

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, Government Notice No. 476 of 20 May 2005, Government Notice No. 748 of 27 August 2010, and Government Notice No.408 of 23 May 2012

ANNUAL REPORT

2011

CONTENTS	Page
DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN	3
STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS	4 to 58
Report of the Chair of Council	4
Self Assessment of Executive Performance by the Vice-Chancellor	14
Report of the Institutional Forum	18
Council Statement on Corporate Governance	21
Report on Internal Administration, Operational Structures and Controls; Incorporating the Report on Risk, the Management of Risk and Quality Assurance	27
Report on UCT Operations during 2011 by the Vice-Chancellor	36
Annual Financial Review	55
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS	59 to 104
Council's Statement of Responsibility for the Annual Financial Statements	59
Report of the Independent Auditors	60 & 61
Statement of Financial Position	62
Income Statement 2011	63
Statement of Comprehensive income 2011	64
Statement of Changes in Fund Balances 2011	64
Income Statement 2010	65
Statement of Comprehensive Income 2010	66
Statement of Changes in Fund Balances 2010	66
Statement of Cash Flows	67
Notes to the Financial Statements	68 to 104

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 (6)	(Deputy Vice-Chancellor)	EXECUTIVE DIRECTOR FINANCE
Professor S Klopper (5, 6)	(Deputy Vice-Chancellor)	Professor E O Uliana (4)
Professor C Soudien (6, 8)	(Deputy Vice-Chancellor)	
Professor D P Visser (4,6)	(Deputy Vice-Chancellor)	
The COUNCIL (1 JULY 2008 - 30 JUNE 2012) as at June 2012		
The Most Reverend N W H Ndungane (1) (Chair)		
Ms D J Budlender (1, 4) (Deputy chair)		
Professor D G Aschman		
Dr A W Barday (4)		
Ms S Barsel		
Mr G Bloch (8)		
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)		
Ms I Isaacs (1, 6)		
Professor M Jeebhay		
Professor E Kalula (1,7)		
Alderman O Kinahan (5)		
Mr A Kiyaei		
Mr A Kriel		
Ms Q Loxton		
Ms G Mamba		
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 Vinjevold		
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 Lover's Walk 7700 Rondebosch		Ernst & Young Inc P O Box 656 8000 Cape Town
POSTAL ADDRESS		BANKERS
Private Bag X3 Rondebosch 7701		The Standard Bank of SA Limited P O Box 1 7700 Rondebosch

STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS

REPORT OF THE CHAIR OF COUNCIL

The four-year term of the current Council will end within weeks of the Council adopting this report and these financial statements. It is thus fitting that I look back over the past four years, chart key successes and what remains to be done against what we set out to achieve, and look forward to and review key challenges facing the University of Cape Town. And as this Council gives way to a new one it is appropriate to review succession plans.

In doing so I will highlight issues dealt with in greater detail in the reports which follow, in particular the Vice-Chancellor's report and the Financial Review by the Chair of the University Finance Committee and the Executive Director: Finance.

Looking back

At the end of 2009 we set six goals for UCT for the years 2010 to 2014. We are two years into this five-year period. 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 secondly that we remain financially strong. An assessment of the work of UCT must examine first, how well we are doing in the core business, secondly, how financially robust we are, and third what progress we have made in these six goals which aim to give UCT a distinctive edge.

These six goals were:

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

The Vice-Chancellor's reports address our progress towards these six goals. All deal with areas of great importance to our University and our country.

Core business: Teaching and Learning; Research and innovation; and Social Responsiveness and how we are ranked by our peers

Teaching and Learning 2008-2011, and student enrolment

A total of 5 744 students qualified in reporting year 2011. Please note that the 2011 figures have not yet been subject to audit.

	2008	2009	2010	2011
U.G. Diplomas	112	315	288	331
3yr B degrees	1 556	1 544	1 685	1 738
Professional B degrees	1 362	1 267	1 294	1 339
PG Diplomas	646	884	861	945
Honours	828	820	874	929
Master's	836	868	1 009	1 085
Doctors	151	178	160	163
Total qualifiers	5 491	5 876	6 171	6 530
Total students	22 608	24 012	25 014	25 285

In the most recent (2010¹) Senate report to Council on teaching and learning Senate notes the high ranking UCT achieves in research, but points to the fact that our ranking for teaching lags behind. We have a deserved reputation for teaching: our throughput rates are the best in the country, and our graduates generally find employment but the Senate report reminded us (and Senate which is responsible for this) that we must aim to strengthen our reputation for quality teaching and learning.

Research and Innovation 2008-2011

The Council and the Senate have a mission for UCT to be research-led, and for this to move to research-intensive. The following figures from the research reports for four years show the extent to which research activity has grown, and how we are becoming increasingly research-led and moving towards being research-intensive.

	2008	2009	2010	2011
Accredited Research Output Units	1 086	1 188	1 253	>1 253 ²
Research contracts processed:				
Value:	R473 million	R519 million	R550 million	R722 million
Number:	977	882	1 056	1 360
NRF Funding awarded	R165 million	R184 million	R232 million	R250 million
Postdoctoral Research Fellows	179	189	235	252
NRF Rated researchers	293	320	336	379

The progress shown by these indicators is impressive; it is more so when we note that the 252 post docs at UCT in 2011 represented more than a third of the post docs in all South African Universities, when we note that the 1 253 research output units reported for 2010 was the highest number by a South African university in 2010 (2011 comparative figures are not yet

¹ The 2011 report will be submitted to the Council after this report has been submitted to the Minister.

² The final audited report on research output units is compiled in the 3rd quarter. By the date of this report (9 June 2012) the number of units recorded for reporting year 2011 exceeded 1253, the number in reporting year 2010.

available) and that the number of NRF-rated researchers (372) in 2011 was significantly higher than the next highest (311 - at a University nearly twice UCT's size).

Social Responsiveness

Among the goals we set in 2009 was the goal to expand and enhance our contribution to South Africa's development challenges, engaged, policy-relevant research and teaching, as well as expanded opportunities for students to become directly involved in socially-responsive learning. Over the past three years the reports submitted to the Council have given us an impressively varied range of portraits of practice. The following are a very small sample of cases reported. From the 2008 report:

- examining UCT's response to xenophobia;
- the SA Tuberculosis Vaccine Initiative;
- community build in the construction studies programme;
- township debating league: providing youth with opportunities to develop critical thinking and debating skills.

From the 2009 report:

- placing public transport at the centre of policy and planning
- research on injury prevention and the protection of athletes' health in exercise and sports medicine
- contributions to national policy and legislation on water through the Freshwater Research Unit

From the 2010 report:

- research on the consequences of street pesticides on children's health and health policy;
- contributions to health policy and health care financing systems through the Health Economics Unit;
- cross-disciplinary research aimed at addressing the high levels of violence against women in South Africa

Responses to HIV & AIDS at UCT

The University has made and is making important contributions in the combatting of the HIV & AIDS challenge facing the country; Council receives an annual report on this work. The most recent (for 2011) continued the annual survey of HIV & AIDS initiatives and the responses of the University to the pandemic. Among these were:

- the programmes to develop and strengthen the capacity of our HIV/AIDS unit (HAICU) to prevent, manage, and mitigate the causes, challenges and consequences of HIV & AIDS, in leadership, in the curriculum, in research development, and in social responsiveness, consulting and materials development;
- the research highlights in the Centre for Social Science Research, in clinical departments (e.g. Paediatrics and Child Health), in the Institute for Infectious Diseases and Molecular Medicine, and through the Desmond Tutu HIV Centre.

University rankings

University rankings are, correctly, controversial, and many universities do not take part because of the inbuilt biases they contain. Nonetheless, they do reflect how we are seen in much of the University world, and it is thus right that we monitor where we stand in these rankings, and the reasons for changes in ranking.

	2008	2009	2010	2011
Times Higher Education	179	146	107	103
Quacquarelli Symonds	179	146	161	156
Shanghai Jiao Tong	Top 300	Top 300	Top 300	Top 300

Financial policy, stability and strength

The Council has given priority attention to financial matters over these four years.

Council debates on these matters have been robust: I think of the debates two years ago on the affordability of the then planned – now realised – R500 million new 880-bed residence for students; the annual debates on tuition fees, where on two occasions (2010 and 2011) motions for tuition fee increases have been robustly contested, and the debates on our financial policy over the past four years. The results have been important. As the financial review shows we succeeded in 2010 and 2011 in achieving a surplus (in 2011 beyond that for which we budgeted); we need a surplus of about 3% for financial sustainability and to ensure that we can afford the capital spend that is increasingly necessary if we are to remain a leading university on our continent and in the world, and to do important innovative things. Council is confident that this financial policy 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.

Governance

At the start of our four-year term of office (July 2008) we moved to a system of fewer plenary Council meetings supported by a standing Executive Committee. And 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 (subsequently changed to five) ; we agreed to delegate sets of decisions to EXCO, to standing committees and to the executive (the Vice-Chancellor and his deputies); 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. And we have moved to Saturday meetings.

These changes were intended to allow the Council a focus on strategy. The changes to the statute were approved and gazetted.

This change in the pattern of Council meetings has also facilitated membership of Council for people not resident in Cape Town; this has allowed us to have a greater diversity of membership.

Has this worked, and has it served the University's interests? I believe it has and the consensus is that it is working well and providing the University with more effective governance.

Public universities in South Africa have by law Councils of which 60% of the members must be external, which must include people chosen by all internal constituent groups, and which must include the University's executive officers. We 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 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 and the VC and DVCs who are members *ex officio*. And although we come from a range of constituencies we must all act in the best interests of the University – we do not serve as representatives and we do not hold mandates or mandated positions. This point needs to be emphasised repeatedly: whether appointed by the SRC (or the Minister, or the Western Cape Premier, Convocation or the Senate) members of the Council, once members, have a responsibility to act independently in the best interests of the University and are neither mandated by nor beholden to their appointing bodies.

The relationships between the Council, the Senate, the Institutional Forum, the Students' Representative Council (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 over the four years. The Institutional Forum (IF) has achieved greater coherence, 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, for example by making Council minutes available to the IF. The SRC elections have been keenly contested, and student representatives play an indispensable part in governance at all levels. We have in the past year approved SRC proposals to amend its constitution and the Statute to increase the size of the SRC from 15 to 17.

A high level review of 2011

Academic and research success

This was a good year for UCT; the reports that follow amply attest to this. They attest, too, to the need to give continued attention to teaching and learning and to ensuring that we continue along the trajectory that must take UCT from being research-led to being research-intensive.

Financial strength

The Financial Review tells the full story but it is important to note that we ended 2011 with a surplus. The budget for 2011 aimed to have a small surplus - our target, according to our Financial Policy is 3% of total recurrent operating income. In fact we achieved a surplus of 4.6% and management will need to ensure that in future actual and budgeted income and expenditure are more closely aligned. Student debt is low, and within manageable limits. The financial aid challenge – which we have made significant strides in addressing – remains and is likely to grow. The funding framework review by a Ministerial Committee, the difficulty of funding increasingly costly health education, the review of the National Student Financial Aid Scheme, and the reality of competing demands on the national fiscus in general and the Higher Education budget in particular, have introduced greater levels of uncertainty, which have been aggravated by small but unexpected and unexplained reduction in State funding.

The Vice-Chancellor's effort, and the quality of the work of our academic staff have resulted in another record year for fundraising. Most of the R226,7 million raised in 2011 came from Foundations and make possible much of the innovative work we do.

Capital Programme

Assisted in part by State infrastructure grants, but largely funded and financed from internal sources, our 2011 capital programme achievements are worth celebrating. At the start of 2011 we occupied *Masingene*, a new purpose-built student administration building; in July 2011 we moved into our new Middle Campus academic building for the School of Economics, and in December 2011, ready for the start of the 2012 academic year, we took possession of our new 880-bed student residence *Obz Square*, all three projects having been built within budget and on time, and part of a capital programme of over R 1 billion. Work began on the new engineering building, and a significant number of smaller capital projects were completed or begun. At the same time important IT infrastructure improvements continued; by the end of 2012 the campuses, including all UCT residences, will be wireless connected. These developments help provide the infrastructure the University needs.

The Ombud

The University Ombud provides an important service to all members of the University. Zetu Makamandela-Mguqulwa has now completed her first full year in this new office. She reports direct to the chair and deputy chair of Council. On the basis of the work she has done so far I am confident that the office will make its key contribution to ensuring that all the members of UCT are treated fairly and to perceptions of fairness. In so doing her office will contribute to the inclusiveness that we seek, and to every individual's ability to achieve full potential.

Admissions Policy

The Higher Education Act requires the Council, in concert with the Senate, to determine the admissions policy of the University; it also requires that the admissions policy must provide for redress. Our admissions policy is published (as the Act requires) and continues to be the subject of debate in national and international media 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, because the policy is under review, and because it may well change.

For 2013 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 diverse student body.

The admissions policy is also designed for redress. Our national legacy of decades of race and class based inequality, and in particular structural educational inequality, and the continuing (and in many cases increasing) disparities in public education provision are a reality with which our admissions policy tries to 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. So what is our policy?

Our admissions policy is to value the best, to be active in redressing past inequalities and to be rigorous in promoting success

Our policy is designed to ensure

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

The best students are

- those who get the top results in school and formal school-leaving exams (NSC or equivalent) and national benchmark test (NBTs); and
- those who despite educational and other disadvantage do very well in these exams.

A diverse student body is

- one where the South Africans among our students increasingly reflect the demographic diversity of our country and
- where we have significant numbers of international students.

We want a diverse student community because we believe that everyone gains from living and learning in an environment in which difference is valued.

Results in formal educational assessments remain the best yardstick we have for assessing applicants. Most of our places in 2012 were, and most in 2013 will be, won on school-leaving (Grade 12, National Senior Certificate or equivalent) and NBT results only. This will be the case in all undergraduate programmes other than the MBChB (where we expect the proportion filled on this basis to be less than half (but over one third) because of the intense competition for MBChB places and the need to ensure that we produce more black doctors)

In order to provide for redress in the 2012/2013 admissions cycle we will again invite all South African citizens and South African permanent residents to indicate whether or not they belong to one of the following previously-disadvantaged groups:

- Black South African; or
- Indian South African; or
- Coloured South African; or
- Chinese South African.

Applicants may choose not to categorise themselves in this way. We place all South African applicants who do not indicate a previously disadvantaged group, or indicate that they are white, in an open admissions category and our redress policies do not apply to them.

We will apply our redress measures to those who choose to place themselves in one of the above categories.

We have for some years been researching alternatives to this policy. We now have a commission, headed by Council member and former President of the Supreme Court of Appeal, Craig Howie, reviewing this policy. The debate has been open and robust, as befits a University, and because the issues go to the heart of key challenges of our national project. We look forward to the report of this commission and the changes and improvements which it is likely to herald.

Transformation

We face transformation challenges on more fronts than admissions policy. Council has recently reviewed the University's activities with respect to transformation for the year 2011 in relation to four major commitments we made in the 2009 strategy document, namely demographic change, strengthening student support to improve course success rates, inclusiveness – UCT as a place “owned” by all our staff and students, and the community – and inclusive curricula that engage with our continent.

Some statistics are worth repeating:

- the proportion of black SA students grew from 37% in 2008 to 41% in 2011 (white SA students dropped from 40% to 35%; and international students dropped from 22% to 18%);
- the number of black academic staff (292 out of 1041) increased marginally and remains a challenge; and
- resignations are not frequent: only 23 academic staff resigned during 2011, but a strong theme in the experience of those who came to exit interviews was that they found the climate difficult to adjust to.
- the overall success rate in undergraduate courses in 2011 was 85%, which was slightly higher than the 2010 undergraduate success rate. The 2011 undergraduate course success rates in 100-, 200-, 300- and 400-level courses were all in excess of 80%.

Size and Shape

Student numbers have grown by a third in each decade since 1950. Were this trend to continue to 2020 UCT would have an enrolment of over 33 000 in 2020.

An important study undertaken by a task team led by Professor Daya Reddy resulted in far-reaching decisions by Senate and Council at the end of 2011. We have adopted a scenario

that should give us about 28 000 students in 2020. Crucially the model aims to increase master's and doctoral enrolment and ensure that a much greater proportion of our students graduate.

Challenges for the year ahead

Students

Our key challenges are **about students**: ensuring that we have a fair and defensible admissions policy that makes provision for redress and identifies the applicants who have the potential not only to succeed but to do well; ensuring that our fee policies, financial aid policies and budgets, and student housing provision (both university-provided and that which we mediate and is provided by others) meet our needs and the needs of our students; and, most important, ensuring that our students get the support, inside and outside the classroom, lecture theatre and laboratory, that they need to succeed. While our success and throughput rates are good by South African standards, they should be, and they must be, better. While over 70% of the most recent entering cohort have qualified and 8% are still registered as students (see the Senate report below), over 20% did not qualify (a year ago this was nearly a quarter). We need to address their needs. These are facts we must not lose sight of. Responsibility for meeting these student challenges lies largely with the Senate.

The challenge of transformation

I have dealt with this, but the 2009 objectives remain before us: demographic change (especially among the academic staff and the leadership), strengthening support for students, and ensuring inclusiveness.

The challenge of continued financial strength

The financial review points to a number of uncertainties; we will have to monitor these with care and adjust as necessary. At the same time we must meet the challenge to maintain financial discipline in the face of ever increasing demands.

Leadership and transition

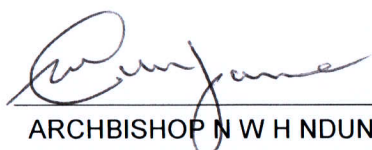
This Council took office on 1 July 2008; so, too, did the then new Vice-Chancellor, Max Price. While we had a four-year term of office, his was for five years. During 2011 we reviewed his work and after unprecedented support in the Senate (over 90% voting in his favour) and after having had the advice of the Institutional Forum, the Council was pleased to invite him to, and have him, accept a further five-year term of office which will take him to June 2018. This ensures continuity at that level. In inviting him to accept this second term we have emphasized two challenges we face during this period - transformation and transition. The period 2012 to 2018 will see significant changes in leadership and senior management. The appointment of a new Deputy Vice-Chancellor (DVC) at the start of 2012 for the key area of teaching and learning was an important first step. One DVC will retire at the end of 2013 and the current terms of another two will end before 2015. Three deans will retire before 2018 (including the Dean of Health Sciences, a faculty in which there will be large-scale leadership changes in the next few years) as will the Registrar and the Executive Director (ED): Finance. Another three EDs' terms will come up for renewal during this period. All these point to a

need for the Vice-Chancellor and the Council to give attention to and be actively involved in succession planning and senior staff recruitment.

Ensuring effective governance and ensuring good governance

As a Council we must ensure effective governance and give attention to ensuring both that the University's finances are sound and that they are properly applied to meet the University's needs. We must continue to give attention to governance issues. We will have a new Council on 1 July 2012. Though not all appointments have been made at this date it appears that we will have a good blend of experience and new blood; at least ten (a third) of the new Council will be new.

In this regard I wish to pay tribute to all the members of Council. Especially the members of EXCO (Deputy Chair Debbie Budlender, Jeremy Gauntlett, Milton Seligson, Evance Kalula, the SRC President and the Vice-Chancellor) and to the members of all committees but five important ones in particular: Remuneration Committee chaired by Dr Charles Okeahalam), the Finance Committee (chaired by a former deputy chair of Council, Trevor Petersen) the Human Resources Committee (chaired by Vuyiswa Doo), the University Building & Development Committee (chaired by Owen Kinahan) and the Audit Committee (chaired by Colin McClelland, an independent member who has the right to receive Council papers and attend and speak at Council meetings). To the members of the Council who serve without reward and in particular to the members of EXCO and the committee chairs, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.



ARCHBISHOP N W H NDUNGANE

CHAIR OF COUNCIL

9th JUNE 2012

SELF ASSESSMENT BY THE VICE-CHANCELLOR OF EXECUTIVE PERFORMANCE

Much of our 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 the senior executive's performance. Since these are covered extensively elsewhere in this Annual Report, I will not repeat any of those achievements here.

This section therefore reports on the major projects for 2011 which are mostly outside the routine university operations – sometimes reflecting a new activity or a change to current policy and practice, or a once-off project. These were the specific objectives set by the executive and submitted to Council at the start of 2011 in line with the 6 strategic goals plus other management objectives. This is, of course, not a comprehensive list of projects or activities that were the responsibility of Faculties and Departments, but rather the institutional level goals for the year. *Italics indicate goals not fully achieved.*

Broad goal/ area of work	Specific objectives and outcomes
Strategic Goals projects - general	Implementation of first R40m of projects and selection of further R20m of projects from VC fund for 2012
Goal One: Internationalising UCT with an Afropolitan Niche	
Creating an Afropolitan University	Visit by DVC to Ghana U. and Ibadan VC appointed to Council of Ghana University.
	Visits and new links between UCT academic departments and other African Universities
	Funding for University Science, Humanities Engineering Partnerships in Africa (USHEPIA) secured from 4 partners; <i>much more needed.</i>
	Identifying and if possible confirming partner universities in India and Brazil – <i>Not completed yet</i>
<ul style="list-style-type: none"> Other internationalisation 	VC Public lecture at London School of Economics and at Tshingua University (China) centennial; visits to Bir Zeit University (Palestine), Universities of Cairo and Alexandria (Egypt), Global Universities Leaders Forum (Davos), UN Secretary General's Colloquium of university presidents (Philadelphia) DVCs participation in Worldwide Universities Network (WUN); Australian Universities Benchmarking visits.
Goal Two: Transformation of UCT Towards Non-Racialism – Redress, Diversity, Inclusiveness and the Recognition of African Voices	
Admissions, Access	Further review of admissions policy <ul style="list-style-type: none"> to reduce or eliminate use of race – new questions inserted into 2012 application forms

	<ul style="list-style-type: none"> • Council Commission established • Use of National Benchmark Tests incorporated • Role of Maths 3rd paper results incorporated • Analysis of standards State vs IEB completed – shows need for policy change – for 2012
Throughput, success	Early warning system developed for first years to pick up students who are struggling at earlier stage and steer them into intervention programmes (for implementation in 2012)
	Development of “First Year Experience” project to improve retention and success rates of first years – academically, socially, in residences - <i>Progress slower than expected</i>
	Review of residence admission and allocation policies – done.
Inclusiveness, Institutional climate	360 degree feedback surveys extended to all Senior Leadership Group members – one element of institutional climate intervention
	Developed and tested new institutional climate intervention programme ‘ADAPT’
	Ombud started work – refurbished and equipped office, developed rules and procedures, publicity; training provided.
	<ul style="list-style-type: none"> • Promotion of good relations and open atmosphere with various staff constituencies, affirming achievements (academic HODs, Deans, EDs, teams responsible for key university functions) through hosting dinners and events, visiting departments, regular communications by VC desk and Monday Paper and speaking at PASS Forums, Faculty Boards.
Next generation of academics	<ul style="list-style-type: none"> • Carnegie next-generation programme (40 PhD and Post-docs) launched • Programmes continue to grow: African Economics Research Consortium, Emerging Researchers Programme • USHEPIA • Further initiatives and fundraising (e.g. French International Research Development)
Recognition of African voices	<ul style="list-style-type: none"> • Programme for the Enhancement of research Capacity • Curricula reform – uneven but <i>generally minimal impact yet</i>
Goal Three: Working Toward a Desired Size and Shape for UCT	
Policy and Planning	Concluded ‘Size and Shape 2020’ planning exercise – signed off by Council and Senate
	Review of the Centre of Open Learning and Adult Education completed – awaiting proposals
Capital projects	‘Obz Square’ Residence for 880 Students completed
	Identify next opportunity for additional 1000 residence beds - <i>Put on hold until impact of Obz Square assessed</i>
	New Economics Building on Middle Campus completed and occupied with associated departmental moves on upper campus

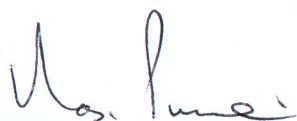
	New Engineering Building half completed
	Building for Construction Economics and Learning Centres planned, and Renovations for Architecture building
	Developed and submitted proposals to DHET for new Infrastructure Grant
	Explore options for staff housing through public private partnership – <i>not started</i>
Goal Four: A Vision for the Development of Research at UCT	
Research	Worked with each faculty to implement its own plan (developed in 2010) for enhancing research performance
	Implemented the Research Incentive Scheme
	Implemented the Retired Senior Researchers Retainer Scheme
	Policy on Office of Research Integrity developed and approved
Goal Five: Enhancing the Quality and Profile of UCT's Graduates	
Graduate attributes	Pilot courses on global citizenship and social justice evaluated and continued for second year
ICTS	Campus wireless networking about 40% complete
	Piloting of laptop project – still in planning phase
Goal Six: Expanding and Enhancing UCT's Contribution to South Africa's Development Challenges	
UCT-wide Institutional responses to major social challenges	African Climate and Development Initiative progressing Pro-VC appointed; MPhil course planned for 2012
	School Improvement Initiative – Director appointed;
	SA Violence initiative – <i>Unsuccessful in filling Pro-VC post</i> ; steering committee functioning well; major conference held
	Poverty and Inequality working group established and engagement with National Planning Commission.
Public Engagement and Profile	Hosted 7 Vice-Chancellor's lectures, as well as Steve Biko and TB Davie academic freedom lectures, Sawyer lectures and 12 professorial inaugural lectures – promoting public debates and raising profile of university
	UCT Co-hosted three sessions at World Economic Forum Africa
	Public campaign on freedom of information and related legislation
Social Responsiveness	See Social Responsiveness section of report

Support Systems	
ICTS	UCT Web renewal project and Enterprise Content Management – Policies all developed
	Student email system migrated to cloud
Administration and systems	On-line application process used first time in 2010 refined – worked much better in 2011
	Pilot run for on-line registration system for a number of fixed curriculum programmes
	New Head of Internal Audit and other officers started – overhaul of internal audit proceeding
Human Resources	Designed and agreed with union new Academic Remuneration Policy
	Finalised details of, and implemented merit award system for academic staff
	Refined new remuneration policy and implement new PPS (Pay for Performance System) for PASS staff and Senior Staff
	Health Sciences joint staff database completed
	Human Resource Department: Recommendations of review being implemented

Personal activities and goals

In addition to the institutional goals set for the year, there were also individual goals for the Vice-Chancellor as follows:

- Contribute to national policy discussions on NSFAS, funding formula, institutional differentiation
- Represent UCT on the Executive committee of Higher Education South Africa; Southern Africa Regional Universities Association; Association of Commonwealth Universities
- Conducted Review of Medunsa/University of Limpopo merger on behalf of the Minister of Higher Education and Training, and the Minister of Health
- Promotion of alumni support through visits undertaken to US, New York and Toronto; Australia and New Zealand; London; Israel
- Reinforcing links and relations with charities and foundations and meeting with new individual potential donors in London, USA, Australia, South Africa



DR. M PRICE

VICE-CHANCELLOR

9th JUNE 2012

REPORT OF THE INSTITUTIONAL FORUM FOR 2011

This report reflects on the work of the Institutional Forum for 2011

The Institutional Forum (IF) is a statutory body set up by 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 IF at UCT is constituted in terms of the Statute of the University of Cape Town of 2002 as amended in 2004 and 2005. The statute stipulates that the IF advises the Council on issues affecting the University as required by the Higher Education Act. It requires that the IF must hold at least two ordinary meetings each year. It also stipulates that the IF has to elect three co-chairpersons, one from the members elected or appointed by Council, the Senate and the Vice-Chancellor, one from the members elected by recognised staff bodies and one from the members elected by the SRC. The three Co-chairs for 2011 were:

1. Dr Jonathan Grossman for the staff unions' sector,
2. Mr Lethu Shange for the SRC and
3. Professor Crain Soudien for the Council, Senate and Vice-Chancellor.

In addition to the induction workshop held on 14 February 2011, the IF held four ordinary meetings, 11 March, 13 April, 17 August and 9 November and one special meeting on 10 October to consider the recruitment and selection processes for the appointment of a Deputy Vice-Chancellor. Two meetings were not quorate – the special meeting and the November meeting. Six Chair's Circulars were issued. The first was to secure the support of the IF membership for the proposal that the IF confirm that the required appointment procedures had been followed for the appointment of an Acting Deputy Vice-Chancellor. The second was to confirm that the process for the constitution and composition of the selection committee in the appointment of the Deputy Vice-Chancellor was in accordance with procedures. The third was to consider the recruitment and selection process of the ED Libraries. The fourth was to secure the support of the IF for the Appointment Without Advertisement Policy. The fifth was to consider the process of recruiting and selecting a new Deputy Vice-Chancellor. The last circular followed the inquorate meeting in November and included the matters relating to the re-appointment of the Vice-Chancellor, the Mediation Policy and a draft of the report that was to go to Council.

The Induction Workshop that the IF now routinely holds at the beginning of each year has become an important agenda setting meeting for the IF and its transformation mandate in the University. The 2011 IF Workshop built on the experience of workshops held in earlier years and not only framed the transformation challenge in the University but also sought to set an agenda for the IF. A concern expressed in the workshop was that the IF did not “speak as a well-organised vehicle for transformation” and that it should be more pro-active in the role it played and in the advice it gave to Council. In terms of this two recommendations generated at the workshop are important to highlight. The IF felt that it should continue to review its relationship with Council and that as

part of its transformation remit it should be much more vigilant about how the University dealt with processes. The point with respect to the latter was that process embodied important transformation issues. While the argument can be made that the IF has not yet worked out how to give expression to agenda-setting and transformation, it is important to recognise that in its focus on process as a transformation issue it has rigorously examined process issues for fairness and transparency. On the three occasions that the IF was asked to consider the process for the appointments of the Acting Deputy Vice-Chancellor, the Deputy Vice-Chancellor and more recently of the Vice-Chancellor, it applied its collective mind rigorously and made suggestions about how these processes could be improved.

The four scheduled ordinary meetings that took place were each marked by important discussion. Included on the agenda for these meetings were follow-up issues from the last meeting in November 2010 such as the policy of Appointment without Advertisement, the question of the disestablishment of the Centre for African Studies, staffing in the Transformation Services Office and the broad question of 'when UCT would be considered to have transformed', consideration of the substance abuse policy, the Special Relationships Policy, UCT's staff profile, the relationship between the Ombud and the IF and regularly the relationship of the IF with Council. The question of 'when UCT would be considered to have transformed' remains on the agenda and ways will need to be sought to have this discussion. This question also bears on the issue of UCT's staff profile. This matter, as is evident in the discussion below, was taken up in a subsequent meeting but clearly bears returning to regularly. At issue are questions and definitions such as equity, representivity and the meaning of transformation.

The first meeting in March was dominated by the Executive's response to questions that Dr Grossman had raised with respect to the Implementation of the Code of Conduct with Outsourced Service Providers and with the issues surrounding job security. This generated a great deal of discussion. At issue was the University's commitment to outsourced workers in the way it negotiates contracts with outsourced providers. The view of NEHAWU was that UCT did not make this clear in its contractual arrangements with providers. The response of the Executive was that its approach to this question is determined by its moral commitment to support workers in this category of employment. In future, UCT will include in any Request for Proposals a condition that the new contractor must:

- i) interview all the outgoing contractor's staff wishing to be employed; and
- ii) employ them unless the contractor shows to UCT's satisfaction that an individual did not have the skills for the job.

This position is consonant with management practice since 2005 as reported to Council from time to time.

Important issues considered at the second meeting in April were the future of the Centre for African Studies and, as a matter that arose from an earlier meeting, the availability of Council minutes to the IF. With respect to the first matter, the IF heard reports from Professor Lungisile Ntsebeza the chair of the Task Team appointed by the Humanities Faculty into the future of the Centre for African Studies, Social Anthropology, the African Gender Institute and Linguistics. Professor Ntsebeza's reports generated a great deal of discussion. With respect to the question of access to Council minutes, initial responses from Council indicated that it would not be possible for the IF's request to be acceded to. Opinion from Council was that it was a closed committee and that its agenda and minutes were restricted to members and that the IF should, if it so wished to be informed, receive feed-back through its constituencies about decisions taken at Council. This elicited a great deal of discussion in the IF and a request to its Council members that the IF

would wish to pursue this matter. The IF requested that the matter be taken back to Council. In considering the response of the IF, Council Executive agreed at its October meeting to make those elements of its deliberations available to the IF that were not confidential.

The question of UCT's staff profile occupied the discussions of the third IF meeting for the year. The discussion arose in response to a request of NEHAWU and questions that had been brought to its attention about employment trends in certain payclasses and certain departments within the University. It presented documents which illustrated the problems which they were concerned about. Representatives from the faculties concerned undertook to look into the problems and provided responses which were tabled at the meeting. This matter was discussed in the August meeting of the IF. Professor Gonda Perez of the Health Sciences Faculty responded to some of the complaints made by NEHAWU.

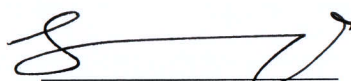
Key issues raised at the third meeting of the IF included the under-resourcing of the IF and a request that it be better supported by the University and, in response to a question to the Executive, the matter of the role of Employment Equity (EE) representatives on Selection Committees. The discussion in relation to the latter issue elicited a great deal of discussion. NEHAWU's position was that EE participation on selection committees was weak and did not serve the interests of transformation adequately. Many suggestions were made in the discussion about how the cause of transformation could be better served in selection processes including taking more deliberate steps about the role and support given to the EE representatives. One of the suggestions was that Ms Doo, as chair of the University Human Resources Committee, be asked to put the IF's concerns on its agenda and also that the Transformation Services Office look at ways of strengthening the voice of EE representatives on selection committees. This matter will be taken to the UHRC. A major point of discussion was the desirability of having selection committees that reflect the country's demographics. This is a matter that will be pursued by the co-chairs with NEHAWU in particular.

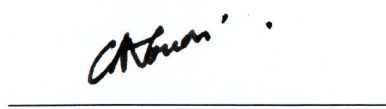
The final meeting of the IF on the 9th November, as indicated above, was not quorate but proceeded. The meeting considered the preparations for its Induction workshop and considered the process for the re-appointment of the Vice-Chancellor. Both issues generated a great deal of discussion. With respect to the latter issue a number of improvements were suggested. These improvements were taken up in the Chair's Circular to the IF membership.

The IF Co-chairs will meet shortly to prepare for the Induction Workshop to be held in February. This workshop will also be accompanied by an ADAPT workshop.

Co-Chairs


DR J GROSSMAN


MR L SHANGE


PROFESSOR C SOUDIEN

9th JUNE 2012

COUNCIL STATEMENT ON CORPORATE GOVERNANCE

The purpose of this statement is to give a brief overview of the University's governance structures, legal status and corporate governance.

Legal persona and capacity

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

The Council is required to make this report by virtue of provisions in the Act and 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 governance structures provided for in the Act

The University of Cape Town grew out of the South African College, which had been established in 1829. It became a University in 1918 by a 1916 Act of the Union Parliament. That, and successive pieces of legislation, gave way to the Higher Education Act, 1997, No 101 of 1997 as amended, and the promulgation in terms of the Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as subsequently amended). The Act deals inter alia with public higher education institutions, of which the University is one.

The Act requires a public higher education institution to have a Council, a Senate, 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 ends on 30 June 2012.

While the Council governs the University, the Senate has jurisdiction over the academic functions of the University. The Senate consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 330 members in 2011. 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 chosen by the Students' Representative Council, ten staff members chosen by trades unions and staff bodies, and ten members representing Council, Senate and executive leadership. It advises the Council on issues affecting the University as required by the Act.

The Council is supported by specialist committees and working groups.

The matters reserved for decision by full Council are those specified in the Act (changes to the Institutional Statute, adopting institutional rules, acquiring or disposing of fixed property, setting fees, and specified financial transactions), those listed in the Institutional Statute (paragraph 12(5)), and matters that Council has reserved to itself. Beyond this, the Council has powers of delegation and has made use of these 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 2011 for 2012.

In order to promote accountability and transparency the Council publishes the papers of the Senate, (including the monthly Principal's Circular), the Institutional Forum, and many UCT committees on an open governance intranet, and for Council papers, other than those dealing with commercial interests, to be available to staff trades unions 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 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.

Corporate governance and ethics in decision-making and in University work

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

The Council is committed to high standards of corporate governance. Care is taken to ensure that the University complies with the governance prescripts contained in the Act and the Institutional Statute, that the mandates of committees are clear, written, are consistent with

the legislation, and are adhered to, and that full and accurate records are kept of the proceedings of Council, Senate, the Institutional forum and of their committees. Where decisions are made under delegated authority the written authority limits are not exceeded. As is reported below, the delegated authorities are reviewed annually.

In order to ensure that there is neither an actual nor a perceived conflict of interest, and that decisions are made independent of the personal interests of members, each Council member, all senior managers, and all Committee members are required: (i) to make an annual declaration of interests; (ii) to declare any conflict or potential conflict ahead of discussion of the relevant issues; and (iii) to recuse themselves should any such issue arise. At the same time they must subscribe to the Council's code on conflicts (or potential conflicts) of interest before the first meeting of Council in each year.

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 subjects 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 2011 and revised structures are expected to be put in place in 2012.

As a further step to ensure both fairness in all institutional dealings with staff, students and third parties, and to promote probity, the Council has established an Ombud's Office. The newly appointed, full-time Ombud has now completed a full year in office. The Ombud's role has been defined but this is expected to evolve over time.

Council and its Executive Committee

A standing Executive Committee (EXCO) supports the Council; Council has delegated specific formal decision-making functions to this committee. Council meets five times each year and EXCO meets monthly from February to November in those months in which the Council does not meet.

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

The table below sets out the number of Council and EXCO meetings held in 2011 and each Council member's attendance record.

COUNCIL	March	June	August	October	December	%
D G Aschman	Ap	P	P	P	P	80
AW Barday	Ap	P	P	P	P	80
S Barsel	P	Ap	Ap	Ap	Ap	20
J Beall	P					100
G Bloch	P	P	P	Ap	P	80
G Bloor	P	Ap	P	Ap		50

D J Budlender	P	P	P	P	P	100
V Doo	P	P	P	P	P	100
I G Farlam	P	P	P	P	P	100
G Gabriels	P	P	P	P	Ap	80
J J Gauntlett SC	Ap	P	P	P	P	80
C T Howie	Ap	P	P	Ap	P	60
I Isaacs					P	100
M F Jeebhay	P	Ap	P	P	Ap	60
E R Kalula	P	Ap	Ap	P	P	60
O Kinahan	P	Ap	P	P	P	80
A Kiyaei					P	100
A Kriel	P	Ap	P	P	P	80
Q Loxton	P	P	P	Ap	P	80
G Mamba	P	Ap	P	Ap	P	60
A Ngwenya	P	Ap	Ap	P		50
N W H Ndungane (Chair)	P	P	P	P	P	100
R T Nhlapo	P	P	P	P	P	100
C Okeahalam	P	P	Ap	P	P	80
T D Petersen	P	P	P	P	P	100
M R Price	P	P	P	P	P	100
U Rivett	P	Ap	P	Ap	P	60
M Seligson SC	P	Ap	P	P	P	80
C Soudien	P	Ap	Ap	P	P	60
J Terblanche	P	P	P	P	P	100
P A Vinjevold	P	Ap	P	P	P	80
D P Visser	P	P	P	P	P	100
N Yeld		P	P	P	P	100

COUNCIL EXCO	February	May	October	November	%
D J Budlender (deputy chair)	P	P	P	P	100
J J Gauntlett SC	P	Ap	P	Ap	50
I Isaacs				Ap	Nil
E R Kalula	P	Ap	P	P	75
N W H Ndungane (chair)	P	P	P	P	100
A Ngwenya	P	P	P		100
T D Petersen	P	P	P	P	100
M R Price	P	P	P	P	100
M Seligson SC	P	P	P	P	100
	= Not a member for these meetings		P = Present	Ap = Apology	Abs = Absent

Council Appointments Committee

The Council Appointments Committee considers nominations for certain vacancies in the Council in terms of paragraph 46 of the Statute, and appoints five members of the Council. No vacancies arose during the reporting year. The Committee met in order to plan for the succession to the new Council in July 2012.

The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external members of Council, independent members and the Vice-Chancellor. It met four times in 2011, and both internal and independent auditors have unrestricted access to it. The Chair of the University Audit Committee is independent but by Council decision has the right to attend and speak at all Council and EXCO meetings. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the University Audit Committee. The University Audit and Risk Management Committees continued with a comprehensive review of risk and measures in place to manage and mitigate identified risks. The University Audit Committee's responsibilities are to:

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

A comprehensive risk policy framework has been adopted by the Council on the advice of the Risk Management and University Audit Committees.

The University Finance Committee

The University Finance Committee (UFC) is a standing committee of Council. The UFC advises Council on financial strategy, makes recommendations on revenue and capital budgets, and monitors and reports on progress against these budgets quarterly. It met seven times during 2011. An external Council member chairs the UFC.

The Council Remuneration Committee

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

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

The compensation of each member of the senior leadership group is given in the Annual

The University Student Affairs Committee (USAC)

The USAC is established in terms of s 27 (3) of the Act. This standing committee of Council is made up of one member of the Executive, two members of Council, and members of the academic staff (appointed by Senate) and student representatives. It is the structure established in terms of the Act to advise the Council on student matters. Council requires the USAC to report twice a year on student concerns and on how these are being addressed. A Deputy Vice-Chancellor chairs USAC. USAC met on four occasions during 2011.

The University Human Resources Committee (UHRC)

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 four times during 2011. An external Council member chairs the UHRC.

The University Information and Communication Technology Services Committee (UICTC)

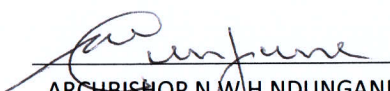
The UICTC is a joint committee of Senate and Council. It exists in recognition of the vital role of ICTs in the work of the University, in teaching, in research, in administration and in communication. It met five times in 2011. It is responsible for formulating strategy proposals for ICTs at UCT. It is chaired by a Deputy Vice-Chancellor, and it includes members of Council, members of the academic staff appointed by Senate, the ED: Finance, the Registrar, and SRC-Appointed members. It is overseeing the University's migration to a new email platform, has embarked on an extensive enterprise content management (ECM) project, and has reviewed research support needs based on a survey and a benchmarking visit to Australian universities.

The University Building and Development Committee (UB&DC)

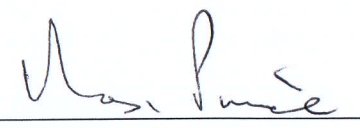
The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings. The committee met eight times during 2011. A Council member chairs the UB&DC.

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 2011.


ARCHBISHOP N W H NDUNGANE
CHAIR OF COUNCIL

9th JUNE 2012


DR. M PRICE
VICE-CHANCELLOR

REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS

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

The University maintains systems of internal control to mitigate identified risks, to ensure the integrity of our core activities of teaching and research, and to safeguard our assets. The University has a documented organisational structure and division of responsibilities, coupled with established policies and procedures that are communicated throughout the University. Organisational structures are not static and are continually under review by management, but the essential elements are stable.

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

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

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

The University's independent auditors, 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 University Audit Committee (UAC) and of management, and are being attended to. Ernst & Young have reported on the progress made in addressing these issues, indicating where items have been resolved, partly resolved or not yet resolved. In certain instances management may suggest that they are comfortable to accept a particular risk; these instances require the acceptance of the UAC. There were no such instances during 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. In prior years, the UAC were concerned about the effectiveness of Internal Audit in fulfilling this role and are pleased to report that the University has 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 commenced work in January 2011 and has been tasked with establishing an effective Internal Audit function. The Council, through the UAC, provides

oversight of the preparation, integrity and fair presentation by management of the financial statements and of the financial reporting process.

Committee structures

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

The UAC 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 to Council. Council has now stipulated that it requires a report from the UAC at every meeting.

The University also has a standing Risk Management Committee (RMC) which is chaired by the Vice-Chancellor with an external member of the Audit Committee as an assessor member. This committee, reports to the UAC.

Attendance at RMC and UAC meetings during 2011 is given in the tables below.

University Audit Committee		April	May	Aug	Nov	%
Mr C McClelland	Chair	P	P	P	P	100
Mr A Jakoet	Deputy Chair	P	P	Ap	Ap	50
Mr Justice I G Farlam	Council Member	Ap	Ap	Ap	Ap	0
Advocate A C Mopp	Member	Ap	P	P	P	75
Dr M R Price	Member (Vice-Chancellor)	Ap	P	P	P	75
Advocate M Seligson SC	Council Member	P	P	P	P	100
Risk Management Committee		Feb	May	Sept	Nov	%
Dr M R Price (VC and Chair)		P	P	P	P	100
Professor E Uliana (Deputy Chair)		P	P	P	P	100
Professor D Ross			P	Ap	P	67
Professor F Petersen		Ap	P	Ap	P	50
Mr C McClelland (Audit Committee - assessor member)		P	P	P	P	100
Mr H T Amoore		Ap	P	P	P	75
Mr J Critien		P	P	P	P	100
Ms M Khan		P	P	P	P	100
Ms G Kruger		P	Ap	P	P	75
Ms L Rhode (Director Internal Audit – assessor member)		P	P	P	P	100

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

The RMC has been particularly busy during the year under review. Council approved the new “Risk Policy Framework” (RPF) in December 2010 adding a number of new responsibilities to the RMC’s brief. These are intended to ensure that the RMC’s brief covers the full range of risk, including risk associated with core business, and therefore directly concerned with institutional sustainability. A number of minor amendments have since been made to this RPF and the Terms of Reference of the Committee have been aligned to the RPF. The amended documents will be reviewed by the UAC and will then be submitted to Council for final approval.

The RMC and the UAC formulated the policy framework and agreed that a comprehensive view of risk that includes the academic enterprise is required. Accordingly, annual reports will be received from the Quality Assurance Committee (QAC) and the University Research Committee (URC), thus ensuring coverage of the University’s core business areas. In addition, the RPF increased the existing eight risk domains to eleven by adding Legal Compliance and Litigation, Development and Alumni and Reputational Risk. Legal compliance has become a standing item on the agenda of the RMC.

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

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

The RMC met four times during the year and, as required by the RPF, received and reviewed reports in the respect of the following:

Academic and research risk

Quality Assurance Committee (formerly the Quality Assurance Working Group, QAWG)

The report from QAWG regarding academic risk was reviewed by the RMC at its September meeting. The Senate has reviewed its quality assurance structures and has raised the status of the former QAWG to the Quality Assurance Committee, a standing committee of the Senate.

The RMC was satisfied that the necessary quality assurance mechanisms were in place to mitigate academic risk. These structures range from the systems of internal and external examining to structured regular reviews of academic departments by review panels and the reviews of professional programmes by statutory professional bodies.

University Research Committee

The report from URC in respect of research-related risks was reviewed by the RMC at its November meeting. The RMC was satisfied that steps were being taken to manage these risks to acceptable levels. A key aspect of research risk is to ensure the appropriate, ethical conduct of research. A major Senate review of the controls over research ethics was undertaken in the Senate sector in 2011 and is expected to be concluded in the first half of 2012.

The Committee noted that the URC was forming a sub-committee to evaluate risk in a more detailed manner.

Eleven Risk Domains

The University has a comprehensive register of major risks, covering all eleven identified risk domains. Identified risks are added and deleted as and when the RMC deems it necessary based on inputs from the appropriate senior university officer responsible for each domain. The register records the identified risk, its possible impact and probability of occurrence both before and after mitigation. The accountable senior officers reported to the RMC during the course of the year covering all risk domains, apart from Reputational Risks. This risk domain will be reviewed by the RMC in the first half of 2012.

The risk parameters regarding impact and probability were amended and certain refinements to the methodology effected during 2011. The management of risk at the University continues to evolve and the RMC is confident that the processes and reporting developed will lead to greater effectiveness in 2012.

Delegated Authorities

The following lists of delegated authorities were substantially reviewed by both the RMC and the UAC and, following amendment, recommended to Council where they were approved at its December 2011 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.

At the same time a new schedule was added so as to better regulate the way in which the University enters into co-operation agreements with other universities; the University's internationalisation programme has led to many opportunities for world-wide co-operation while the University's position as a ranked world institution has led to a deluge of international institutions seeking to have co-operation agreements with the University.

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

The JIC consists of Members of Council and Trustees of the Foundation together with additional members co-opted by the Committee for their expertise in the field of investment. The JIC has also engaged the services of a firm of actuarial consultants to assist in monitoring the investment performance against benchmarks set and against the returns achieved by similar funds monitored by the consultants.

Legal Compliance

2011 saw an increased focus by the RMC on legal compliance risks. The University is subject to an array of Acts and regulations and the RMC believes that this is a key risk area requiring systematic attention. Accountability for legal compliance rests with the Registrar, and responsibility has been assigned to the Director: Legal Services and Secretariat (an appointment in the Registrar's Office) who has begun a compliance review reporting to each RMC meeting. These reviews have identified areas where the University has not been compliant and management has taken corrective action. The resolution of these compliance issues is being monitored by the RMC.

Litigation Register

A Litigation Register has been developed that is intended to reflect all litigation matters facing the University, including matters relating to the Commission for Conciliation, Mediation and Arbitration and the Labour Court. The Litigation Register is reviewed at each meeting of the RMC.

Health and safety and crime

The Executive Director of Properties and Services reports at each meeting on the significant issues emanating from the Physical Risk Co-ordinating Committee (PRCC). The PRCC has two sub-committees of its own, the Genetically Modified Organisms Committee and the Radiation Control Committee

The RMC monitors actions taken by management to mitigate any risks identified and takes cognisance of external reports (e.g. the OHSAS report).

Crime

The Committee received detailed reports at each meeting regarding crime both on campus and in the neighbouring precincts. The incidence of serious crime on campus has been significantly reduced and our attention has as a result extended to safety in the vicinity of the campus.

Crime off campus has also decreased as a consequence, we believe, of the establishment of the Groote Schuur City Improvement District (CID), which had also lowered the levels of crime in the Rondebosch Shopping area and along Main Road. It is planned that a further CID will be established in the Rondebosch residential area where a major portion of our students live.

Insurance update

The University seeks to insure against loss in risk areas. The transfer of risk through the means of insurance is the responsibility of the Executive Director: Finance who, in terms of the RPF, has established an Insurance Working Group.

Cover is provided in terms of our insurance policies and through TERISA, a self-insurance scheme run for the benefit of South African public tertiary institutions.

Work has commenced in conjunction with the University's brokers, Marsh, incorporating Alexander Forbes, to establish the insurance needs for 2012. The report of the sub-committee on risks, premium renewals and cover obtained is reported to the RMC in February 2012.

A valuation of the University's buildings, performed by an external quantity surveyor, is currently underway and will inform the estimates of required insurance cover being made.

The RMC was satisfied that all reasonable steps were being undertaken to ensure that the University had appropriate insurance cover.

Business Continuity

The Committee considered the risks associated with business continuity and identified information technology, fire, epidemics, contamination, student riots, staff riots, flooding, power, strikes by staff, student on student violence and terror attacks as areas requiring a brief business continuity plan.

Initial presentations were made with regard to Contamination, Epidemics, Information Technology and Communications, Fire, and Riots and Strikes. The development of the business continuity plans in each of these areas has not yet been completed.

Ethics and Fraud Prevention

Council has requested that the Ethics Policy submitted to Council in 2010 be revisited and a revised draft policy will be reviewed early in 2012, in the light of the requirement for this brought about by an amendment to the Higher Education Act, 1997 (Act 101 of 1997) gazetted on 22 December 2011.

A draft Fraud Protocol was submitted and reviewed at the RMC's meeting in November and will now be forwarded for final review and approval. The protocol deals with the responsibilities of the University Community in responding to incidences of theft, fraud or similar criminal offences.

Audit Committee

The key responsibilities of the Audit Committee are listed on page 25 in the Council Report on Corporate Governance.

Areas of focus of the Audit Committee

As the Audit Committee is required by Council to ensure that management has adequate controls in place over assets, risk and financial systems and controls generally, and has systems to allow for timeous and accurate financial reporting that comply with all applicable requirements, the Committee had adopted the following areas upon which to focus its and management's attention during 2011:

- a) upgrade the internal audit department in the manner put forward by management;
- b) align the internal audit coverage plan to the university's risk schedules;
- c) deal with the tax issues, both PAYE and VAT;
- d) focus on risk associated with research and related funds;
- e) focus on risk associated with the IT environment; and
- f) formulate a business continuity plan appropriate for the University.

Internal Audit and Internal Audit coverage plan

Internal Audit continued to deliver on the agreed audit coverage plan and meet with stakeholders in order to understand their key risks and has proposed adaptations to the audit plan accordingly. The audit plan is designed taking into account the available resources and the skills set of current staff. The Department is in the process of up-skilling, having performed detailed skills assessments and identified skills shortages. This will involve extensive training in the form of both formal courses and continuous on-the-job interventions.

Tax risks

Both the RMC and UAC continued to assess the identification and management of PAYE and VAT compliance. As most of these issues are common to the Higher Education sector, a major intervention has been the University's staff involvement in a tax task team established under Higher Education South Africa, (HESA). This team is recognised by the SA Revenue Services (SARS) as the contact body for tax issues related to the higher education sector. A major focus of SARS and the HESA tax team has been to establish an agreed basis for the identification of the VAT status of activities, particularly in the research area. This would have a major impact in ensuring the correct treatment of VAT within the industry thus greatly reducing VAT risk.

Risk associated with research and related funds

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

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.

Business Continuity

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

Going Concern

The UAC, having considered the consolidated Annual Financial Statements together with managements input thereon, has not identified any issues to indicate that the going concern assumptions applied by management were inappropriate.

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

The Public Audit Act 2004 (Act No 205 of 2004) authorises the Auditor-General of South Africa (AGSA) to perform the audit of all public entities (as defined in this Act) but allows the AGSA to opt not to do so which the AGSA had done by notice in the gazette for public universities that provided that they appoint their own auditors in accordance with provisions contained in Section 25 of the Act, read with regulations published under the Act. The Public Audit Act, 2004 requires that the AGSA be consulted regarding these audits. This has led to the AGSA setting terms for the way audits are done. Up until now the University's independent auditors have had to express an opinion on the financial statements under the regulations published under the Higher Education Act, Act 101 of 1997, but from now on they will also be

subject to the requirements of the AGSA which include:

- Measurement of the performance of the University against predetermined objectives (PDOs). Management will report on whether the University achieved the PDOs, the auditors will audit that information for accuracy and report accordingly;
- Compliance with laws and regulation will be audited. The focus will be on procurement, contract management and human resources;
- The status of internal control will be reviewed in areas deemed significant to financial information.

The AGSA's office has indicated that the AGSA will liaise with the DHET regarding the development of the DHET's reporting manual, which governs this report to ensure that this manual adequately covers the AGSA's requirements. The manual is currently being revised jointly by both the DHET and HESA.

Certain changes will be implemented in the current year, the most significant change being the format of the audit report which can be found on pages 61 and 62.

Rotation of the independent auditors

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

The scope of the independent external and internal audits

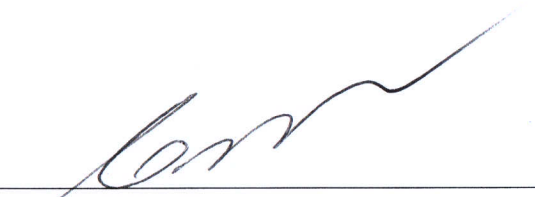
The Committee reviewed the audit approach and key risk areas of the external audit. It also considered a separate independent report performed by the external auditors on the IT environment with a focus on controls and applications that are key from a financial audit perspective.

During the year the Committee has interacted with Internal Audit in respect of the internal audit coverage plan and continues to review progress against the coverage plan and the findings from the respective audits.

Assurances received and review of the Annual Financial Statements

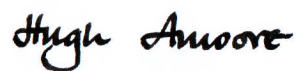
The Committee received assurance from the independent auditors that there were no material unresolved accounting and auditing matters relating to the audit of the 2011 financial year, and was also assured by the auditors that adequate accounting records were being maintained. The Annual Financial Statements are prepared in terms of International Financial Reporting Standards and in the manner required by the Minister of Higher Education and Training as set out in the manual on annual reporting issued by the Department of Higher Education and Training. 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 had been no irregularities which they had considered reporting to the Independent Regulatory Board for Auditors.



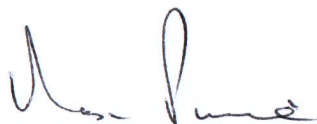
C McCLELLAND

CHAIR OF AUDIT COMMITTEE



HUGH T AMOORE


REGISTRAR



DR M PRICE

VICE-CHANCELLOR AND CHAIR OF THE
RISK MANAGEMENT COMMITTEE

9th JUNE 2012



MS L RHODE

DIRECTOR – INTERNAL AUDIT

REPORT ON UCT OPERATIONS DURING 2011 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 2011

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 lifelong learning;
- Cultivating 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.

Strategic funding has been made available to support a number of specific projects geared towards enhancing graduate attributes and the student experience. These include:

- The Global Citizenship: leading for social justice programme which aims to expose students to issues relating to global citizenship and social justice that go beyond the immediate requirements of their professional degree or major discipline, to develop students' capacity for leadership in this regard, and to motivate them to work for social justice through community service/volunteering. In 2011, 236 students registered for the programme;
- The Summer Undergraduate Research Experience (SURE) within the Department of Computer Science, which aims to expose students with the potential to become researchers (especially black and female students) to research in Computer Science via a structured programme. 13 candidates were selected to participate in the 2011 programme; and

- The offering of a Diversity Literacy course, the main objective of which is the development of a set of conceptual tools that enable students to think critically about social issues such as identity, power and difference. 57 students enrolled for the first and second semester options, which were offered for the first time in 2011.

Student numbers

The unduplicated headcount enrolment at the end of 2011 was 25 532. This is the highest in UCT's history and was 3,1% greater than the 2010 enrolment. The postgraduate enrolment (8 094) represented an increase of 6% over the equivalent enrolment in 2010. Enrolments in professional first bachelor's programmes made up 43% of the total undergraduate figure in 2011. We admitted 3 674 first-time entering undergraduate students amongst whom 70% had achieved A or B aggregate scores, which suggests that once again a high quality intake had been achieved.

Enrolments at the master's and doctoral levels (3 754 and 1 206 respectively) both peaked in 2011. The combined master's and doctoral enrolments (4 960) made up 19% of the total 2011 enrolment.

Demographic statistics

Headcount student enrolments by population group 2007 - 2011, showing percentage growth on base						
	2007	2008	2009	2010	2011	% growth, 2007 - 2011
SA African	3924	4354	5068	5277	5754	47%
SA Coloured	2869	3252	3623	3587	3699	29%
SA Indian	1455	1522	1630	1666	1674	15%
SA White	8590	8768	8983	9131	9004	5%
International	4088	4320	4307	4611	4636	13%
Other	493	392	401	500	765	55%
Total	21419	22608	24012	24772	25532	19%

Headcount student enrolment by population group 2007 - 2011 showing % of total					
	2007	2008	2009	2010	2011
SA African	3924	4354	5068	5277	5754
% of total (incl. Int)	18.3	19.3	21.1	21.3	22.5
% of total (excl. Int)	22.6	23.8	25.7	26.2	27.5
SA Coloured	2869	3252	3623	3587	3699
% of total (incl. Int)	13.4	14.4	15.1	14.5	14.5
% of total (excl. Int)	16.6	17.8	18.4	17.8	17.7
SA Indian	1455	1522	1630	1666	1674
% of total (incl. Int)	6.8	6.7	6.8	6.7	6.6
% of total (excl. Int)	8.4	8.3	8.3	8.3	8.0
SA White	8590	8768	8983	9131	9004
% of total (incl. Int)	40.1	38.8	37.4	36.9	35.3
% of total (excl. Int)	49.6	47.9	45.6	45.3	43.1
International	4088	4320	4307	4611	4636
% of total (incl. Int)	19.1	19.1	17.9	18.6	18.2
Other	493	392	401	500	765
% of total (incl. Int)	2.3	1.7	1.7	2.0	3.0
% of total (excl. Int)	2.8	2.1	2.0	2.5	3.7
Total	21419	22608	24012	24772	25532
		this row is % of total, including international students			
		this row is % of total, excluding international students			

International students					
	2001	2005	2009	2010	2011
Total UCT students enrolled	18119	21356	24012	24772	25532
Total UCT students (excl. SSA)*	17837	20666	23168	23828	24706
Total international students (excl. SSA)	2254	3727	3464	3667	3811
% international students (excl. SSA)	12%	17%	14%	15%	15%
Number of countries represented	74	96	97	104	109
Number of African countries represented		31	31	35	39
Total SADC students	1603	2546	1987	2238	2247
% SADC student at UCT	9%	12%	8%	9%	9%
Total Non-SADC International students (excl. SSA)	651	1181	1478	1434	1194
Total Non-SADC International students from Africa		442	567	579	507
Total Study Abroad Students	282	690	843	944	826
Total International students incl. SSA/non-degree seekers	2536	4374	4307	4611	4636
% All international student registrations at UCT	14%	20%	18%	19%	18%
Total international undergraduates	1291	2033	1833	1975	1954
Total international postgraduates	963	1774	1631	1692	1857
*Semester Study Abroad					

Completion and success rates

A total of 5 582 students qualified with a degree or a diploma during 2011. This total included 1 372 Commerce students (441 of whom completed BBusSc degrees), 806 Engineering students, 596 Health Sciences students, 1 902 Humanities students, 160 in Law and 609 in Science. It should be noted that many of the 2012 June graduates, especially those at the senior postgraduate level, will be attributed to 2011 and the total shown here is therefore incomplete.

Slightly less than 4% of all undergraduate students were excluded from the university on academic grounds at the end of 2011. This figure is much the same as reported over the last few years.

The overall success rate in undergraduate courses in 2011 was 85%, which was slightly higher than the 2010 undergraduate success rate. The 2011 undergraduate course success rates in 100-, 200-, 300- and 400-level courses were all in excess of 80%.

Examination of the longitudinal performance of the 2006 first-time entering undergraduate (FU) cohorts shows the following:

- 69% of the 2006 FU cohort has completed an undergraduate qualification within five years of registering at UCT;
- 14% of the cohort (compared to 15% of the prior 2005 FU cohort) 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 amongst the 2006 FU cohort was 8%. This represents a 3 percentage point improvement in comparison with the 2005 FU cohort;
- 8% of the cohort were still busy with undergraduate studies at the end of 2010. Increases in the proportions of students still busy with their studies were noted in all faculties – this is to be expected as an effect of the increased proportional enrolment in extended programmes.

The improved completion rates amongst recent cohorts of first-time entering undergraduates suggest that UCT's persistent focus on throughput and retention is yielding positive results. The decrease incidence of drop-out in good academic standing (i.e. where students leave UCT without completing a degree/diploma and without being excluded on academic grounds) is particularly encouraging.

Academic staffing

UCT's 2010 HEMIS staffing submission shows that a total of 914 permanent instruction/research academic staff were employed across the University. This represents a 9,5 percent increase over the 2009 figure of 834, a portion of which could be attributed to the conversion of contract to permanent posts so as to comply with labour legislation. Notwithstanding this, the fact that student enrolments grew by 7,9 percent over the same period suggests that academic staffing provision has kept pace with growth in student enrolments.

The proportion of full-time academic staff qualified at the doctoral level in 2010 was 64%. A further 29% of all academic staff held masters level qualifications. Moreover, the Research section of this report suggests that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

The Libraries

The Libraries are integral to UCT's success at all levels and include the Chancellor Oppenheimer (Main) Library, nine branches, including Law and Health Sciences, and major research collections such as Manuscripts and Rare Books, African Studies and Government Publications. The Libraries' extensive website provides on-and-off campus access to more than 72 000 electronic journals and 190 databases. There are about 1,2 million print volumes, with more than 16 700 print journal titles. UCT's Special Collections focus on Africana, with a great variety of historically important manuscripts, maps, photographs, films, diaries and sound recordings. A key focus area of the Libraries is to significantly increase the amount of primary materials available online through the establishment of a dedicated digitisation services unit staffed by experts in digital collection management and supported by advanced technology. The establishment of a cold room in the Chancellor Oppenheimer Library provides environmental conditions for long-term conservation of films and photographic archives and provides a magnet for attracting important visual archives which will decay unless preserved in such conditions. Libraries' spaces are changing and must continue to change in response to increased use of electronic resources, the slow-down in growth of print journal collections, the University's increased emphasis on support for postgraduates, the increased need for undergraduates to study collaboratively, and the fore-fronting of the University's unique African and manuscript collections, both print and digital. The physical restructuring and organizational changes signify enhanced service delivery models that align with current best international practice in large academic libraries and enhance the Libraries' ability to support research. For the first time, the Libraries have brought together all Special Collections, thereby creating enhanced access to, and showcasing of the University's unique research collections and consolidated access to the Libraries' expertise in these collections. The centerpiece will be the restored Jagger Library reading room. The restoration and refurbishment of the Jagger Library is planned across three phases. Phase 2 commenced in late 2011 and continues into 2012. The entire south wing of the Chancellor Oppenheimer Library (levels 4 and 5) has been reconfigured and refurbished in a "research-commons-like" environment with a team of subject librarians clustered in this area, supported by modern equipment and technologies, high-end computer stations, audio-visual viewing areas, group and study areas, presentation facilities, wireless internet access and ample photocopying, scanning and printing facilities. Undergraduate areas have also been improved and a single point of service, referred to as "The Hub", for general information inquiries provided and staffed in this area. One of the most popular undergraduate facilities remains the Knowledge Commons, an innovative service pioneered by the Libraries, which is a dedicated undergraduate research facility where students can access the Libraries' electronic resources via high-end workstations and software and receive expert assistance in researching and writing reports, assignments and essays. Alterations and some limited upgrading were also undertaken at two branch libraries, WH Bell Music Library and Hiddingh Hall respectively.

B) RESEARCH

International rankings

UCT performed well in the three main global university ranking systems last year. We climbed four spots, from 107 in 2010 to 103 in 2011, on the Times Higher Education (THE) World

University Rankings, and were placed at number 156 in the Quacquarelli Symonds (QS) World University Rankings for 2011/12, up from 161st place in 2010. The QS system continues to rank UCT as the only university in Africa in the top 200. UCT was also the only university in Africa to make the top 300 range of the Shanghai Jiao Tong Academic Ranking of World Universities (ARWU).

The University's strong performance is the direct result of the productivity and impact of UCT's research, the University's ability to attract research grants, the quality of its staffing, the international diversity of its staff and students, and the strong perceptions of the quality of the its graduates by the international community.

Publication count

UCT was awarded 1253.03 research output units for 2010 representing a 5.5% growth over the 2009 (subsidised) research output measure. This placed UCT in first place nationally. Unfortunately this has not translated into financial reward as the subsidy per publication output has been reduced from R135 296 to R119 457. Though the 2011 number has not yet been finalised, indications are that the research output total for 2011 will exceed the 2010 number.

NRF Rating

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 336 in 2010 to 379 in 2011. More than half of the new applications rated in 2011 were from younger researchers, within 5 years of PhD. Three P ratings, (the NRF President's Awards) were made to UCT researchers, out of four national P ratings. The continued growth in rating applications could be partly attributed to the incentive funding which the NRF makes available to rated researchers.

Research income, grants and contracts

Total research income from external sources increased by 18% or R128.1 million, from R712.9 million in 2010 to R841 million in 2011. This increase is largely attributable to an increase in both contract and government related grant income over the same period: R545 million vs. R450 million for contracts (21% increase) and R222 million vs. R201 million for government grants (11% increase). These figures represent income received or accrued, but exclude amounts awarded but not yet paid. The number of research contracts approved in 2011 increased by 29% year-on-year (compared to the 20% increase in 2010 over 2009), with a significant increase in the value of the contracts signed (R722 million vs. R550 million).

Signature Themes

UCT's Signature Theme policy provides a framework for inter-departmental and inter-faculty research and contributes to cultural and operational transformation on various levels. Selected to drive research in a strategic manner, they are grounded in existing areas of internationally recognised excellence whilst being aligned to institutional, regional and national priorities. Five Signature Themes were established at UCT in 2007: the African Centre

for Cities, Brain and Behaviour Initiative, Marine Research Institute, Minerals to Metals, and Drug Discovery & Development Centre. The African Climate and Development Initiative (ACDI), under leadership of newly appointed Pro-Vice Chancellor Prof Mark New was recognised as the sixth Signature Theme in 2011.

Accredited research groupings

At the end of 2011, the number of UCT-accredited research groupings stood at 69. This number includes nine groupings which are jointly accredited by the Medical Research Council and UCT, as well as two new research groupings which received UCT accreditation in the course of the year.

Department of Science & Technology (DST)/National Research Foundation (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 a much-anticipated new call for Chairs in 2011, UCT submitted 41 applications, and was awarded four Research Chairs out of 60 allocated nationally. This will bring the existing number of SARChI Research Chairs at UCT to 32.

Research development

Programmes for the support of new academics or emerging researchers are becoming increasingly common as universities around the country seek to generate capacity soon to be lost with the retirement of a cohort of established (mainly male and white) researchers and to change the demographic profile of their academic staff in the process. The Emerging Researcher Programme (ERP) which was pioneered in 2003 with 44 participants, had 492 academics receiving some form of support in 2011. Since 2009 the ERP has been able to offer a large number of research development grants and PhD completion awards as a result of a substantial grant from the Carnegie Corporation of New York. In 2011, which was the final year of this funding, 83 grants were awarded from Carnegie funds, amounting to over R4.1 million. Twenty nine additional grants were awarded from the University Research Committee (URC) funding, at R1.1 million.

The Programme for the Enhancement of Research Capacity (PERC), now in its third year, aims to strengthen collaborative, multidisciplinary research in – and on issues related to – Africa and the global South. Six PERC grants were awarded to research teams for collaborative, interdisciplinary projects, one of which was to upgrade a pilot project. A total of 123 academics attended one or more of the eight ‘mid-career’ seminars and workshops. Through the Mellon Visiting and Retired Scholars Mentorship Project, 33 mentees benefited from the nine mentors who were appointed during the course of the year. Due to the success of the Project, funding has been extended until 2013.

Postgraduate studies

Financial support to postgraduate students grew by 12.5% from R120 million in 2010 to R135 million last year, while 421 postdoctoral fellowships were awarded to 246 postdoctoral researchers, to a total value of R44 million (increase of 15.8%).

Support for Postgraduate Students

Support for postgraduate students took the form of two initiatives in 2011: the establishment of regular faculty-specific information road-shows in which all internal and external funding opportunities were show-cased, including extensive information on the NRF and the on-line application process; and the introduction country-wide of NSFAS Loan opportunities for postgraduate students. Although this was rolled out by NSFAS late in the year, the university was able to offer loans to postgraduate students in 2011.

The Postgraduate Funding Office (PGFO), together with Centre for Higher Education Development, hosted the first Retreat for Postdoctoral Research Fellows (PDRFs) in 2011. Over 60 PDRFs attended this two-day retreat where a panel addressed issues of concern and areas of research were discussed with UCT academics in group-sessions. The PDRF sector has indicated that they found the retreat valuable and that the university should host a similar event each year.

Intellectual property

2011 was an exciting and busy year with the highest annual number of spin-off companies and invention disclosures to date, indicating increased activity at both ends of the innovation continuum. This was against the backdrop of the revision of the UCT IP Policy and the implementation of the *IP Rights from Publicly Financed R&D Act*. The Working Group on the development of an innovation strategy, which has broad representation from the University community, has continued the work started in 2010, reviewing best practice internationally and developing a framework on which to build the UCT Innovation Strategy. An Innovation Forum was created where issues can be raised and debated, with wide participation and engagement, to shape and inform the strategy. Some concrete outcomes are expected early in the new year. Two noteworthy trends that we hope will be sustained in 2012 and beyond were: one, collaboration between past inventors across departments and even across faculties, leading to new co-inventions – pointing towards the emergence of a vibrant inventor and entrepreneurial community within UCT, which we will seek to foster in 2012 as interaction across conventional boundaries and disciplines is the high impact zone for invention; and, two, strong commercial opportunities being found whilst IP is still in the provisional phase of patent application.

Patents

The highest number of invention disclosures to date was received during 2011, but there was a fairly low conversion to provisional patent filings most frequently due to the fact that in a number of instances additional information was still required, or initial patentability reviews were still in progress, so filings may well occur in 2012.

Patent applications were also up on 2010 and represented the highest rate of national phase applications since 2005. This is primarily due to the maturing of an increasing number of cases, although Gate Reviews have tended to be more stringent and national phase patent application more conservative to ensure that the UCT patent budget is not exhausted.

A large number of the national phase applications are associated with four start-up (or soon to start) companies so are effectively being commercialised, i.e. there is a high probability of return on the investment in patenting. The shortage of “innovation” or start-up funding for these companies is requiring UCT to continue to maintain the patent portfolios for far longer than anticipated and the availability of this “bridging finance” is absolutely crucial to our having any chance of successful commercialisation of our IP. These patent expenses are typically replenished from royalty payments and in three instances a specific portion of the funds will be recorded as shareholder loans.

Research portal

Significant progress was made with the development of a sophisticated research portal as part of 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. A prototype of the research portal was launched at the end of February 2012, with the final version going live towards the end of 2012.

Software tools to support research

With funding from the Carnegie Foundation, the Research Office purchased Elsevier’s Spotlight tool, whilst UCT Libraries purchased a licence to Scopus, which allows for full coverage of all collaborative publications between UCT and the rest of the world, including map visualisations. UCT also purchased a licence to Research Professional Africa, a web-based subscription tool for researchers which provides access to all grants worldwide that mention “Africa” as a target for funding.

Establishing an Office of Research Integrity

Administration of research has become considerably more complex in the last decade or so, due in part to increasing internationalisation and inter-institution collaborations as well as compliance requirements that accompany funding and sponsorship of research. A pilot project for the establishment of an Office of Research Integrity (ORI) made good progress during 2011 and will be formally established in the course of 2012. The purpose of the ORI is to provide a sharper focus on and tighter management of UCT’s research ethics and related research matters by promoting best practice and responsible conduct of research through a process of education regarding UCT’s policies and research ethics guidelines. Providing a dedicated locus for management of responsible conduct of research processes, for updating research policy documentation and research ethics guidelines on a regular basis, the ORI will also be responsible for facilitation of research ethics training and for management of procedures to deal with allegations of research misconduct.

C) SOCIAL RESPONSIVENESS

Partnership with the Western Cape Government (PGWC)

The partnership continues to grow as we build trust, draw on our respective strengths and jointly address the challenges of implementation.

The Joint Task Team plays an important role in leading and managing the partnership and has, over the past years developed good institutional memory which informs our work. Major activities in 2011 were:

A meeting was convened where staff members from the four universities' Financial Aid Offices, representatives from National Student Financial Aid Scheme (NSFAS), the Western Cape Sector Education and Training Authority cluster, the National Business Initiative and Provincial Government shared their approaches to bursary provision. UCT staff members contributed towards the development of a brochure that provides guidelines for bursary providers. The aim of the brochure is to inform the policies and practices of the province and private sector companies with respect to their support for student bursaries, especially with a view to enhancing students' chances of success.

Improving the quality of university graduates was the focus of a symposium at UCT on the 14-15 March 2011, hosted by the joint task team of the Western Cape Government, the National Business Initiative and the Cape Higher Education Consortium (CHEC) universities.

International academics were invited to give their perspectives. The symposium was attended by about 100 people from government, business and universities. Following the graduate symposium, a graduate attributes workshop was held in November. Deliberations from these two engagements assisted in the development of a research instrument project to ascertain trends in graduate destination and transition periods. The survey will be conducted in 2012.

CHEC, through a reference group of academics, led by Professor Edgar Pieterse (African Centre for Cities, UCT) and Professor Mark Swilling (Sustainability Institute, Stellenbosch University) has supported the Provincial Department of Public Works' City Centre Regeneration Project through policy and technical support.

Through the CHEC Secretariat, UCT has been represented on the Premier's Skills Council and the Technical Working Group. The latter has established task teams to address the following issues: Artisan Development, Careers Awareness, Research, Work Placement and Entrepreneurship.

The Deputy Vice-Chancellors (Research) from the four universities in the region were briefed by the Province and the DST on the proposed Cape Health Technology Park, which is to be developed in Pinelands. Subsequent to this initial engagement, follow up discussions are being held at each of the universities, in particular, to determine the interest of researchers to participate in a Health Technology Park initiative.

CHEC continues to support the collaboration between academics from all four universities and the Provincial Disaster Risk Management Centre, in particular through small grants to support postgraduate student research projects in the area of disaster risk management. The student work is presented at annual seminars.

Partnership with the City of Cape Town

UCT has participated in planning workshops aimed at establishing Cape Town Activa, Barcelona Activa. Cape Town Activa aims to promote entrepreneurship.

A UCT academic, along with colleagues from the other universities, provided input on the City's (long term) Development Strategy. In addition, early in 2012, five social science students from UCT were selected to be trained to interview members of the public in order to canvass opinion on the City's draft vision statement.

CHEC also supported Cape Town's successful bid to become the World Design Capital in 2014. Academics from the four institutions, including UCT made presentations to the World Design Capital Bid judges on the wide range of research and teaching activities in the universities in the broad area of design. CHEC, in collaboration with the African Centre for Cities at UCT and the Cape Town Partnership, supported a research study on the potential interest from the academic sector to participate in the Fringe, which has been designated as Cape Town's design precinct.

Social Responsiveness activities

At the end of 2009, the Vice-Chancellor sought approval from Council to allocate R20 million per year over five years to support the implementation of the 2010-2014 strategic plan. Several initiatives related to social responsiveness were supported through the Vice-Chancellor's strategic fund, and are presented below. The Vice-Chancellor articulated a commitment to appoint experts to lead and coordinate intellectual projects that draw on the strengths of individual departments across the University to enhance the University of Cape Town's impact in addressing four problems: safety and violence, public schooling, African climate and development, and poverty and inequality.

Crime and Violence

UCT has many academics who work on issues related to crime and violence but the opportunity to work in a collaborative way had not arisen before. This collaboration came together in 2010 calling itself the Safety and Violence Initiative (SaVI). 2011 achievements include the organisation of a national conference on crime and violence on the back of a World Health Organisation (WHO) conference in October 2011. On the strength of this event SaVI's application to be a member of the WHO Violence Prevention Alliance has been accepted.

School Improvement Initiative

Much of 2011 was devoted to developing an approach to taking an initiative aimed at improving public education (Edulab) forward. The most important development in 2011 was the decision to entrust the leadership of the schools initiative programme to the Director of the Schools Development Unit.

Matriculants from Khayelitsha remain severely under-represented at UCT. In an attempt to address this imbalance, at the beginning of 2011 the '100-UP' programme was launched. 100 academically gifted Grade 10 learners (five from each of the 20 secondary schools in the township) were chosen to participate in this programme. The aim of 100-UP is to better prepare these learners to compete for places at UCT once they have completed their schooling at the end of 2013. The programme's 100 learners attend SHAWCO's Saturday school every week for 3 years as well as summer and winter vacation camps at UCT. They

receive focused remedial teaching in math, physical science, English, life science and accounting. They also receive life skills and career guidance workshops and have access to UCT facilities not currently available at their present schools. Each student is partnered with a UCT student who acts as an educational mentor offering help with their studies as well as advice on the application and entry processes in order to matriculate to university.

African Climate Development Initiative

UCT's capacity in the field of climate change is world class and arguably the largest on the African continent. This capacity is broad based, spanning all the themes of the Intergovernmental Panel for Climate Change (IPCC) working groups. While strongly underpinned by research, UCT's activities include complementary efforts on services to society for capacity building, and contribute to education through the development of new curricula and course activities.

The University executive launched the UCT African Climate and Development Initiative (ACDI) and appointed a Pro Vice-Chancellor to bring together a number of, at times, disparate activities.

By combining the current individual strengths of researchers across the climate change disciplines, from the pure sciences through engineering and economics to the social sciences and law, the ACDI enables improved understanding of the causes of climate change, the economic impact and the necessary policies to facilitate mitigation and adaptation. This was evident in the organization of UCT's participation in COP 17.

Poverty and Inequality

Towards the end of 2010 the University Social Responsiveness Committee launched an initiative aimed at strengthening UCT's contributions to reducing inequality in our society.

A mapping exercise to compile information on poverty and inequality related activities at UCT was conducted and an organisation was commissioned to develop a web-based database. We held a meeting with Minister Trevor Manuel to discuss possible collaboration with the National Planning Commission. A retired professor has been appointed to drive the Poverty and Inequality initiative in 2012 and to convene a conference in September 2012.

Other key activities include:

The UCT Knowledge Co-op was established in the second half of 2010 as a two year pilot. By the start of the 2011 academic year collaborative research ideas had been sourced from external constituencies ranging from municipalities, through research-savvy NGOs to small community based groups. The first round of ten projects was conducted with students and academics conducting research or practical work on these ideas. Topics ranged from difficulties in adhering to anti-retroviral treatment to conditions for starting as an entrepreneur in Cape Town; they examined exit models for prostituted women and the design for low-cost fencing or an electronic database. By the end of 2011 seven projects were completed and some 70 suggestions for projects had been submitted to the Knowledge Co-op.

The UCT Global Citizenship Programme pilot launched with two short courses in 2010: Global debates, local voices (GC1) and Thinking about Volunteering: service, boundaries and power (GC2). The pilot (supported from the VC's strategic fund) was seen as a first step leading towards a broad-based programme of learning which would expose UCT students to global issues and debates, raise awareness of social justice issues and recognise learning from community engagement activities. The programme registered 236 students for the 2011 programme.

D) OTHER KEY DEVELOPMENTS DURING 2011

Executive Appointments

We made a number of senior management appointments during 2011. Professor Anton le Roux (Dean of Science) and Ms Miriam Hoosain (Executive Director: Human Resources) took up their new positions on 1 January 2011 as did UCT's first ever Ombud, Ms Zetu Makamandela-Mguqulwa. Ms Gwenda Thomas was appointed Executive Director: UCT Libraries and started on 1 November 2012. The employment contracts of two Deans were extended in early 2011 - Professor Paula Ensor, Dean of Humanities until 31 December 2013 and Professor Marian Jacobs, Dean of Health Sciences, until 31 December 2012.

Professor Jo Beall, the Deputy Vice-Chancellor responsible for Teaching, Learning and Internationalisation resigned from UCT in April and Professor Nan Yeld acted in the position for the rest of 2011 while Professor Sandra Klopper was recruited to start in January 2012.

Human Resources Management

The appointment of Ms Miriam Hoosain as the new Executive Director followed a review of the HR department done in 2010 that called for a number of critical improvements. An improvement plan was submitted to UCT Council early in 2011 setting strategy for a high quality, efficient HR service.

The key work done in 2011 involved a number of structural, staffing and operational improvements. It included the completion of a situational analysis which identified the Department's service delivery gaps. The Department also completed a process whereby work, outputs and structures were reorganised within all functional areas of HR to improve service efficiency as well as realignment for peak activities at different times of the year. For example, more human resources support could be offered during the crucial annual salary negotiation processes enabling the early signing of the Addenda to the bargaining unit agreement and recognition agreements with the unions. The Department was also redesigned for greater efficiency and quality in terms of labour relations specialist services. HR completed a review of the UCT recruitment processes for professional and support staff and streamlined the service in this area to ensure more efficiency. The HR remuneration and policy function was also improved to ensure compliance and to limit legislative risk in this area. The Jobs project saw improvements being made to data accuracy, process efficiencies and reporting effectiveness. The Department has also begun a process to evaluate current institutional HR policies and procedures.

Reviews of operational units

UCT has a continual process of review of our academic departments as well as our professional departments. These reviews enable us to reflect periodically on the quality, effectiveness and professionalism of the departments. The review process is driven by the Dean or Executive leading the department on the one hand and the staff of the Institutional Planning Department (IPD) on the other. The review also involves independent experts in the field. The core goal of the review is to improve and develop the department or unit. We follow a review schedule that enables us to review all departments in UCT over a multi-year period. Five academic reviews were conducted in 2011. These were Religious Studies, Molecular & Cell Biology, Higher & Adult Education Studies and Development and the Centre for Educational Technology. In all cases the review committee recommended improvements that are now being implemented. Three professional departments were reviewed during 2011: the Libraries, the Registrar's Office (responsible for all legal and administrative processes), and the Information and Communication Services Department (ICTS). Each department has developed a plan in response to the review committee's recommendations with a view to improve and strengthen the departments and these are monitored for implementation.

Infrastructural development

The Vice-Chancellor established a task team lead by Professor Daya Reddy to generate proposals for UCT's desired size and shape into the future. At the end of 2011 Senate and Council adopted a report which set out a model for the size and shape of UCT in 2020. If implemented successfully, it will result in the university having 11.6% more students than at present i.e. just in excess of 28 000, but with rather different enrolment and graduation profiles: a postgraduate cohort of 39% as opposed to 32% at present; 22% more graduates than at present due to shorter times to completion in many programmes and higher completion rates of at least 75% in all undergraduate programmes. This has implications for both the recruitment and academic processes as well as the physical infrastructure of the university.

During 2011 we continued to improve the UCT infrastructure and plant, thanks to the partial funding by the Department of Higher Education and Training. In April 2011 we concluded the construction of the new building for the School of Economics on the middle campus. This project was concluded on time and within budget of R158 million. The last details of construction were also completed on the new Students Services building on middle campus as we took occupation in early 2011. The construction of the 880-bed student residence in Main Road, Observatory was concluded on time and within the budget of R511.4 million enabling students to be admitted there in 2012. Space in the laboratories of the Department of Mechanical Engineering was modified to create additional and more useful facilities for the nuclear physics laboratory. The upgrade for the servo-hydraulic test machines in the Department of Mechanical Engineering was also completed during 2011. Ongoing infrastructure projects include the merged Engineering and Architecture building project which has a targeted completion date of February 2013.

Safety and Security matters

There has been a continued decline of recorded criminal activities on campus over the past five years. We believe that our proactive strategy and significant investment in fighting crime is paying off. We have 300 CCTV cameras covering the key areas on campus. The camera footage is monitored on a 24 hour basis, seven days a week. In 2011 we extended the reach of the cameras – in partnership with SAB Miller and the City of Cape Town – to cover the area along Main Road from Observatory to Newlands.

Our partnership with the Groote Schuur City Improvement District (GSCID) continued and we believe the initiative has had a positive impact in our community. UCT and GSCID run regular joint crime awareness meetings involving the SAPS, Metro and City Traffic police. There appears to have been a shift from perpetrators being on foot to perpetrators using vehicles. We have altered our strategy in order to deal with this. Mercifully violent crime committed on campus remained a rare occurrence during 2011 and most crimes reported can be considered petty theft incidences, particularly the theft of laptops and other electronic devices. We continue to monitor our various 'safe routes' which are walking routes for students and staff criss-crossing campus. These routes are deemed safe-routes as they are monitored via camera and have emergency phone booths and additional lighting along the routes and many are monitored by a security officer.

Online applications and registrations and outreach to schools

The 2011 admission year saw the continuing trend of increasing applicant numbers in all categories. We introduced an online application system for the first time for admission in 2011, and nearly 18 000 of 33 000 applicants applied online. Service to applicants improved, but growing numbers meant growing pressure on all related service departments.

Student recruitment activities during 2011 continued to expand. A comprehensive programme of school visits for grades 9, 11 and 12 took place throughout the greater Cape Town area. National visits were undertaken in several provinces; these included involving parents and learners in Umlazi (KwaZulu-Natal), Zwile (Eastern Cape) and Garankuwa (North West), as well on the Cape Flats and Western Cape townships, a Science Day event at Harry Gwala Secondary School in Khayelitsha, and the annual UCT Open Day that continues to attract many thousands.

Residence life

UCT continued to attempt to improve our offerings to students guided by a multi-year strategic plan. Programmes for leadership development continued in 2011 through the work and training done within the house committee system as well as through the work of sub wardens, tutors and mentors active in residences. A special focus on racial integration over the last few years has led the University Student Affairs Committee to set up a working group which will continue through the next few years. We also re-established and enhanced the Residence Academic Development Committee (RADC), a subcommittee of the Residences Committee, to bolster the quality of academic development in residences. As a result a faculty tutors programme emerged whereby faculties set up academic tutor sessions in residences with a focus on courses which have the lowest pass rates. This programme is funded through

house committee levies. IsiXhosa conversational classes continued to be offered in the residences along with other intellectually enriching activities such as debates, quizzes, writing competition, chess and the like.

A unique project for 2011 was the development of a new type of governance model for the new residence in Observatory specifically designed to deal with the needs, academic and otherwise, of this residence, because of its large number of residents. The decentralized management model allows for small groups of students to manage their affairs independently. During 2011 we completed phase one of the multi-year “Constitutional Review Project” which saw all residences develop and adopt a residence-specific constitution based on the South-African constitution, relevant higher education legislation and internal university policies and procedures.

UCT had 5 618 residence places available for allocation to students in 2011. A total of 24 400 applications were received from undergraduate and postgraduate (new and returning) students for 2011. Of the 24 400 applications received 19 543 were new undergraduate applicants. 4 860 applications were received from returning students. Compared to 2010, the number of undergraduate applications increased by 20% and the number of postgraduate applications doubled.

On 1 March 2011 a total of 5 611 students were in residence. The racial and gender profile across residences is presented in the table below.

Tier	Population Group						Total	Gender	
	Black	Chinese	Coloured	Indian	Unknown	White		Female	Male
Tier 1 Catered residences	2 210	27	212	257	287	888	3 881	1 971	1 910
	57%	1%	5%	7%	7%	23%	100%	51%	49%
Tier 2 Self catering	1 219	0	75	68	79	37	1 478	792	686
	82%	0%	5%	5%	5%	3%	100%	54%	46%
Tier 3 Senior PG students	147	2	10	3	82	8	252	112	140
	58%	1%	4%	1%	33%	3%	100%	44%	56%
Total	3 576	29	297	328	448	933	5 611	2 875	2 736
%	64%	1%	5%	6%	8%	17%	100%	51%	49%

The Student Housing Admissions Policy for 2012 to 2016 was reviewed and approved in June 2011. The major policy changes related to increased post-graduate accommodation in line with the University's overall strategy and the inclusion of York Gardens and Pinelands Grove buildings into the formal UCT residence system.

The provision of affordable suitable student accommodation off campus remains a significant challenge for students. We increased our in-house, not-for-profit service which seeks to assist students in finding accommodation. It is tasked with seeking appropriate stock, negotiating contracts and services with regard to rentals and leasing, and promoting and providing sound administration and good governance.

Admissions Policy Review Task Team

This task team was appointed by the Vice-Chancellor to review admissions policy and particularly to consider alternatives to the use of 'race' as a measure of disadvantage. The focus of its work in 2011 was to test the suggestion that our existing applicant pool could yield a sufficiently diverse class even if we selected a significant portion of the class using school performance criteria without affirmative action. Except for the Health Sciences Faculty, between 50% and 70% of the class could be selected using school marks without affecting the diversity of the class, provided affirmative action criteria were applied to the balance. On this basis, the Admissions Policy for 2013 was adjusted to explain that the faculties, except Health Sciences, would manage their admissions on an open basis up to the 50% level, after which affirmative action measures would apply.

Distinguished visitors and events

During 2011 UCT hosted a number of distinguished guests on our campus. These included a visit by Ms Michelle Obama, the First Lady of the United States of America, on 23 June 2011 and a lecture by His Royal Highness, the Prince of Wales, on 5 November 2011. Honorary degrees were bestowed upon distinguished educators Emeritus Professor Martin West and Ms Stella Petersen at the June 2011 graduation. During our December graduation Ms Mary Burton was awarded the Doctor of Social Science honorary degree and Dr David Potter was awarded an honorary Doctorate in Science (Engineering). We hosted a half-day visit and tour for Minister in the Presidency (National Planning Commission) Trevor Manuel on 15 September and Minister Naledi Pandor, Minister of Science and Technology, on 17 October. Sir Sydney Kentridge delivered the Steve Biko Memorial lecture on 8 September. Professor Nadine Strossen, Professor of Law at the New York Law School, gave the annual TB Davie Academic Freedom Lecture held on 4 August. I hosted seven Vice-Chancellor's lectures during the year bringing the work of leading academics to the UCT community and to members of the public. These lectures were delivered by Dr Francis Collins (Director, National Institute of Health in the United States), Sir Howard Davis (Director of London School of Economics), Sir David Attenborough (wild life film maker), Prof Raewyn Connell (Sociologist at the University of Sydney), Dr Ismail Serageldin (Director of Alexandria Library in Egypt), Prof Gayatri Spivak (literary critic and theorist at Columbia University) and Professor Anton Zeilinger (expert in quantum physics).

Progress on project: Open UCT

The OpenUCT Initiative is a three-year Mellon-funded initiative which formally began in July 2011. Nine OpenUCT grants of R10 000 each were awarded to educators who wished to create open educational resources or adapt existing materials into shareable resources that could be listed in the OpenContent directory. This directory is then open to any member of

the public. By the end of the December two grant recipients had listed their resources on the OpenContent directory website and a prototype website was developed. UCT also signed the Berlin Declaration on Open Access to Scientific Knowledge signalling UCT's commitment to open access and the advancement of the Internet as a platform for the public to access scientific and academic sources and information.

Improvements in ICTS offerings

During 2011 the UCT ICTS department implemented a strategy to secure discounted prices for students buying laptops from a number of suitable, preferred vendors. This was part of a national student laptop initiative.

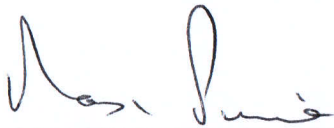
ICTS signed a Memorandum of Understanding with the Council of Australian University Directors of Information Technology, the Australian counterpart of the Association of South African University Directors of Information Technology. During 2011 ICTS ran a number of projects. The Wireless Campus project saw us purchase about R4 million worth of initial equipment for the core wireless network. We also conducted building surveys to determine the best installation sites for wireless network points and began installations in some of the identified buildings on campus. The multi-year Communication Technology Renewal Project completed its Request for Proposals (RFP) process and awarded the tender to a company called Gijima which will manage the implementation of the proposed technology in the years to come. Through the Email Migration Project, ICTS launched UCT's new cloud-based email system, myUCT, to undergraduate and honours students. Postgraduate students and staff will migrate to the new email system in late 2012. The Enterprise Content Management (ECM) project saw ICTS and colleagues from other departments develop a new Governance Intranet site for rollout to a pilot group of committees in 2012. The site will replace the older Governance Intranet and will provide committees with easier access to and management of committee documents. The site will also include access to and management of institutional documents such as policies. The ECM program also developed an interim eResearch site, to be launched in March 2012, that will host information and tools to assist UCT researchers. This is seen as a short-term solution while the full eResearch portal is in development. Another project in ECM is Web Renewal, which encompasses a full content management system for the university. The initial phase of this project focused on the policies and governance that will be required to manage institutional information and preliminary investigations into suitable technologies were undertaken. The ECM team also began working with the Faculty of Law to scope the business requirements needed to develop a collaborative space called The Mesh.

In addition, ICTS in 2011 was involved in laying the fibres for the South African National Research Network (SANReN) link up, awaiting the Meraka link-up which took place in November and December. This high-speed network connects 204 sites across South Africa to over 3000 research and education organisations around the world.

The ICTS High Performance Computing (HPC) team have increased the number of CPUs, added more software packages and have begun supporting several more departments with their research work. Since April 2011 the HPC service has put in over 100 000 computational hours. While this is not a high number compared to some international efforts, given that

research jobs were first submitted to the cluster in April 2011, the team is confident that the ICTS computational resources are growing sufficiently to support UCT's research community. One of the main benefits gained from the HPC cluster is the ability to provide a wide range of applications touching on many areas of research with great scalability. This means that the cluster can simultaneously assist researchers in diverse fields such as engineering, bioinformatics, medicine, chemistry, botany and mathematics without requiring any special reconfiguration. The number of computational nodes was also increased to accommodate a rapid rise in demand as more UCT researchers start discovering the benefits of ICTS's HPC cluster.

In the same year ICTS launched a multi-faceted project to promote and increase customer self-sufficiency. The project seeks to set clearer customer expectations, to inform and educate and to meet the needs of those customers who prefer or need self-help options, e.g. after hours.



DR. M PRICE

VICE-CHANCELLOR

9th JUNE 2012

ANNUAL FINANCIAL REVIEW

Financial Policy

Securing Financial Sustainability 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. Increasingly we are required to generate our own income as opposed to receiving grants, consequently our accounting systems and managerial practices need to be oriented towards those of business organisations as opposed to those of government where appropriate. These nuances are recognised in the comprehensive university financial plan which 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 management.

Highlights 2011

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

Total recurrent operating income increased by R158 million (9.2%) to R1,877 million, mainly from increases in:

- State subsidy of R99 million (11.0%) to R1,002 million.
- Tuition and other fee income of R81 million (12.4%) to R735 million. The increase in tuition fees comprised a general increase of 8.5%, differentiated increases in the faculties of Health Science (+2.5%), Engineering and the Built Environment (+1.5%) and Commerce (+2.5%) resulting in a weighted average increase of 9.6% (R71 million); increased enrolments generated a further R10 million, mainly in the Faculty of Humanities.

Expenditure grew by R105 million (6.2%) to R1,791 million, mainly due to an increase in personnel costs of R108 million (10.3%) to R1,154 million. Expenditure other than personnel reduced by R2 million off the 2010 amount of R640 million. The main factor was a R20 million reduction in the expenditure on bursaries and other financial aid, as the National Student Financial Aid Scheme (NSFAS) awarded UCT an unexpected allocation of a further R30 million for under-graduate students expected to graduate in 2011.

Our under-graduate students received R407 million in total financial support, up from R355 million in 2010. This support comes from various sources; corporate and other external bursaries support students to a value of R185 million, and NSFAS provided loans amounting to R107 million. UCT added R13 million to its existing commitment to bursaries and scholarships bringing the total to R103 million. Not all of this was used due to the unexpected introduction of the finalist support programme referred to above. In addition, income from endowments and other funds available to the University contributed a further R38 million.

Other operating expenditure was contained at R526 million a 5.3% increase over 2010 (R505 million)

The recurrent operations generated a surplus of R86 million an increase of R53 million over the figure for 2010 (R33 million), This must be seen in light of the fact that a 1% movement in any of Government Subsidy, Tuition Fees or Personnel Costs would have an impact of close to R10 million. The subsidy framework is currently under review by the DHET, and the consequences for UCT could be destabilising, particularly in the 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.

Revenues increased by 17.2% to R1,275 million (2010 R 1,088 million). Government-related grants grew by 40.9% from R230 million to R324 million, while contract research continues to expand growing by 13.1% to R518 million. Commercialisation activities are increasing and while modest income is generated it is still at an embryonic stage. The growth in specifically funded activities of 73% over the 4-year period from 2007 has placed significant demands on essential administrative departments, which in most cases received little real increases in resources. As these departments become over stretched the reputation risk increases.

Donations and gifts of R231 million were well above the amount raised in 2010 (R179 million), a notable achievement given the economic conditions.

Staff and Student Housing is required to cover its costs and provide resources for long-term maintenance and contribute towards increased residence capacity. Revenues increased by 5.7% to R222 million, generating an operating surplus of R21 million. However, the cost of financing for the Graca Machel and Obz Square residences resulted in a deficit of R2.7 million.

Net Investment Income provides part of the funding for capital projects. The main source of investment income is the cash on hand. Given the cash flow cycle enjoyed by the university, we were able to generate R69 million in interest income for council-controlled activities, notwithstanding the low rates. The undesignated endowment provides a further R13.5 million. Note that certain items of investment gains and losses on the income statement amount to no more than accounting entries and do not generate cash or other assets.

Capital Expenditure of approximately R1 billion had been initiated for the period to 2012. The middle campus development of the School of Economics and the Student Administration buildings and the residence in Observatory to house approximately 900 students were all completed on time and within budget during 2011. In addition, the construction of a new engineering building, for completion in time for the 2013 intake of students has commenced. Once this building is complete we will be able to refurbish the Architecture building and renew the Civil Engineering building for teaching purposes.

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 the ability to service the debt.

The capital projects outlined above have been financed without recourse to external borrowings. This is made possible by being alert to and taking advantage of timing opportunities, careful cash planning and management and being prepared to accept a modicum of financial risk.

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 in 2011 of R86 million. While these margins are 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.

Recurrent Unrestricted Council Controlled Operations 5-year Review

	2011	2010	2009	2008	2007
Recurrent income	1,877	1,719	1,511	1,306	1,207
State appropriations-subsidies & grants	1,002	903	776	684	640
Tuition and other fee income	735	654	577	483	425
Sales of goods & services	117	146	151	134	134
Private gifts & grants	23	16	7	5	8
Recurrent expenditure	1,791	1,686	1,487	1,319	1,185
Personnel	1,154	1,046	920	801	721
Other operating expenses	526	505	461	443	405
Bursaries	90	110	86	56	40
Depreciation and minor capital items	21	25	20	19	19
Recurrent Operating Surplus / (Deficit)	86	33	24	(13)	22

For the second consecutive year both our recurrent operating surplus and free cash reserves are within the guidelines contained in our integrated financial policy. However, subsidy uncertainty as noted above as well as below regarding the challenges for the future, provide a warning against complacency and emphasise the importance not only of being within our free cash reserve target but that we should edge towards the upper limits.

Of the overall operating surplus of R476 million reflected in the Consolidated Income Statement, R287 million is in respect of specifically funded restricted activities. While these activities contribute greatly to the mission of the university, they draw on infrastructure support and often do not provide for sustainability.

The recurrent surplus attributable to Council-controlled unrestricted funds is R191 million, compared to R116 million in 2010, investment income (R103 million 2011: R91 million 2010) being a major contributor in both years.

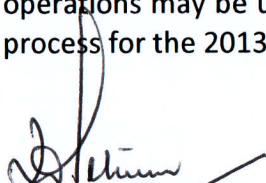
Challenges

Challenges to the financial sustainability of the university emanate from two sources.

The Department of Higher Education and Training (DHET) changed the basis for computing elements of the subsidy. These events are uncontrollable by the institutions yet they need to accommodate the consequences. Even though UCT was one of the few institutions that met all the requirements on enrolments of the DHET our teaching input subsidy is less than expected. In addition, the subsidy allocated for research output on which this University is heavily reliant, was reduced. This was made known late in the year, allowing little opportunity to plan adequately for the consequences in 2012. The combination of these actions is estimated to have cost UCT in excess of R40 million. While our financial discipline and policies enabled us to cope, we will not be able to absorb these and maintain our standards if such unexpected events of this magnitude continue.

Related to the above, the Funding Framework and the National Student Financial Aid Scheme are being reviewed. The outcomes could have significant consequences for the institutions.

The second risk is controllable by the university. Growth beyond the capacity to grow is the single largest factor causing corporate failure; this is equally true for any organisation. The desire to build on success is natural; consequently successful organisations tend to grow. However, for the expansion to be sustainable requires additional resources; those closely related to the growth are patent and not usually a problem. The risk lies in failing to recognize the need for capacity in indirect facilities such as financing, physical infrastructure, human resources and managerial capacity. We feel we have the managerial systems and practices to provide the necessary resources and support. Yet, we do need to remain alert to signals that certain operations may be unduly stretched. With this in mind we are revising aspects of the budget process for the 2013 allocations.



MR. TD PETERSEN

CHAIR: FINANCE COMMITTEE

9th JUNE 2012



PROFESSOR EO ULIANA

EXECUTIVE DIRECTOR: FINANCE

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

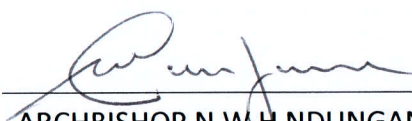
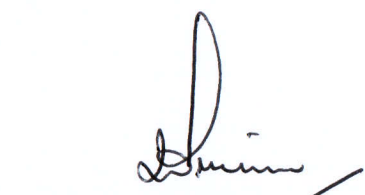

The annual financial statements presented on pages 62 to 104 of this annual report for the calendar year 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Minister of Higher Education and Training, as contained in the manual on annual 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. The Council has no reason to believe that the University of Cape Town is not a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements 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 59 to 104 were approved by the University Council on 9 June 2012 and are signed on its behalf by:


ARCHBISHOP N W H NDUNGANE
CHAIR OF COUNCIL
MR. T D PETERSEN
CHAIR OF FINANCE COMMITTEE
DR. M PRICE
VICE-CHANCELLOR
9th JUNE 2012
PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

Ernst & Young Inc.
Ernst & Young House
35 Lower Long Street
PO Box 656
Cape Town 8000

Tel: 00 27 (0)21 443-0200
Fax: 00 27 (0)21 443-1200
Docex 57 Cape Town
Website www.ey.com/za

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have audited the consolidated financial statements of the University of Cape Town, which comprise the statement of financial position as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 61 to 103.

Council's responsibility for the Consolidated Annual Financial Statements

Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of 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 controls as is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the University of Cape Town as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Minister of Higher Education and Training in terms of S41 of the Higher Education Act 101 of 1997 (as amended).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

We performed procedures to obtain evidence about the reliability of certain information in the Chair of Council's report as set out on pages 5, 7 and 9 of the annual report and on certain aspects of the Vice-Chancellors self assessment of executive performance set out on pages 14 to 17 and the report on operations set out on pages 37 of the annual report. There was no material findings concerning the reliability of the information relating to the predetermined objectives tested on either of the abovementioned reports.

Compliance with laws and regulations

We performed procedures as detailed by the Auditor General of South Africa to obtain evidence that the University of Cape Town has complied with laws and regulations regarding Higher Education Institutions.

Internal control

We considered internal control relevant to our audit of the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Agreed-upon procedures engagements

We conducted forty agreed-upon procedure engagements during the year under review. Five additional agreed upon procedure engagements were performed by internal audit and nine by other independent audit firms. These agreed upon procedure engagements were performed at the request of various entities providing funds to the University.

Special audits

We conducted six special audits as requested by various donor funded entities during the year under review. These audits were signed off in terms of the entity specific accounting policies.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Tina Rookledge
Chartered Accountant (SA)
Registered Auditor

Cape Town
9th June 2012

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 R'000	2010 R'000
ASSETS		5,661,595	4,964,799
Non-current assets		4,428,467	3,861,866
Property, plant and equipment	5	1,866,702	1,478,736
Investments	6	2,547,847	2,364,892
Investments in associates	7	-	-
Non-current receivables and prepayments	8	13,918	18,238
Current assets		1,233,128	1,102,933
Inventories	9	398	648
Accounts receivable and prepayments	10	233,221	269,441
Loans to employees	10	1,621	1,508
Student fees receivable	10	40,378	33,504
Cash at bank and cash equivalents	11	957,510	797,832
ACCUMULATED FUNDS AND LIABILITIES		5,661,595	4,964,799
Accumulated funds		4,743,773	4,260,736
Non-distributable funds		1,905,537	1,766,756
Endowed funds		1,515,275	1,383,671
Revaluation reserve		390,262	383,085
Restricted funds designated for specific activities		1,578,585	1,439,214
Education and general		1,442,271	1,300,124
Student and staff accommodation		136,314	139,090
Unrestricted council controlled funds		1,259,651	1,054,766
Non-current liabilities		613,379	437,422
Interest bearing borrowings	12	23	317
Deferred revenue – government grants	13	316,426	227,075
Provisions – employee benefits	14	296,930	210,030
Current liabilities		304,443	266,641
Accounts payable and accrued liabilities	15	221,553	143,801
Deferred revenue – government grants and project income	16	12,134	9,412
Student deposits		39,327	34,535
Provisions – employee benefits	14	31,135	78,234
Current portion of interest bearing borrowings	12	294	659

UNIVERSITY OF CAPE TOWN
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

Education and General						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2011 TOTAL	Change %
Recurrent revenue	1,945,743	1,274,810	3,220,553	222,456	3,443,009	11.7
State appropriations- subsidies and grants	17 1,001,817	323,834	1,325,651	-	1,325,651	17.0
Tuition and other fee revenue	735,097	-	735,097	199,681	934,778	11.6
Income from contracts	-	518,330	518,330	-	518,330	12.8
Rendering of services	116,764	111,419	228,183	20,544	248,727	(12.6)
Donations and gifts	23,009	208,262	231,271	-	231,271	29.3
Sub-total	1,876,687	1,161,845	3,038,532	220,225	3,258,757	12.6
Interest and dividends	18 69,056	112,965	182,021	2,231	184,252	(2.2)
Recurrent expenditure	1,764,843	1,095,365	2,860,208	225,196	3,085,404	7.1
Personnel	19 1,154,006	465,938	1,619,944	29,318	1,649,262	11.5
Other operating expenses	20 526,818	400,610	927,428	167,001	1,094,429	2.7
Financial aid and scholarships	89,763	205,807	295,570	-	295,570	2.2
Depreciation	5 20,854	23,009	43,863	2,200	46,063	(3.5)
Sub-total	1,791,441	1,095,364	2,886,805	198,519	3,085,324	7.1
Net finance costs	(26,598)	1	(26,597)	26,677	80	(59.0)
Finance costs	28	1	29	51	80	(59.0)
Interest on internal borrowings	(26,626)	-	(26,626)	26,626	-	-
RECURRENT SURPLUS	180,900	179,445	360,345	(2,740)	357,605	78.3
NON-RECURRENT ITEMS	7,011	111,184	118,195	60	118,255	(15.1)
Loss on disposal of property, plant & equipment	(11)	(93)	(104)	(49)	(153)	(98.2)
Realised profit on sale of investments	8,211	120,055	128,266	127	128,393	(19.6)
Impairment of available-for- sale investments	(1,189)	(8,778)	(9,967)	(18)	(9,985)	(14.7)
NET OPERATING SURPLUS	187,911	290,629	478,540	(2,680)	475,860	40.0
Transfer between funds	3,435	(3,339)	96	(96)	-	-
SURPLUS FOR THE YEAR *	191,346	287,290	478,636	(2,776)	475,860	40.0

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

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2011 TOTAL
Surplus/(loss) for the period	191,346	287,290	-	(2,776)	475,860
Other comprehensive income:					
Available-for-sale changes in fair value	-	-	7,177	-	7,177
Unrealised movement in market value	-	-	125,585	-	125,585
Reclassification adjustment for items included in income statement	-	-	(118,408)	-	(118,408)
TOTAL COMPREHENSIVE INCOME	191,346	287,290	7,177	(2,776)	483,037

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	TOTAL
FUND BALANCES AS AT 1 JANUARY 2011	1,383,671	383,085	1,300,124	139,090	1,054,766	4,260,736
Total comprehensive income	-	7,177	287,290	(2,776)	191,346	483,037
Surplus/(loss) for 2011	-	-	287,290	(2,776)	191,346	475,860
Other comprehensive income	-	7,177	-	-	-	7,177
Transfers between funds	131,604	-	(145,143)	-	13,539	-
FUND BALANCES AS AT 31 DECEMBER 2011	1,515,275	390,262	1,442,271	136,314	1,259,651	4,743,773

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 %
Recurrent revenue	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
Sub-total	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)
Recurrent expenditure	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
Sub-total	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	135	2	137	58	195	(44.6)
Interest on internal borrowings	(16,633)	-	(16,633)	16,633	-	-
RECURRENT SURPLUS	114,867	80,586	195,453	5,062	200,515	(44.0)
NON-RECURRENT ITEMS	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
NET OPERATING SURPLUS	120,459	214,384	334,843	4,982	339,825	(21.2)
Transfer between funds	(4,865)	4,930	65	(65)	-	-
SURPLUS FOR THE YEAR*	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)

Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2010 TOTAL
Surplus for the period	115,594	219,314	-	4,917	339,825
Other comprehensive income:					
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)
TOTAL COMPREHENSIVE INCOME	115,594	219,314	45,151	4,917	384,976

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	
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	TOTAL
FUND BALANCES AS AT 1 JANUARY 2010	1,254,740	337,934	1,219,376	134,173	929,537	3,875,760
Total comprehensive income	-	45,151	219,314	4,917	115,594	384,976
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	-
FUND BALANCES AS AT 31 DECEMBER 2010	1,383,671	383,085	1,300,124	139,090	1,054,766	4,260,736

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 R'000	2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from students, government and private sources		2,984,009	2,619,710
Cash paid to employees and suppliers		(2,619,154)	(2,466,486)
Cash generated from operations		364,855	153,224
Investment income – interest	18	153,963	162,353
Investment income – dividends	18	30,289	26,029
Finance costs		(80)	(195)
Net cash inflows from operating activities		549,027	341,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to maintain property, plant and equipment	5	(434,561)	(493,840)
Proceeds on disposal of property, plant and equipment		378	370
Purchase of available-for-sale investments		(191,816)	(242,935)
Proceeds from sale of available-for-sale investments		134,449	248,854
Ukukhula Trust loan		(240)	(272)
Net cash used in investing activities		(491,790)	(487,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long term interest bearing borrowings		(659)	(1,208)
Increase in deferred revenue – government grants	13	103,100	97,200
Net cash inflows from financing activities		102,441	95,992
Net increase/(decrease) in cash and cash equivalents		159,678	(50,420)
Cash and cash equivalents at beginning of period		797,832	848,252
Cash and cash equivalents at end of period	11	957,510	797,832
CASH GENERATED FROM OPERATIONS			
Reconciliation of net surplus to cash generated from operations:			
SURPLUS FOR THE YEAR		475,860	339,825
Adjustments for:			
Depreciation	5	46,063	47,752
Release of deferred revenue	13	(9,824)	(7,525)
Increase in employee benefit provisions		39,801	44,156
Utilisation of TENET prepayment		3,147	1,931
Loss on sale of property, plant and equipment		153	8,600
Investment income – interest	18	(153,963)	(162,353)
Investment income – dividends	18	(30,289)	(26,029)
Finance costs		80	195
Profit on sale of investments		(128,393)	(159,617)
Impairment of available-for-sale investments		9,985	11,707
Changes in working capital			
Accounts receivable, prepayments and loans		30,646	22,630
Inventories		249	37
Accounts payable, accrued liabilities and deposits		81,340	31,915
Cash generated from operations		364,855	153,224

1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of Council on 9th June 2012.

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 South African Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

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

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

- IAS 24 Related Party Disclosures (Revised) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation - Classification of Rights issues (amendment) effective 1 February 2010
- IFRIC14, IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
- Improvement to IFRSs (issued in May 2010)

These revised standards and interpretations did not have any material effect on the financial performance or position of the University. They did, however, give rise to additional disclosures in some occasions (refer Note 21).

The principal effects of these changes are as follows:

- IAS 24 Related Party Transactions (Revised): The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the University as the definitions were already applied according to these amendments and the University is not government related.
- IAS 32 Classification of Rights Issues (Amendment): The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position or performance of the University because the University does not have these type of instruments.

2. Basis of preparation (continued)

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment):** The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The University was not impacted by this amendment as no early payment of contributions was made.
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments:** When an equity instrument is issued to a creditor to extinguish a financial liability, it is regarded as consideration paid in accordance with IAS 39.41. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in surplus or deficit. This interpretation had no impact on the University, as the University didn't issue any equity instruments as payment for financial liabilities.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the University.

- **IFRS 7 Financial Instruments - Disclosures (Clarification of Disclosures):** The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures involve:
 - Clarify that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk
 - Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk)
 - Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired
 - Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired
 - Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at the reporting date

The University reflects the revised disclosure requirements in Note 21.

- **IAS 1 Presentation of Financial Statements:** The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The University chose to provide these disclosures in the notes to the annual financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the University:

- **IFRS 1 First-time Adoption of International Financial Reporting Standards (Accounting policy changes in the year of adoption)**
- **IFRS 1 First-time Adoption of International Financial Reporting Standards (Revaluation Basis as Deemed Cost)**

2. Basis of preparation (continued)

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Use of “Deemed Cost” for operations subject to Rate Regulation)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters (amendment) effective 1 July 2010
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Measurement of Non-controlling Interests)
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements (Transitional Requirements for Amendments made as a result of IAS 27 (as revised in 2008))
- IAS 34 Interim Financial Statements (Significant Events and Transactions)
- IFRIC 13 (Fair Value of Award Credits)

Standards issued but not yet effective up to the date of issuance of the University’s financial statements are listed below. This listing of standards and interpretations issued are those that the University reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation- Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or „recycled“) to surplus/loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment does not change the nature of items that are currently recognised in OCI, nor does it impact the determination of whether items of OCI are reclassified through surplus or deficit in future periods. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The University is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning or after 1 January 2013.

IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities

The IASB issued an amendment to clarify the meaning of “currently has a legally enforceable right to set off the recognised amounts” (IAS 32.42(a)). This means that the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
 - o the normal course of business;
 - o the event of default; and

2. Basis of preparation (continued)

- the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment is effective for annual periods beginning on or after 1 January 2014 and the University is still in the process of determining how it will impact the Statement of Financial Position and Income Statement upon adoption.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associate. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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 32. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012 or the first half of 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, but will potentially have no impact on the classification and measurement of financial liabilities. The University will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

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

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

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all the disclosures that were previously in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint agreements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013 and the impact of adopting this new standard is still being assessed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The University is currently assessing the impact that this standard will have on the financial position and

2. Basis of preparation (continued)

performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 related entities listed below.

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

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

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

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

All inter-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, are eliminated in full.

2.3. Segment information and accumulated funds

A segment is a recognised component of the University that is engaged in undertaking activities and providing services that are subject to risks and returns different from those of other segments. Segmentation provided in 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. Basis of preparation (continued)

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 funds are reflected in two areas:

2.4.1. Operational transfers

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

2. Basis of preparation (continued)

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 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 reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

3.2.1. Impairment

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

The University classifies certain assets as available-for-sale and recognises movements in their fair value in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the 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 2011 an impairment loss of R9.9 million (2010: R11.7 million) had been recognised for available-for-sale assets.

The carrying value of available-for-sale assets at 31 December 2011 was R2.548 million (2010: R2.365 million) refer Note 6.

3. Significant accounting judgements and estimates (continued)

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 2011 was R48.7 million (2010: R37.2 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 2011 was R207.6 million (2010: R186.7 million).

3.2.5. Student fees receivables

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2011 was R40.4 million (2010: R33.5 million), refer Note 10.

4. Summary of significant accounting policies

4.1. Foreign currency translation

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange currency rate ruling at the reporting date. All differences are taken to surplus or deficit in the year in which they arise.

4. Summary of significant accounting policies (continued)

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

4.2. Revenue recognition

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

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

4.2.1. State appropriations - subsidies and grants

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

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

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

4.2.2. Designated income from contracts, grants and donations

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

Capital inflows for endowment purposes are included in the Consolidated Income Statement in the period in which they are received.

4.2.3. 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. Summary of significant accounting policies (continued)

4.2.6. Rendering of services

Revenue, involving the rendering of services, is recognised to the extent that the service has been provided and it is probable and can be reliably measured. Revenue includes rentals earned, short course fees and club subscriptions. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered.

4.3. Retirement benefits

4.3.1. Defined contribution retirement plan

Employer contributions to the University of Cape Town Retirement Fund are recognised in the 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.

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. Summary of significant accounting policies (continued)

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:

	2011	2010
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 surplus in the period in which 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4. Summary of significant accounting policies (continued)

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

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit 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 Consolidated Statement of Financial Position when the University becomes party to the contractual provisions of the instrument. The Trade Date method of accounting has been adopted for „regular way“ purchase or sale of financial assets. The trade date is the date that the University commits to purchase or sell an asset. A „regular way“ contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

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

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

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

4.9.1. Available-for-sale financial assets

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

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised 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.

4. Summary of significant accounting policies (continued)

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

4.9.2. Loans and receivables

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

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

Cash and cash equivalents are initially measured at fair value. They are subsequently measured at amortised cost. 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 the surplus or deficit when the liabilities are de-recognised as well as through the amortisation process.

4.10. De-recognition of financial assets and liabilities

4.10.1. Financial Assets

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is 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

4. Summary of significant accounting policies (continued)

- The University has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset;

When 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 in 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 reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a „loss event“) and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

4.11.1. Assets carried at amortised cost

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

4. Summary of significant accounting policies (continued)

financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

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

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

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

„Significant“ is to be evaluated against the original cost of the investment and „prolonged“ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment is recognised and measured as the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised. Reversals 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 surplus or deficit of the associate after the date of acquisition. The University's share of the surplus or deficit is recognised in the surplus for the year.

4. Summary of significant accounting policies (continued)

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

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

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

Where there has been a change recognised directly in the equity of the associate, the University recognises its share of any changes and discloses this, when applicable, in the statement of changes in funds. Unrealised gains and losses resulting from transactions between the University and the associates are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the University are identical and the associate's accounting policies conform to those used by the University for like transactions and events in similar circumstances.

4.13. Inventories

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

Inventories are made up of consumables.

4.14. Provisions

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

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

4. Summary of significant accounting policies (continued)

- (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).

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 2011

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
Cost						
Cost 1 January 2011	957,148	419,983	83,828	26,240	305,975	1,793,174
Additions	100,477	54,449	7,560	2,660	269,415	434,561
Transfers	527,791	-	-	-	(527,791)	-
Disposals	(4,397)	(416)	(193)	(299)	-	(5,305)
Cost 31 December 2011	1,581,019	474,016	91,195	28,601	47,599	2,222,430
Accumulated depreciation						
Balance 1 January 2011	118,849	131,287	56,784	7,518	-	314,438
Disposals	(4,199)	(179)	(160)	(235)	-	(4,773)
Depreciation charge	11,096	23,961	9,127	1,879	-	46,063
Balance 31 December 2011	125,746	155,069	65,751	9,162	-	355,728
Carrying amount 31 December 2011	1,455,273	318,947	25,444	19,439	47,599	1,866,702

Year ended 31 December 2010

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
Cost						
Cost 1 January 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
Accumulated depreciation						
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
Carrying amount 31 December 2010	838,299	288,696	27,044	18,722	305,975	1,478,736

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 R8.8 billion (2010: R7.9 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R76.1 million (2010: R39.1 million).

	2011 R'000	2010 R'000
6. Investments		
The total investments comprise the following categories:		
Local listed investments		
Local equities	997,523	1,030,620
Collective investment schemes	652,339	632,637
Local capital markets	194,921	246,273
International listed investments	603,671	366,285
Equity	28,435	57,402
Mutual funds	315,012	308,883
Collective investment schemes	260,224	-
Total listed investments	<u>2,448,454</u>	<u>2,275,815</u>
Unlisted investments		
Money market deposits - local	96,789	89,077
Money market deposits - international	2,604	-
Total unlisted investments	<u>99,393</u>	<u>89,077</u>
African Medical Imaging (Pty) Ltd (10% holding - See note 7)	-	-
Cost	298	-
Less impairment	(298)	-
	<u>2,547,847</u>	<u>2,364,892</u>

Fair value hierarchy

As at 31 December 2011, 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 2011

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Available-for-sale financial assets				
Local equity shares	997,523	993,570	3,953	-
Collective investment schemes	652,339	652,339	-	-
Local capital market interest bearing investments	194,921	194,921	-	-
International investments				
Equity shares	28,435	28,435	-	-
Mutual funds	315,012	315,012	-	-
Collective investment schemes	260,224	260,224	-	-
Money market deposits - local	96,789	96,789	-	-
Money market deposits - international	2,604	2,604	-	-
Total	<u>2,547,847</u>	<u>2,543,894</u>	<u>3,953</u>	<u>-</u>

6. Investments (continued)

During the reporting period ended 31 December 2011, there were no transfers out of level 1 into level 2 and no transfers into and out of level 3 fair value measurements.

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

As at 31 December 2010, the University held the following financial instruments measured at fair value:

Assets measured at fair value

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Available-for-sale financial assets				
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	-	-
Total	2,364,892	2,361,068	3,824	-

During the reporting period ended 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 reputable financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices.

7. Investments in associates

	2011 R'000	2010 R'000
African Medical Imaging (Pty) Ltd (44%)	-	1,311
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Total investment	2,411	3,722
Less: share of accumulated losses	(2,411)	(3,722)
Carrying value	-	-

During the year African Medical Imaging (Pty) Ltd issued shares that resulted in a dilution of the University's share holding from 44% to 10%. The remaining 10% has been reclassified as a non current investment.

Share of the associate's statements of financial position:

Non-current assets	2,410	2,434
Current assets	7,261	9,716
Non-current liabilities	(22,364)	(23,795)
Current liabilities	(1,683)	(1,680)
Net liabilities	(14,376)	(13,325)

7. Investments in associates (continued)

	2011 R'000	2010 R'000
Share of the associate's revenue and (losses)/profits:		
Revenue	17,064	16,557
(Losses)/profits	(1,003)	2,544

The University does not account for its share of the losses of the associates beyond its initial investment in the associates. The reversal of the write down of the UCT Medical Centre (Pty) Ltd will commence once the 26% proportional share of the deficit of R19.7 million (2010: R18.7 million) has been eliminated by profits earned.

8. Non - current receivables and prepayments

Loans to employees	176	1,589
The University of Cape Town Ukukhulu Trust	4,230	3,990
Total non-current receivables	4,406	5,579
Prepayment – Tertiary Education Research Network of South Africa (TENET)	9,512	12,659
	<u>13,918</u>	<u>18,238</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 5.85% (2010: 7.08%).

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

9. Inventories

Consumables	<u>398</u>	<u>648</u>
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10. Accounts receivable and prepayments

Research receivables	67,870	76,436
Other trade receivables	34,570	47,547
Trade receivables total	102,440	123,983
Property deposits and guarantees	66,615	64,066
Prepayments	13,491	16,948
Prepayment – Tertiary Education Research Network of South Africa (TENET)	3,142	3,086
Research funding accrual	34,760	51,392
Sundry receivables	12,773	9,966
Accounts receivables and prepayments	233,221	269,441
Loans to employees	1,621	1,508
Student fees receivables	40,378	33,504
	<u>275,220</u>	<u>304,453</u>

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

10. Accounts receivable and prepayments (continued)

From 1 January 2011 the rate of interest charged to students was a fixed rate of 1% per month. This rate of interest is charged on 2010 unpaid student fees and on 2011 outstanding student fees not paid by 30 June 2011.

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

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
2011	45,852	14,225	5,243	21,516	15,604	102,440
2010	52,238	20,000	5,919	32,057	13,769	123,983

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

As at 31 December, trade receivables at a nominal value of R2.0 million (2010: R1.9 million) were impaired and fully provided for.

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

	Individually impaired R'000	Collectively impaired R'000	Total R'000
At 31 December 2009	1,959	1,500	3,459
Charge for the year	566	-	419
Used	(911)	(147)	(911)
Unused amounts reversed	(1,048)	-	(1,048)
At 31 December 2010	566	1,353	1,919
Charge for the year	1,118	-	663
Used	(68)	(455)	(68)
Unused amounts reversed	(497)	-	(497)
At 31 December 2011	<u>1,119</u>	<u>898</u>	<u>2,017</u>

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	2011 Fees	2010 Fees	2009 Fees	2008 Fees	Total
2011	34,201	4,078	1,277	822	40,378
All amounts in R'000	2010 Fees	2009 Fees	2008 Fees	2007 Fees	Total
2010	27,979	3,058	1,477	990	33,504

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 2012 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 R27.8 million (2010: R29.2 million) were impaired and fully provided for.

10. Accounts receivable and prepayments (continued)

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

	2011 R'000	2010 R'000
	Collectively impaired	
Balance at 1 January	29,192	29,032
Charge for the year	6,970	6,600
Unused provision released	(3,000)	(2,000)
Used	(5,399)	(4,440)
Balance at 31 December	<u>27,763</u>	<u>29,192</u>

11. Cash at bank and cash equivalents

Cash at bank and in hand	25,634	42,396
Short-term bank deposits - Local	<u>931,876</u>	<u>755,436</u>
	<u>957,510</u>	<u>797,832</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hour notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is R957.5 million (2010: R797.8 million).

At 31 December 2011, the University had no available undrawn borrowing facilities in respect of which all conditions precedent had been met (2010: R Nil).

The weighted average effective interest rate on local short-term bank deposits was 5.85% (2010: 7.08%).

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

12. Interest bearing borrowings**Financial institutions for government subsidised loans**

Total interest bearing borrowings	317	976
Current portion	<u>(294)</u>	<u>(659)</u>
Total non-current borrowings	<u>23</u>	<u>317</u>

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 9.81% (2010:10.29%). The loans are unsecured and the carrying values collectively approximate their fair values.

	2011 R'000	2010 R'000
13. Deferred revenues – Government grants		
At 1 January	229,675	140,000
Received during the year	103,100	97,200
Released to the income statement (refer Note 17)	(9,824)	(7,525)
	322,951	229,675
Current portion	(6,525)	(2,600)
At 31 December	<u>316,426</u>	<u>227,075</u>

This represents capital grants for infrastructure received from the Department of Higher Education and Training (DHET). These grants must be spent in accordance with the provisions of the projects as approved by the DHET.

14. Provisions – employee benefits

Gratuity provision for academic staff	48,700	37,200
Leave provision for administrative and support staff	71,735	64,334
Post-retirement medical aid benefit obligation	207,630	186,730
Total provisions – employee benefits	<u>328,065</u>	<u>288,264</u>
Current portion – gratuity provision academic staff	(2,000)	(2,000)
Current portion – leave provision for administrative and support staff	(19,035)	(64,334)
Current portion – post retirement medical aid obligation	(10,100)	(11,900)
Total current provisions – employee benefits	<u>(31,135)</u>	<u>(78,234)</u>
Total non-current provisions – employee benefits	<u>296,930</u>	<u>210,030</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 regarded as a vacation.

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

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

In addition, in order to fair value the liability, management has assumed that future salary increases will be 5.0% per annum (2010: 4.3%) and the discount rate that has been applied is 7.7% (2010: 7.5%).

14.2. Leave provision for administrative and support staff

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

14. Provisions – employee benefits (continued)

14.3. Post-retirement medical aid benefit obligation

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

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 8.7% (2010: 8.5%); expected inflation on medical aid contributions of 6.8% (2010: 6.5%). Post retirement mortality is based on PA (90) rated down three years (2010: 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 (2010: 17 years).

	2011	2010
	R'000	R'000
Funding obligation	221,500	187,600
Unrecognised actuarial losses	<u>(13,870)</u>	<u>(870)</u>
Amount accrued in respect of funding obligation	<u><u>207,630</u></u>	<u><u>186,730</u></u>

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

- Interest on obligation	16,700	16,000
- Current service cost	<u>11,900</u>	<u>9,700</u>
	<u><u>28,600</u></u>	<u><u>25,700</u></u>

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

Funding obligation at start of year	187,600	177,300
Interest on obligation	16,700	16,000
Current service cost	11,900	9,700
Actuarial losses/(gains)	13,000	(8,900)
Benefits paid by the University in respect of funding obligations	<u>(7,700)</u>	<u>(6,500)</u>
Funding obligation at end of year	<u><u>221,500</u></u>	<u><u>187,600</u></u>

It is estimated that the benefits payable in respect of funding obligations in 2012 will be R8.5 million (2011: R7.7 million).

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

	R'000	R'000
	+1%	-1%
Liability	34,800	(22,400)
Service cost	2,400	(100)
Interest cost	3,200	(2,000)

14. Provisions – employee benefits (continued)

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

All amounts in R'000	Post-employment medical benefits				
	2011	2010	2009	2008	2007
Defined benefit obligation	221,500	187,600	177,300	158,200	132,300
Experience adjustments on plan liabilities – losses/(gains)	13,000	(8,900)	3,500	11,600	500

15. Accounts payable and accrued liabilities

	2011 R'000	2010 R'000
Trade payables	60,292	48,952
VAT	283	789
Accrued expenses	34,895	30,919
National Research Foundation grant deposit	84,460	20,613
Payroll	32,224	30,308
Other payables	9,399	12,220
	<u>221,553</u>	<u>143,801</u>
Financial liabilities	205,600	130,354
Non financial liabilities	15,953	13,447
	<u>221,553</u>	<u>143,801</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	6,525	2,600
Project income		
At 1 January	6,812	7,115
Received during the year	19,532	24,554
Released to surplus for the year	(20,735)	(24,857)
	<u>5,609</u>	<u>6,812</u>
At 31 December	<u>12,134</u>	<u>9,412</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

Subsidy for general purpose	1,034,972	855,222
State grants and contracts	280,263	269,367
Subsidy on interest and redemption on state guaranteed loans	592	1,137
State infrastructure grant	9,824	7,525
	<u>1,325,651</u>	<u>1,133,251</u>

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

18. Interest and dividends

	2011 R'000	2010 R'000
Bank interest	63,587	66,710
Interest income on accounts and other receivables	21,429	26,276
Interest on available-for-sale investments	68,947	69,367
Total interest	153,963	162,353
Dividends	30,289	26,029
	<u>184,252</u>	<u>188,382</u>

Interest income on student debt subject to possible impairment amounted to R5.8 million (2010: R8.6 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	2011 Total	2010 Total
Wages and salaries	674,256	709,140	1,383,396	1,263,920
Termination benefits	15,642	16,452	32,094	8,689
Pension costs	99,999	105,183	205,172	180,669
Post retirement medical aid benefits	13,929	14,661	28,600	25,700
	<u>803,826</u>	<u>845,436</u>	<u>1,649,262</u>	<u>1,478,978</u>

Average number of persons employed during the year	2011 Number	2010 Number
Full time	3,970	3,730
Part time	1,742	1,907
Students	2,045	1,414
Total	<u>7,757</u>	<u>7,050</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

	2011 R'000	2010 R'000
The following items have been charged in arriving at operating surplus:		
Other operating income		
Lease income	2,889	3,435
Other operating expenses:		
Library acquisitions	37,534	37,013
Repairs and maintenance	112,337	106,146
Software costs	17,980	17,628
General services outsourced	85,970	78,777
Catering services outsourced	58,831	54,935
Auditors' remuneration	5,954	4,937
Current year - annual financial statements	3,013	2,625
- prior year under provision	-	312
- other audit services	2,941	2,000
Lease expenses	29,916	25,280

21. Financial risk management objectives and policies

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

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.

21.1. 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 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, Towers Watson (Pty) Limited, 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.

21. Financial risk management objectives and policies (continued)

21.2. 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 Market variance At 31 December 2011	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
Local equities	99.8	49.9	10.0	(49.9)	(99.8)	(199.5)
Collective investment schemes	65.2	32.6	6.5	(32.6)	(65.2)	(130.5)
Local capital markets	19.5	9.7	1.9	(9.7)	(19.5)	(39.0)
International equities	2.8	1.4	0.3	(1.4)	(2.8)	(5.7)
International mutual funds	31.5	15.8	3.2	(15.8)	(31.5)	(63.0)
International collective investment schemes	26.0	13.0	2.6	(13.0)	(26.0)	(52.0)
Equity-linked derivatives	(10.2)	(5.1)	(1.0)	5.1	10.2	20.4

All amounts in R millions Market variance At 31 December 2010	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
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)
Equity-linked derivatives	(1.1)	(0.6)	(0.3)	0.3	0.6	2.2

21.3. 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 2011 year students were charged interest at a fixed rate of 1.0% per month (2010: 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.

21. Financial risk management objectives and policies (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	Impact of interest changes on funds employed					
Interest rate changes in basis points (BP)	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
Holdings at 31 December 2011						
Interest bearing collective investment schemes and bonds	115.2	55.1	26.9	(25.8)	(50.6)	(97.2)
Holdings at 31 December 2010						
Interest bearing collective investment schemes and bonds	132.9	63.2	30.9	(29.5)	(57.6)	(110.3)

All amounts in R millions	Impact of interest changes on net surplus					
Interest rate changes in basis points (BP)	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
Holdings at 31 December 2011						
Money market and call deposits	1.9	1.0	0.5	(0.5)	(1.0)	(1.9)
Cash and cash equivalents	18.7	9.3	4.7	(4.7)	(9.3)	(18.7)
Holdings at 31 December 2010						
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)

21.4. Foreign currency risk

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

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

At year end the University had R27.1 million (2010: R33.2 million) of trade receivables and had R0.3 million (2010: R0.1 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

21.5. Credit risk

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

The University trades only with recognised, 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.

21. Financial risk management objectives and policies (continued)

The outstanding fees balance at year end is widely spread amongst numerous students indicating no particular concentration of credit risk.

With respect to credit risk arising from the other financial assets of the University, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the University's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The University places cash and cash deposits only with major financial institutions with good credit ratings.

21.6. Liquidity risk

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

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

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

All amounts in R'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
At 31 December 2011					
Interest bearing loans and borrowings	-	-	294	23	317
Trade and other payables	-	205,600	-	-	205,600
At 31 December 2010					
Interest bearing loans and borrowings	-	-	659	317	976
Trade and other payables	-	130,354	-	-	130,354

21.7. Fair values

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

	Carrying amount		Fair value	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
Financial assets				
Cash	957,510	797,832	957,510	797,832
Available-for-sale investments	2,547,847	2,364,892	2,547,847	2,364,892
Account receivables	149,769	185,341	149,769	185,341
Loans to employees	1,797	3,097	1,797	3,097
Student fees receivable	40,378	33,504	40,378	33,504
Financial liabilities				
Interest bearing loans and borrowings:				
Fixed rate borrowings	317	976	305	976
Accounts payable and accrued liabilities	205,600	130,354	205,600	130,354
Student deposits	39,327	34,535	39,327	34,535

21. Financial risk management objectives and policies (continued)

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.

21.8. Capital management

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

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

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

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

22. Commitments

22.1. Capital commitments

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

All amounts in R'000	Contracted	Approved but not contracted for	Total
New Engineering Building	152,519	17,500	170,019
School of Architecture - Refurbishment	-	51,105	51,105
New large lecture theatre	-	24,000	24,000
Information and Communication Technology Services	-	6,000	6,000
Other	-	25,958	25,958
Total 2011	152,519	124,563	277,082
Total 2010	306,258	298,907	605,165

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 21.8 above, utilising current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the use of the R323.0 million of Government grants reflected as deferred revenue in note 13 above.

22. Commitments (continued)

22.2. Operating lease commitments - University as lessee

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

Year ended 2011	Within 1 year	2 to 5 years	Total
Photo copying machines	1,478	566	2,044
Jammie Shuttle	13,600	13,600	27,200
Rental of properties	4,942	3,611	8,553
	<u>20,020</u>	<u>17,777</u>	<u>37,797</u>
Year ended 2010			
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>17,929</u>

22.3. Operating lease commitments - University as lessor

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

Year ended 2011	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	<u>2,916</u>	<u>2,372</u>	<u>306</u>	<u>5,594</u>
Year ended 2010				
Rental of premises	<u>3,285</u>	<u>3,126</u>	<u>109</u>	<u>6,520</u>

23. 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 2011					
Name	Job Title	Annualised salary for job	Amount paid or accrued for job	Performance bonus	Total for other services
Dr M R Price	Vice-Chancellor	*2,229,282	*2,407,210	91,125	
Professor D P Visser	Deputy Vice-Chancellor	1,468,515	1,468,515	22,028	
Professor J Beall (left 7 th May 2011)	Deputy Vice-Chancellor	1,418,507	472,836		
Professor R T Nhlapo	Deputy Vice-Chancellor	1,468,515	1,633,445		
Professor C A Soudien	Deputy Vice-Chancellor	1,417,945	1,417,945		
Associate Professor N Yeld (Acting Deputy Vice-Chancellor 1 st May to 31 st December 2011)	Dean: Centre for Higher Education Development	1,358,381	1,232,147	27,252	
Professor A P Le Roex	Dean: Science	1,210,000	1,210,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

Ms G Kruger	Executive Director: Communication and Marketing	1,162,242	1,162,242	30,660	
Ms M B M Khan	Executive Director: Student Affairs	1,135,569	1,135,569	17,033	
Dr J McNamara	Executive Director: Development & Alumni Affairs	1,135,569	1,135,569	17,032	
Professor D Ross	Dean: Commerce	1,220,736	1,220,736	8,516	
Professor F W Petersen	Dean: Engineering and the Built Environment	1,440,468	1,440,468	20,050	
Professor M Jacobs	Dean: Health Sciences	1,500,000	1,500,000		
Professor M P Ensor	Dean: Humanities	1,235,889	1,235,889	27,430	
Professor P J Schwikkard	Dean: Law	1,135,568	1,135,568		
Professor E O Uliana	Executive Director: Finance	1,567,085	1,567,085	23,504	
	Professor of Accounting				185,180
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,135,569	1,135,569	64,726	4,800
Mr H T Amooore	Registrar	1,148,750	1,148,750	31,105	
Mr J W R Critien	Executive Director: Property & Services	1,135,569	1,135,569	30,659	
Professor W R J Baets	Director: Graduate School of Business	1,283,193	1,283,193	22,709	96,400
Ms J G Rapp (1 st January to 31 st October 2011)	Executive Director: University Libraries	1,155,400	962,833	22,600	
Ms G M E Thomas (1 st November to 31 December 2011)	Executive Director: Libraries	1,050,401	175,067		
Ms M Hoosain	Executive Director: Human Resources	1,050,401	1,050,401		
Professor S H Kidson (1 st September to 31 December 2011)	Acting Dean of Health Sciences	1,139,464	379,821		

* This includes R330,805 being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his remuneration package.

EXECUTIVE MANAGEMENT TEAM DURING 2010				
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	1,243,811	1,243,811	
	Professor of Education			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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

Professor D Ross (Appointed 1 June 2010)	Dean: Commerce	1,097,372	640,134	
Associate Professor M Wormald (until 31 May 2010)	Acting 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	1,475,620	1,475,620	
	Professor of Accounting			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 (1 August – 31 December 2010)	Acting Executive Director: Human Resources	1,001,000	115,000	
Ms M Tainton (18 June – 31 August 2010)	Acting 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 remuneration package.

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

Purpose/reason for payment	Name	Position held	Amount R'000
2011			
-	-	-	-
2010			
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

23. Remuneration of key management (continued)

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.

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

Compensation of key management	2011 R'000	2010 R'000
Short-term employee benefits	23,676	21,296
Post-employment pension	4,972	4,588
Termination/Retirement benefits	-	517
Total compensation paid to key management personnel	<u>28,648</u>	<u>26,401</u>

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

24. 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 R204.4 million (2010: R180.7 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.

25. Lessee improvements

25.1. Groote Schuur Hospital

The Groote Schuur Hospital, located in the Cape Town suburb of Observatory, has been built on land owned by the University. The initial 99 year lease has 13 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 112 years, the University has not accounted for value relating to the improvements made on this land.

25.2. 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.

The initial lease of 99 years still has 79 years to run with a renewal option of a further 99 years. The original cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the buildings will revert to the University at the end of the lease. A modest annual income is received from Pinewood Village.

25. Lessee improvements (continued)

25.3. Valkenberg Property/Cape Courtyard Hotel

The Cape Courtyard Hotel in Observatory, Cape Town has been built on land owned by the University under a twenty 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 at the end of the lease.

26. Related party disclosures

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

- Subsidiary entities (refer Note 2.2 – Basis of consolidation);
- Associate company (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 23); and
- National Government (refer Note 17).

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

	2011 R'000	2010 R'000
University of Cape Town Foundation		
Grants to the University	54,332	41,483
Disinvested funds	-	402
Unutilised funds reinvested	11,303	7,295
Management fee	2,097	1,938
Endowed funds received from the University	24,507	3,442

University of Cape Town Lung Institute (Pty) Ltd

Service transactions rendered to the Lung Institute	2,803	2,195
Services received from the Lung Institute	1,445	554

Council members

Due to the nature of the University's operations and the composition of its Council, the Council takes particular care to avoid conflicts of interest, and has an explicit policy requiring disclosure and reporting. Any transaction with third parties in which any council member has a direct or fiduciary interest is subject to this policy. The Register of Direct and Fiduciary interests is updated at least annually.

27. Events after the reporting period

There have been no material non-adjusting events after the year end date.