</b>	566	1,353	1,919

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

All amounts in R'000	2010 Fees	2009 Fees	2008 Fees	2007 Fees	Total
2010	27,979	3,058	1,477	990	33,504
All amounts in R'000	2009 Fees	2008 Fees	2007 Fees	2006 Fees	Total
2009	33,287	2,848	1,760	720	38,615

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2011 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

As at 31 December, student receivables with a nominal value of R29.2 million (2009: R29.0 million) were impaired and fully provided for.

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

	2010 R'000	2009 R'000
	<b>Collectively impaired</b>	
<b>Balance at 1 January</b>	29,032	33,257
Charge for the year	6,600	6,000
Unused provision released	(2,000)	(5,000)
Used	(4,440)	(5,225)
<b>Balance at 31 December</b>	29,192	29,032

## 11. Cash at bank and cash equivalents

	2010 R'000	2009 R'000
Cash at bank and in hand	42,396	14,115
Short-term bank deposits - Local	755,436	828,407
- Foreign	-	5,730
	797,832	848,252

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hour notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is R797.8 million (2009: R848.3 million).

At 31 December 2010, the University had no available undrawn borrowing facilities in respect of which all conditions precedent had been met. (2009: R Nil)

The weighted average effective interest rate on local short-term bank deposits was 7.08% (2009: 9.78%)

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

## 12. Interest bearing borrowings

Financial institutions for government subsidised loans	976	2,184
<b>Total interest bearing borrowings</b>	976	2,184
Current portion	(659)	(1,208)
<b>Total non-current borrowings</b>	317	976

### 12.1. Financial institutions for government subsidised loans

Government subsidised loans are subsidised to the extent of 50% or 85% for both interest and capital repayments, and consist of a number of loans with financial institutions at fixed interest rates ranging from 6.75% to 13.0% and varying repayment terms. The weighted average interest rate was 10.29% (2009:10.4%). The loans are unsecured and the carrying values collectively approximate their fair values.

### 12.2. Interest rate exposure

At fixed rates	976	2,184
Financial institutions for government subsidised loans	195	352

## 12. Interest bearing borrowings (continued)

### 12.3. Maturity of interest bearing non-current borrowings

	2010 R'000	2009 R'000
Between 1 and 2 years	317	953
Between 2 and 5 years	-	23
Later than 5 years	-	-
Total non-current borrowings	<u>317</u>	<u>976</u>

## 13. Deferred revenues – Government grants

At 1 January	140,000	60,000
Received during the year	97,200	80,000
Released to the income statement	<u>(7,525)</u>	<u>-</u>
	229,675	140,000
Current portion	<u>(2,600)</u>	<u>-</u>
At 31 December	<u>227,075</u>	<u>140,000</u>

The R229.7 million represents capital grants for infrastructure received from the Department of Higher Education and Training.

## 14. Provisions – employee benefits

Gratuity provision for academic staff	37,200	29,000
Leave provision for administrative and support staff	64,334	47,579
Post-retirement medical aid benefit obligation	<u>186,730</u>	<u>167,530</u>
<b>Total provisions – employee benefits</b>	<u>288,264</u>	<u>244,109</u>
Current portion – gratuity provision academic staff	(2,000)	(1,600)
Current portion – leave provision for administration and support staff	(64,334)	(47,579)
Current portion – post retirement medical aid obligation	<u>(11,900)</u>	<u>(10,600)</u>
<b>Total current provisions – employee benefits</b>	<u>(78,234)</u>	<u>(59,779)</u>
<b>Total non-current provisions – employee benefits</b>	<u>210,030</u>	<u>184,330</u>

### 14.1 Gratuity provision academic staff

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

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

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

In addition, in order to fair value the liability, management has assumed that future salary increases will be 4.3% per annum (2009: 3.9%) and the discount rate that has been applied is 7.5% (2009: 7.2%).

## 14. Provisions – employee benefits (continued)

### 14.2. Leave provision for administrative and support staff

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

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

### 14.3. Post-retirement medical aid benefit obligation

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

For the purpose of the valuation at 31 December the following key assumptions were made: discount rate 8.5% (2009: 9.2%); expected inflation on medical aid contributions of 6.5% over the long term (2009: 7.2%). Post-retirement mortality is based on PA (90) rated down three years, (2009: 3 years).

It is assumed, in both the current and prior year, that 2.5% of members present will retire at each age from 55 to 59 and ages 61 and 62; and 15% of members will retire at age 60; and 10% of members at ages 63 and 64 will retire; with all the remaining members retiring at age 65. The expected average remaining working lives of the employees participating in the scheme is 17 years (2009: 17 years).

	2010 R'000	2009 R'000
Funding obligation	187,600	177,300
Unrecognised actuarial losses	(870)	(9,770)
Amount accrued in respect of funding obligation	<u>186,730</u>	<u>167,530</u>
The net expense recognised in the income statement is as follows:		
- Interest on obligation	<u>16,000</u>	<u>11,400</u>
- Current service cost	<u>9,700</u>	<u>9,600</u>
	<u>25,700</u>	<u>21,000</u>
Reconciliation of the change in the present value of the funding obligation:		
Funding obligation at start of year	177,300	158,200
Interest on obligation	16,000	11,400
Current service cost	9,700	9,600
Actuarial (gains)/losses	(8,900)	3,500
Benefits paid by the University in respect of funding obligations	<u>(6,500)</u>	<u>(5,400)</u>
Funding obligation at end of year	<u>187,600</u>	<u>177,300</u>

It is estimated that the benefits payable in respect of funding obligations in 2011 will be R6.3 million (2010: R6.5 million).

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

1% Increase	24,600	27,500
1% Decrease	(30,600)	(22,500)

## 14. Provisions – employee benefits (continued)

### 14.3. Post-retirement medical aid benefit obligation (continued)

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

All amounts in R'000	Post-employment medical benefits				
	2010	2009	2008	2007	2006
Defined benefit obligation	187,600	177,300	158,200	132,300	119,800
Experience adjustments on plan liabilities – (gains)/losses	(8,900)	3,500	11,600	500	10,800

## 15. Accounts payable and accrued liabilities

	2010 R'000	2009 R'000
Trade payables	48,952	28,491
VAT	789	832
Accrued expenses	30,919	33,580
National Research Foundation grant deposit	20,613	21,004
Payroll	30,308	23,890
Other payables	12,220	8,705
	<u>143,801</u>	<u>116,501</u>
Financial liabilities	143,012	115,669
Non financial liabilities	789	832
	<u>143,801</u>	<u>116,501</u>

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

## 16. Deferred revenue – government grants and project income

Government Grants	2,600	-
Project income		
At 1 January	7,115	5,620
Received during the year	24,554	23,956
Released to the income statement	(24,857)	(22,461)
	<u>6,812</u>	<u>7,115</u>
At 31 December	<u>9,412</u>	<u>7,115</u>

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



## 17. State appropriations-subsidies and grants

	2010 R'000	2009 R'000
Subsidy for general purpose	855,222	782,940
State grants and contracts	269,367	223,579
Subsidy on interest and redemption on state guaranteed loans	1,137	1,599
State infrastructure grant	7,525	-
	<u>1,133,251</u>	<u>1,008,118</u>

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

## 18. Interest and dividends

Bank interest	66,710	85,702
Interest income on accounts and other receivables	26,276	25,285
Interest on available-for-sale investments	69,367	67,128
Total interest	<u>162,353</u>	<u>178,115</u>
Dividends	26,029	28,489
	<u>188,382</u>	<u>206,604</u>

Interest income on student debt subject to possible impairment amounted to R8.6 million (2009: R8.3 million). It is management's opinion that the amount of interest raised on impaired debt is negligible.

## 19. Personnel costs

All amounts in R'000	Academic	Professional	Other	Total	Total
Wages and salaries	598,302		665,617	1,263,920	1,102,134
Termination benefits	4,222		4,467	8,689	10,653
Pension costs	87,781		92,888	180,669	159,416
Post retirement medical aid benefits	12,487		13,213	25,700	21,000
	<u>702,792</u>		<u>776,186</u>	<u>1,478,978</u>	<u>1,293,203</u>

Average number of persons employed during the year	2010 Number	2009 Number
Full time	3,690	3,558
Part time	836	798
Students	979	925
Total	<u>5,505</u>	<u>5,281</u>

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

## 20. Other operating expenses

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

	2010 R'000	2009 R'000
<b>Other operating expenses:</b>		
Library acquisitions	37,013	44,530
Repairs and maintenance	106,146	70,902
Software costs	17,628	17,207
General services outsourced	78,777	68,842
Catering services outsourced	54,935	51,436
Auditors' remuneration	4,937	3,687
Current year - annual financial statements 2010	2,625	2,650
- prior year under provision	312	-
- other audit services	2,000	1,037
Lease expenses	25,280	20,536

## 21. Finance costs

External finance costs	195	352
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## 22. Financial risk management objectives and policies

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

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

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

The main purpose of the interest bearing loans and borrowings is to raise finance for the University's infrastructure. The University has various other financial assets and liabilities such as accounts and student fee receivables and accounts payables, which arise directly from its operations.

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

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

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

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

### 22.1. Market risk

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

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

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

and allocates investment to appropriate asset classes. Portfolios are then allocated to selected portfolio managers who operate under defined mandates. The investment decisions made and performances of these managers are closely monitored by the Joint Investment Committee.

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

In addition, the Committee has employed the services of an actuarial firm, Fifth Quadrant, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

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

### 22.2. Price risk

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

All amounts in R millions	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>Market variance</b>						
<b>At 31 December 2010</b>						
Local equities	103.1	51.5	10.3	(51.5)	(103.1)	(206.1)
Collective investment schemes	63.3	31.6	6.3	(31.6)	(63.3)	(126.5)
Local capital markets	24.6	12.3	2.5	(12.3)	(24.6)	(49.3)
International equities	5.7	2.9	0.6	(2.9)	(5.7)	(11.5)
International mutual funds	30.9	15.4	3.1	(15.4)	(30.9)	(61.8)
<b>All amounts in R millions</b>						
<b>Market variance</b>						
<b>At 31 December 2009</b>						
Local equities	100.0	50.0	10.0	(50.0)	(100.0)	(200.0)
Collective investment schemes	53.7	26.9	5.4	(26.9)	(53.7)	(107.4)
Local capital markets	21.4	10.7	2.1	(10.7)	(21.4)	(42.7)
International equities	5.6	2.8	0.6	(2.8)	(5.6)	(11.1)
International mutual funds	32.7	16.3	3.3	(16.3)	(32.7)	(65.4)

### 22.3. Foreign currency risk (investments)

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

### 22.4. Interest rate risk

All of the University's interest-bearing borrowings are at fixed rates of interest. The University has a number of receivables (i.e. student fees and loans to employees). For the 2010 year students were charged interest at a fixed rate of 1.25% per month (2009: 1.25%). Interest charged on loans to employees is linked to the prime rate. The amounts owed by staff are negligible.

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

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

### 22.4. Interest rate risk (continued)

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

All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on funds employed					
	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
<b>Holdings at 31 December 2010</b>						
Interest bearing collective investment schemes and bonds	132.9	63.2	30.9	(29.5)	(57.6)	(110.3)
<b>Holdings at 31 December 2009</b>						
Interest bearing collective investment schemes and bonds	97.1	46.3	22.5	(21.2)	(41.8)	(79.8)
All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on net surplus					
	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
<b>Holdings at 31 December 2010</b>						
Money market and call deposits	1.8	0.9	0.4	(0.4)	(0.9)	(1.8)
Cash and cash equivalents	15.9	8.0	4.0	(4.0)	(8.0)	(15.9)
<b>Holdings at 31 December 2009</b>						
Money market and call deposits	0.8	0.4	0.2	(0.2)	(0.4)	(0.8)
Cash and cash equivalents	17.0	8.5	4.3	(4.3)	(8.5)	(17.0)

### 22.5. Foreign currency risk

The University is exposed to foreign currency risk through certain accounts receivable and payable denominated in foreign currencies. All of the above holdings are in major international currencies.

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

At the year end the University had R33.2 million (2009: R18.9 million) of trade receivables and had R0.1 million (2009: R0.1 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

### 22.6. Credit risk

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

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

In addition, receivable balances are monitored on an ongoing basis with the result that the University's exposure to bad debts is not significant, and there is no significant concentration of credit risk at year end. The maximum exposure is the carrying amount disclosed in note 10.

The University has stringent policies with respect to not allowing students with outstanding fee balances to either graduate or to register for the new academic year. The outstanding fees balance at year end is widely spread amongst numerous students indicating no particular concentration of credit risk. With respect to credit risk arising from the other financial assets of the University, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the University's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The University places cash and cash deposits only with major financial institutions with good credit ratings.

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

### 22.7. Liquidity risk

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

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

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

All amounts in R'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
<b>At 31 December 2010</b>					
Interest bearing loans and borrowings	-	-	659	317	976
Trade and other payables	-	135,536	-	-	135,536
<b>At 31 December 2009</b>					
Interest bearing loans and borrowings	-	-	1,208	976	2,184
Trade and other payables	-	116,501	-	-	116,501

### 22.8. Fair values

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

	Carrying amount		Fair value	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>Financial assets</b>				
Cash	797,832	848,252	797,832	848,252
Available-for-sale investments	2,364,892	2,173,352	2,364,892	2,173,352
Account receivables	185,341	170,955	185,341	170,955
Loans to employees	3,097	1,906	3,097	1,906
Student fees receivable	33,504	38,615	33,504	38,615
<b>Financial liabilities</b>				
Interest bearing loans and borrowings:				
Fixed rate borrowings	976	2,184	976	2,184
Accounts payable and accrued liabilities	143,012	116,501	143,012	116,501
Student deposits	34,535	29,617	34,535	29,617

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

### 22.9. Capital management

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

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

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

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

## 23. Commitments

### 23.1. Capital commitments

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

All amounts in R'000	Contracted	Approved but not contracted for	Total
Middle Campus and related	45,748	12,290	58,038
Student Residence in Observatory	232,003	6,354	238,357
New Engineering Building	-	175,926	175,926
School of Architecture - Refurbishment	-	52,000	52,000
Breakwater Lodge – Upgrade of facilities	28,507	11,288	39,795
New large lecture theatre	-	24,000	24,000
Information and Communication Technology Services	-	12,000	12,000
Other	-	5,049	5,049
<b>Total 2010</b>	<u>306,258</u>	<u>298,907</u>	<u>605,165</u>
<b>Total 2009</b>	<u>664,865</u>	<u>337,557</u>	<u>1,002,422</u>

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 22.5 above, utilising current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the use of the R229.7 million of Government grants reflected as deferred revenue in note 13 above.

### 23.2. Operating lease commitments - University as lessee

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

Year ended 2010	Within 1 year	2 to 5 years	Later than 5 years	Total
Photo copying machines	2,570	2,042	-	4,612
Jammie Shuttle	1,775	-	-	1,775
Rental of properties	4,646	6,896	-	11,542
	<u>8,991</u>	<u>8,938</u>	<u>-</u>	<u>17,929</u>
<b>Year ended 2009</b>				
Photo copying machines	<u>2,136</u>	<u>1,955</u>	<u>-</u>	<u>4,091</u>

### 23.3. Operating lease commitments - University as lessor

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

Year ended 2010	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	<u>3,285</u>	<u>3,126</u>	<u>109</u>	<u>6,520</u>
<b>Year ended 2009</b>				
Rental of premises	<u>3,086</u>	<u>3,648</u>	<u>208</u>	<u>6,942</u>

## 24. Remuneration of key management

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

EXECUTIVE MANAGEMENT TEAM DURING 2010			R'000	
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Total for other services
Dr M R Price	Vice-Chancellor	*2,162,957	*2,133,209	
Professor D P Visser	Deputy Vice-Chancellor	1,323,203	1,323,203	
Professor J Beall	Deputy Vice-Chancellor	1,244,304	1,244,304	
Professor R T Nhlapo	Deputy Vice-Chancellor	1,319,011	1,319,011	
Professor C A Soudien	Deputy Vice-Chancellor Professor of Education	1,243,811	1,243,811	30,000
Ms G Kruger	Executive Director: Communication and Marketing	1,125,379	1,125,379	
Ms M B M Khan	Executive Director: Student Affairs	1,032,335	1,032,335	
Dr J McNamara	Executive Director: Development & Alumni Affairs	1,046,400	1,046,400	
Professor D Ross (1 June 2010)	Dean: Commerce	1,097,372	640,134	
Associate Professor M Wormald (acting until 31 May 2010)	Dean: Commerce	922,857	297,444	
Professor F W Petersen	Dean: Engineering and the Built Environment	1,306,910	1,306,910	
Professor M Jacobs	Dean: Health Sciences	1,206,369	1,206,369	
Professor M P Ensor	Dean: Humanities	1,144,342	1,144,342	
Professor P J Schwikkard	Dean: Law	1,020,000	1,020,000	
Professor K A Driver	Dean: Science	1,080,875	1,080,875	
Associate Professor N Yeld	Dean: Centre for Higher Education Development	979,685	979,685	
Professor E O Uliana	Executive Director: Finance Professor of Accounting	1,475,620	1,475,620	174,500
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,035,500	1,035,500	
Mr H T Amoore	Registrar	1,083,726	1,083,726	
Mr J W R Critien	Executive Director: Property & Services	1,069,290	1,069,290	
Professor W R J Baets	Director: Graduate School of Business	1,187,184	1,187,184	
Ms J G Rapp	Executive Director: University Libraries	1,090,000	1,090,000	
Mr K Raphoto (left 30 June 2010)	Executive Director: Human Resources	980,182	490,091	
Ms M Hoosain (acting 1 August – 31 December 2010)	Executive Director: Human Resources	1,001,000	115,000	
Ms M Tainton (acting 18 June – 31 August 2010)	Executive Director: Human Resources	919,600	58,250	

\* This includes R279,173 being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his package as Vice-Chancellor.

## 24. Remuneration of key management (continued)

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

Purpose/reason for payment	Name	Position held	Amount R'000
Retirement/Settlement package	Mr K Raphoto	Executive Director: Human Resources	516,698
Settlement package	Ms C Oliver -Evans	Director: Centre for Leadership and Public Values	586,000

No remuneration is paid to members of Council for services as Council members, membership or attendance at meetings, nor is it the policy of the University to pay those whom it appoints as board members, trustees or directors of related or affiliated entities.

Reimbursements for travel to meetings of Council amounting to R74,908 (2009: R92,691) were paid on behalf of members of Council.

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

Compensation of key management	2010 R'000	2009 R'000
Short-term employee benefits	21,296	18,795
Post-employment pension	4,588	4,191
Termination/Retirement benefits	517	-
Total compensation paid to key management personnel	<u>26,401</u>	<u>22,986</u>

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

## 25. Retirement benefits

### *University of Cape Town Retirement Fund*

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R180.7 million (2009: R159.4 million).

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

## 26. Lessee improvements

### *26.1. Groote Schuur Hospital*

The Groote Schuur Hospital, located in the Cape Town suburb of Observatory, has been built on land owned by the University of Cape Town. The initial 99 year lease has 14 years to run with an option to renew of a further 99 years. Lease income on this property is nominal.

Given the absence of any usufructory rights for 113 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

### *26.2. Pinewood Village*

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

The initial lease of 99 years still has 80 years to run with a renewal option of a further 99 years.

The original cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the



## 26. Lessee improvements (continued)

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

### *26.3. Valkenberg Property/Cape Courtyard Hotel*

The Cape Courtyard Hotel in Observatory, Cape Town has been built on land owned by the University of Cape Town under a 20 year lease which expires in July 2015. The lease period will not be extended and the use of the property will revert to the University in 2015. There are no tenant rights or landlord obligations with regard to the extension of the lease at the end of the lease period.

The cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the buildings erected by the lessee will vest in the University of Cape Town at the end of the lease.

## 27. Related party disclosures

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

- Subsidiary entities (refer Note 2.2 – Basis of consolidation);
- Associate companies (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 25); and
- National Government (refer Note 17).

Transactions between related parties have been conducted at arms length.

Due to the nature of the University's operations and the composition of its Council, the Council takes particular care to avoid conflicts of interest, and has an explicit policy requiring disclosure and reporting. Any transaction with third parties in which any council member has a direct or fiduciary interest is subject to this policy, at arms length, and in accordance with approved procurement policy.

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

## 28. Post balance sheet events

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

## 29. Comparative figures

Deferred revenue – project income is now disclosed separately in the Statement of Financial Position, previously included in other payables. The comparative figures have been amended as follows:

	<b>2009 R'000</b>
Other payables as previously disclosed	15,820
Deferred revenue – project income	(7,115)
Restated other payables	<u>8,705</u>



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