

UNIVERSITY OF CAPE TOWN

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

ANNUAL REPORT

2008

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DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

EXECUTIVE MEMBERS OF COUNCIL		REGISTRAR
Dr M Price (1, 2, 3, 4 & 6)	(Vice-Chancellor)	Mr. H.T. Amoore (5)
Professor R T Nhlapo (6)	(Deputy Vice-Chancellor)	EXECUTIVE DIRECTOR OF FINANCE
Professor J Beall (6)	(Deputy Vice-Chancellor)	Professor E O Uliana (4)
Professor C Soudien (6)	(Acting Deputy Vice-Chancellor)	
Professor D Visser (4,6)	(Deputy Vice-Chancellor)	
COUNCIL OF THE University of Cape Town (1 JULY 2008- 30 JUNE 2012)		
The Most Reverend N W H Ndungane (1,3) (Chair)		
Mr T Mhlambiso (1, 3, 4) (Deputy chair)		
Professor D G Aschman (1)		
Dr A W Barday (4)		
Ms D Budlender (1, 4)		
Mr G Bloch		
Ms P Buthelezi		
Ms V Doo (3)		
Mr Justice I G Farlam (6)		
Mr G Gabriels		
Ms P Gama		
Mr J J Gauntlett SC (1)		
Mr Justice C T Howie (5)		
Associate Professor M Jeebhay		
Professor E Kalula (1)		
Councillor O Kinahan		
Emeritus Professor R E Kirsch (6)		
Mr E Patel (6)		
Mr T D Petersen (1,3,4)		
Mr C Ryall (1)		
Mr J Samuel (2)		
Mr M Seligson SC (2)		
Emeritus Professor J Terblanche		
Prof C L Vaughan		
Ms P Vinjevold (4)		
1 = Member of Council Executive Committee		
2 = Member of Audit Committee		
3 = Member of Remuneration Committee		
4 = Member of Finance Committee		
5 = Member of Building and Development Committee		
6 = Member of Strategy Committee		
BUSINESS ADDRESS		AUDITORS
Bremner Building Lover's Walk Rondebosch 7701		Ernst & Young Inc P O Box 656 Cape Town 8001
POSTAL ADDRESS		BANKERS
Private Bag X3 Rondebosch 7701		The Standard Bank of SA Limited P O Box 1 Rondebosch 7700

STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS

REPORT OF THE CHAIR OF COUNCIL

This report is for calendar year 2008. The first point about it is that the first six months were completed under the stewardship of the outgoing Council, chaired by my predecessor, Geoff Budlender, and the Vice-Chancellorship of the now-retired Njabulo Ndebele. The new Council (more than half of the members are new), a new Council Chair and Deputy Chair and a new Vice-Chancellor, took office on 1 July 2008. As this and the following reports will show we took over a strong institution, and it is appropriate to pay tribute to the work done by Geoff Budlender and his Council members, and to Njabulo Ndebele, and his executive team of Cheryl de la Rey (now at the CHE), Martin West (who has retired having held a Chair for over 30 years), Martin Hall (who becomes Vice-Chancellor of Salford later this year) and Thandabantu Nhlapo, whom we have been able to retain as a valued member of the new executive team under our new Vice-Chancellor, Max Price.

The new Council

Public universities in South Africa have by law Councils of which 60% of the members must be external, which must include people chosen by all internal constituent groups, and which must include the University's executive officers. We come from a range of constituencies: six are chosen by the world-wide membership of Convocation, three are appointed by the Minister of Education, one each by the Premier of the Western Cape and the Council of the City of Cape Town, two by donors, and five by the Appointments Committee (the external members); two students elected by the SRC; one each by the academic staff and by the Senate; and the Vice-Chancellor (VC) and the Deputy Vice-Chancellors (DVCs) (the internal members). We hold office for four-year terms, except that the student members hold office for two, and the VC and DVCs are members ex officio. Elections held in the first half of 2008 meant that a new Council was ready to take office on 1 July 2008; half the members were new, and we have been fortunate in retaining some lay experience outside of the Council in Colin McClelland who is Chair of the Audit Committee and Bakar Jakoet who is a member of the Audit and of the Finance Committees. I am privileged to Chair a Council with considerable experience and expertise; though it is a matter of concern that of the thirty, too few are women. Although we come from a range of constituencies we must all act in the best interests of the University – we do not serve as representatives and we do not hold mandates or mandated positions. In exercising our responsibilities we are assisted by standing committees. I pay tribute to the work of Council members and to the work of members of Council Committees; the report on corporate governance gives some idea of what this work entails.

Some reflections on 2008

My predecessor's report for 2007 celebrated the successes and achievements of the University's people, and pointed to the challenges the University faced in 2008 and the years ahead. I am again able to report:

- improved student success, record numbers of graduates and again a record number of PhD graduates, more detail of which you find in the Vice-Chancellor's report on teaching and learning;
- considerable research success, as measured by the recognition given to our academic staff in NRF ratings exercises (a qualitative measure), the number of publications in leading journals (a largely quantitative measure), and the number and value of research grants received and contracts awarded (a measure that is both qualitative and quantitative); (see the Vice-Chancellor's research report for details);
- a sound financial position: we ended 2008 with a small surplus before net investment income (against a small budgeted deficit) and negligible student debt (over 98% of fees billed were collected) and insignificant levels of debt.

The Council receives annual reports from the Senate on teaching and learning, on research, and on social responsiveness. These serve two important purposes: first, they are vehicles for accounting to the Council on the University's primary activities and for bringing to Council's notice the Senate's views of achievements and challenges; and secondly they give the Council an overview of progress in each of these areas. In addition, during 2008 Senate submitted for Council's approval a consolidation of policy on social responsiveness, which defines the status of this work. The report on social responsiveness, which deals with a selected number of case studies, is evidence of the important and exciting work being done. Broader social responsibility is another issue that concerns Council, and two examples illustrate this.

First, the Council has for more than a decade given high priority to work on HIV/AIDS, and the report presented to Council in late 2008 reminded the Council of the importance of the work being done by researchers, by academics teaching, and by the University's HIV/AIDS unit in educating staff and students and supporting those who are HIV positive. Secondly, we have seen a responsibility to ensure that those employed by third-party contractors serving our community pay responsibly and provide decent conditions of service.

During 2008 we completed a major three-year, R80 million project to renew the campus IT infrastructure, on time and within budget. The first of a number of capital projects supported in part by state grants for infrastructural development – adding two floors to the Menzies Engineering building – was completed. Sports facilities are easily neglected, and an important project has seen the completion of a new fitness gymnasium, the upgrading of the old swimming pool (built in the 1940s) and its surrounds, and the make-over of the Kopano Oval; the Oval, sited in the heart of the lower campus residences now boasts a flood-lit all-weather soccer pitch as well as an all-weather pitch for five-a-side soccer. A multi-stage project, begun in 2004, has been the revamping of the P D Hahn building to provide modern facilities for the Chemistry department; much of the funding for this has come from donors, and much of this has come through the UCT:UK Trust and its officers.

Finally, we made the transition to a new executive team: Max Price began his five-year term on 1 July 2008. He has been ably supported for the balance of 2008 by Thandabantu Nhlapo and Danie Visser (both of whom will continue with new terms of office into 2009 and beyond) and by Cyril O'Connor and Daya Reddy (both former deans who agreed to act until the new team took office). The search/selection process resulted in a renewed appointment for Danie Visser, a new appointment for Jo Beall (who joins UCT from the LSE) and an acting appointment for 2009 for Crain Soudien.

Challenges in the years ahead

Our key challenges are about students: ensuring that we have a fair and defensible admissions policy that makes provision for redress and identifies the applicants who have the potential not only to succeed but to do well; ensuring that our fee policies, financial aid policies and budgets, and student housing provision (both university-provided and that which we mediate and is provided by others) meet our needs and the needs of our students; and most important ensuring that our students get the support, inside and outside the classroom, lecture theatre and laboratory, that they need to succeed.

The Vice-Chancellor's report gives details of success and throughput rates. We are ahead of the pack in South Africa. But we have a long way to go, and the success and throughput rates of black students – despite substantial academic development effort – remain lower than those of white students. These are facts we must not lose sight of. Responsibility for meeting these student challenges lies largely with the Senate.

Closing the gap on success and throughput rates is also a transformation issue. Transformation is a key Council objective. Khuluma, a major programme aimed at providing diversity training to all staff, and addressing concerns about our culture and climate, continued in 2008.

As a Council we must ensure effective governance and give attention to ensuring both that the University's finances are sound and that they are properly applied to meet the University's needs. We are giving greater attention to governance issues, and in this regard are ably supported by the work of three important committees: Remuneration Committee (chaired by the deputy chair of Council, Thando Mhlambiso), the Finance Committee (chaired by the former deputy chair of Council, Trevor Petersen) 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).



ARCHBISHOP N W H NDUNGANE

CHAIR OF COUNCIL

3 JUNE 2009

REPORT OF THE VICE-CHANCELLOR

| PART 1 |

STRATEGY AND IMPLEMENTATION

Finances and Financial Sustainability

In 2008, the University demonstrated stable financial performance with respect to the general operational budget - i.e. the core teaching and learning budget over which management has full control based on the undesignated income from government subsidy, fees and some sales and external income. The detailed analysis of the financial statements is covered in the Annual Financial Review by the Chair of the University Finance Committee and the Executive Director: Finance. In light of the current global economic turmoil the Finance, Investment and Audit Committees of the University have assessed the potential impact on the financial sustainability of the University. I am happy to report that, as a result of prudent investment, management and cash management strategies, the University is well placed to weather the economic storm for the immediate future. It is likely that the areas most affected will be Research and Donations, two areas in which we have seen strong growth over the past year.

Fees

In November 2008 the University Council agreed to raise our student fees by an average of 13.2%, mostly ranging between 10% and 14%, for 2009. The two main motivations for the increase were to enable us to assist more needy students with financial support – a transformation imperative – and to catch-up on the unexpected levels of inflation in 2008. The increased fees have allowed UCT to increase our financial aid to needy students by about 50%. In addition, UCT undertook to increase financial support to students whose families earn under R400,000, by providing a guaranteed loan of up to R38,000 converting to a bursary according to the NSFAS rules. Most of these students were previously not eligible for financial aid yet this middle income group has been the hardest hit by fee increases.

Capital projects

Following on from the 2007 launch of the Graça Machel student residence, in 2008 UCT completed the first of three Department of Education co-funded building projects (the additional two floors on the Menzies building on the upper campus) and also made good progress with the planning phases of the buildings for Student Services, Information Communication and Technology Services, and the School of Economics. Construction on these will begin in 2009. We also successfully submitted applications to the DOE for several other capital projects for engineering, architecture, science equipment, a residence and teacher training. These will require matching funds from UCT, the feasibility of which we are in the process of assessing.

Aside from the offer of matching funding from the Department of Education, many academics have been active in raising funds for their academic projects, bursaries, and minor capital projects. The one large project worth mentioning here is a prospective challenge grant from the Donald Gordon Foundation for R50 million in support of the creative and performing arts. A Chair in Constitutional Government has been endowed in the Law Faculty. The Chancellor's 175 year challenge completed its five year campaign. We are investing in the overseas offices associated with the Foundation to strengthen alumni activities and ultimately individual giving, as well as our relationships with wealthy individuals and charities.

HIV AIDS

UCT responded to the HESA initiative to participate in a sector-wide sero-prevalence, knowledge, attitude, perception and behavior and risk assessment study in 2008. Funding for this Higher Education HIV/AIDS Programme was secured via the European Union and Department of Education. This should give us information for the first time on the scale of the HIV problem at UCT and the attitudes and behaviours that underpin it. HIV/AIDS-themed research including vaccine research and TB research remain a strong focus; campaigns to address stigma and to assist individuals who are affected continue on a daily basis. Two faculties have incorporated HIV/AIDS-related education as an integral part of the formal curriculum. Others still need to consider this.

Social Responsiveness

A major milestone for the University was the approval of the social responsiveness policy by Senate and Council in 2008. The objective of the policy is to create an environment which positively encourages members of the UCT community to engage with external communities and to develop coherence to our social responsiveness work. As a university we produce and share knowledge for the benefit and advancement of society and we work to nurture graduates who are not only highly skilled and professional, but also aware of their civic responsibilities. An excellent report on a selection of UCT's most innovative social responsive projects was published in 2008 and will become an annual report.

Transformation

Staff and student demographic changes are covered in the relevant sections below. Since 2004 UCT has given focused and detailed attention to the matter of institutional climate – the patterns of behaviour and values that shape and inform interactions among staff members of the UCT community. 2007 saw the conduct of a survey of staff on their experiences of UCT and its institutional climate. Arising out of that in 2008, faculties and departments are identifying priority interventions for their own and the university's general attention. 2008 saw the continuation of Khuluma – the intervention to create safe spaces for members of the university community to directly engage issues of institutional climate and multiculturalism. Some 700 staff members, including members of the senior management staff, have participated in Khuluma workshops.

In 2008 the University Council approved the Sexual Harassment and Sexual Offences Policy, a significant step in developing an inclusive set of social justice policies.

International Rankings

UCT was ranked 179th in the Times Higher Education QS World University Rankings 2008, climbing 21 spots from 200th place in 2007, and improving on its 257th place in 2006, and remains the only African university to have been listed in the top 200. As noteworthy as this may be, we are aware of the limitations of the ranking tables, including the bias inherent in the ranking criteria and that the international ranking systems ignore many of the goals and values that are important to UCT and developing country universities.

New Strategic directions

Since I took over as Vice-Chancellor, a planning process has begun that is looking at strategic goals for the next five years.

| PART 2 |

SENATE: TEACHING, LEARNING AND RESEARCH

Teaching and Learning

The Senate is responsible for the teaching and research work of the University, including the syllabuses, curricula and examinations. The Senate undertakes much of this work through the Boards of Faculty, and the faculty structures that deal with admissions, curricula and examinations.

Student Enrolments and Qualifications

Student head count enrolments grew at an average annual rate of 1,4% between 2004 and 2008. The 2008 HEMIS report student headcount enrolment total was 22, 298, the highest in UCT's history. Enrolments at the undergraduate level grew at 1,7% per annum over the 2004 to 2008 period. The average annual growth rate at the postgraduate level was markedly lower (0.8% per annum), but the 2008 postgraduate enrolment was 6,271 of whom 1,023 were doctoral candidates. Postgraduate students made up 28% of the 2008 enrolment.

In keeping with UCT's 2010 aspirational target of 24,000 students (agreed with the Department of Education), and in view of the additional space that will result from infrastructure grant funding, UCT admitted and enrolled a markedly higher first-time entering undergraduate cohort in 2008 of just over 4,000 students. The quality of this intake, measured in terms of prior school leaving performance, remained high with 63% of the 2008 first-time entering undergraduate intake having obtained either A or B aggregates in the 2007 senior certificate examinations.

Between 2004 and 2008, enrolments in professional first bachelors degrees grew by 8%. Enrolments at the honours and doctoral levels both rose in 2008, while masters level enrolments were a record high. The 2008 figures showed a combined total of 4,103 masters and doctoral students; masters and doctoral enrolments together made up 18% of the head count enrolment total.

New undergraduate applicants and enrolments by population group and gender for 2007 and 2008.

New Undergraduate Applicants							
Year	Population Group						Total
	Black	Coloured	Indian	White	Other/ Undeclared	International	
2007	4,289	1,342	902	3,431	283	2,397	12,644
2008	5,507	1,745	1,123	3,676	223	2,727	15,001

New Undergraduate Enrolments							
Year	Population Group						Total
	Black	Coloured	Indian	White	Other/ Undeclared	International	
2007	862	552	253	1,534	71	473	3,745
2008	1,038	649	299	1,649	42	549	4,226

Student Output Efficiencies

A total of 4,792 (4,753 in 2007) students qualified for the award of a degree or diploma in 2008:

Amongst these:

- 1,421 (1,361 in 2007) graduated in Commerce - 384 (470 in 2007) of these completing BBusSc degrees)
- 726 (737 in 2007) graduated in Engineering and the Built Environment
- 458 (460 in 2007) graduated in Health Sciences
- 1,360 (1,380 in 2007) graduated in Humanities

- 154 (160 in 2007) graduated in Law
- 590 (580 in 2007) graduated in Science

The proportion of all undergraduates excluded from the university on academic grounds appears to have stabilised at around just 4% of the total undergraduate enrolment.

Success rates in undergraduate courses have improved steadily in recent years. In 2008 success rates in 100-, 200- level, and 300- level courses were all well in excess of 80%, and the success rate in 400-level undergraduate courses was 93%.

Examination of the longitudinal performance of the 2003 first-time entering undergraduate (FU) entry cohorts shows the following:

- 70% of the 2003 FU entry cohort (in comparison with 65% of the equivalent 1999 FU cohort) had successfully completed undergraduate qualifications within five years of entering UCT;
- 13% of the 2003 FU cohorts (in comparison with 14% of the equivalent 2002 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 2003 FU entrants (a term which applies to all students who leave UCT without completing an undergraduate qualification, and who are also not excluded on academic grounds) was 11% (down from 14% amongst the equivalent 2002 cohort);
- 5% of the 2003 entry cohort were still registered at the undergraduate level. This proportion was slightly higher than that amongst the 2002 FU cohort (3%).

The improved completion rates amongst recent cohorts suggest that UCT's persistent focus on throughput and retention is yielding positive results. It is of particular interest to note the diminution in the phenomenon of dropout in good academic standing and in the frequency of exclusion on academic grounds.

We remain committed to improving our efficiency in relation to student retention and throughput, without compromising quality, particularly as this relates to the continuing transformation of the student body. In recent years there have been significant developments geared towards the improvement of the quality of teaching and learning. These include the strengthened role of the Readmission Appeal Committees, the expansion of academic development programmes, the mainstreaming of learner support initiatives, the strong focus on tutor training, the implementation of the strategies in the University's Quality Improvement Plan and the introduction of various initiatives aimed at encouraging academic staff to design and utilise innovative teaching practices in order to improve student performance. Research conducted in 2008 on the impact of UCT's academic department reviews between 2003 and 2007 suggests that these are also contributing to a stronger focus on improving the quality of teaching and monitoring student progress. Groups reviewed in 2007 and 2008 were as follows:

2007	<ul style="list-style-type: none"> • School of Dance • Division of Nursing • Organisational Psychology component of the School of Management Studies • Department of Mathematics and Applied Mathematics
2008	<ul style="list-style-type: none"> • The Geomatics component of Architecture, Planning & Geomatics • Department of Radiation Medicine • Department of Astronomy

Academic Staffing

UCT's 2008 HEMIS staffing submission shows that a total of 937 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents an 8 percent increase over the 2007 figure of 866. These numbers do not include joint staff on the conditions of service of the Provincial Health Department or the National Health Laboratory Services.

Report on Social Responsiveness Initiatives in 2008

Partnerships with the Province

The PGWC sponsored a study in 2008 to trace registered students from the four higher education institutions in targeted scarce skills areas who achieved at least 50 per cent of the credits necessary for graduation, but who had dropped out prior to completion of their studies in 2007 or 2006. The areas covered were:

- engineering;
- the broad IT area including computer science and information systems;
- BSc in chemistry, physics, mathematics and molecular sciences; and
- accounting and financial management.

The responses suggest that opportunities for part-time study (or more accessible part-time options) are necessary to assist respondents to complete their tertiary education as many are forced to leave to seek employment to meet financial obligations.

UCT contributed to a series of seminars organised by the institutions in the Western Cape and the Western Cape Education Department aimed at deepening the discussions on the challenges facing public education. The topic of UCT's seminar was "Literacy and numeracy challenges in the Western Cape". The seminars highlighted the tangible role of higher education institutions in dealing with educational challenges and showed how the research conducted in these institutions could be a useful resource for the Department of Education in planning and crafting its intervention strategies.

Due to the lack of evidence-based research on the demand and supply of educators in the province, the Western Cape Education Department commissioned research to inform its planning. The research was guided by a reference group consisting of representatives from all the higher education institutions in the region. The results will be handed over to the Superintendent-General of Education in 2009. Information was collated on all current projects aimed at improving the quality of education in the schools at the four higher education institutions, undertaken by academics and/or students. This information was provided to the Western Cape Department of Education to help it gain greater insight into how to enhance the impact of its initiatives and access resources from higher education institutions to strengthen support provided by the provincial department to schools.

A researcher was appointed by The Cape Higher Education Consortium (CHEC) to do a scoping exercise of the heritage sector to enable discussion about the capacity of higher education institutions to meet skills shortages in the sector.

Various meetings have been held between CHEC, government and other key constituencies in the transport sector to discuss ways of strengthening the contributions of higher education institutions to meeting current and future skills needs in the sector.

Partnership with the City of Cape Town

A colloquium took place on 20 October 2008 at which the mayor of the City of Cape Town and the vice-chancellors signed a collaboration protocol. To date three key areas have been identified and three working groups established, each comprising members of CHEC and city officials. These are human resource development, information technology, and spatial and infrastructure planning.

Other major initiatives

A major milestone for the University was the approval of the social responsiveness policy by Senate and Council in 2008. The objective of the policy is to create an environment which positively encourages members of the UCT community to engage with external communities and to develop more coherence to our social responsiveness work. As a university we produce and share knowledge for the benefit and advancement of society and we work to nurture graduates who are not only highly skilled and professional, but also aware of their civic responsibilities.

The Social Responsiveness Working Group in collaboration with the South African Labour Development Research Unit in our School of Economics organised a seminar on an anti-poverty strategy released by the Presidency for public comment. The seminar was attended by academics and a representative from the Presidency, and provided an opportunity for UCT to engage seriously with government about its proposed strategies for reducing poverty.

The UCT community was galvanised to provide humanitarian aid designed to mitigate the effects of the displacement of thousands of people by the xenophobia crisis of the second quarter of 2008. Students and staff supported health related interventions and co-ordinated donations, monitored adherence to internationally recognised rights of refugees, and rendered psycho-social support in extraordinary circumstances.

UCT Libraries

The Libraries include the Chancellor Oppenheimer (Main) Library, nine branches, including Law and Health Sciences, and major research collections such as the African Studies Library, Manuscripts and Archives, and Rare Books. The rich and diverse array of research materials and undergraduate information sources includes vast electronic resources as well as print materials and unique special collections: The Libraries' extensive web site provides on- and off-campus access to more than 29,000 electronic journals and 200 electronic databases. There are about 1.2 million print volumes, with more than 16,700 print journal titles. UCT's Special Collections focus on Africana, with a great variety of historically important manuscripts, films, photographs, diaries, and sound recordings. Many of these collections are accessible online.

A team of subject-specialist librarians is supported by modern equipment and technologies, high-end computer workstations, audio-visual viewing areas, wireless Internet access, and ample photocopying, printing, and scanning facilities.

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

Research 2008

The high media profile of UCT's aforementioned international ranking prompted the University Research Committee (URC) to establish a Framework for Engagement with the International Ranking Systems that would shape UCT's international research competitiveness without compromising its social responsiveness role. Besides helping the University to improve its global footprint, it is hoped that more generally, the Framework would inform debate about strategic direction and benchmarking.

Total research income increased by R104 million (26%), from R547 million in 2007 to R651 million in 2008. Major contributors to the R651 million are in the form of research contracts (R437 million) and government-related grants (R128 million). Financial support to postgraduate students grew by R16 million to R83 million, and postdoctoral fellowships were awarded to 179 postdoctoral researchers, to a total value of R21 million. The assessment of our researchers through the internationally benchmarked process of peer-evaluation and rating is carried out by the NRF and based primarily on the quality of their recent research outputs. The number of NRF-rated researchers at UCT grew from 279 in 2007 to 293 in 2008. Five new A-ratings were awarded during this period and six existing A-ratings were renewed. A-rated researchers are defined as world leaders renowned for the high quality and impact of their research. UCT remains the top institution nationally in as far as the numbers of rated researchers are concerned.

The accredited journal count for 2007 was 914.70 units. The number of approved research output units for books and chapters in both was 53.14 and for referred published conference proceedings 49.36, bringing the total for 2007 to 1 017.20. This represents:

- a 12% increase in volume of recognised research outputs above 2006;
- 13% of the entire national output by all higher education institutions and research councils.

The number of articles published in accredited journals (including multi-authored articles) was 1 359

The Emerging Researcher Programme (ERP) – a component of the URC Framework for Research Development – completed its sixth year of operation in 2008. By the end of this period, the ERP had 289 active participants, having grown from an initial 44 in 2003. The ERP, together with the newly formed Programme for the Enhancement of Research Capacity (PERC) which was developed in response to the

need for a structured support programme for mid-career researchers, continues to fulfil a vital skills-transfer role. In addition, the Mellon Visiting and Retired Scholars Mentorship Project funded seven discipline-specific mentorship interventions with cohorts of junior staff in 2008, of which six will continue with their mentoring activities during 2009. A further ten new scholars are expected during 2009 under the auspices of the Project.

Five research groupings received internal accreditation during 2008:

- Environmental Economic Policy Research Unit (EPRU), Commerce Faculty
- Centre for Information Technology and National Development in Africa, Commerce Faculty
- African Centre for Cities, Engineering & the Built Environment Faculty
- Information & Communications Technology Centre for Development, Science Faculty
- Desmond Tutu HIV Centre, Health Sciences

The following two were de-accredited during 2008:

- Centre for Socio-Legal Research (CS-LR), Law Faculty
- Freshwater Research Unit (FRU), Science Faculty

In addition to focusing on our international and national footprint, other challenges for 2009 include growing a research culture in professionally oriented disciplines and in the creative and performing arts; overseeing the quality and integrity of data at laboratory level; the development of a commercialization strategy; and the dissemination of understanding within the UCT community of the impact that the new IP Rights from Publicly Financed Research Act will have. It has also become increasingly clear that appropriate benchmarks need to be identified for the recognition of socially responsive research and this will be given a high priority in 2009.

The launch by the Department of Science and Technology of the South African Research Chairs Initiative (SARChI) saw a significant injection into national research funding. UCT continues to align its institutional research strategy with national research and development priorities, and in so doing securing a number of research chairs at UCT, the number of which has grown significantly since the award of the first seven in 2006: The list includes the following, and these indicate the range and depth of the UCT research endeavour.

Applied Proteomics and Chemical Biology	Astrophysics and Space Science
Drug Discovery	Minerals Beneficiation
Clinical Neurosciences Research	Archive and Public Culture
Climate Change	Bioprocess Engineering
Animal Evolution and Systematics	Migration, Language and Social Change
Poverty and Inequality Research	Scientific Computing
Health and Wealth in South Africa	Cancer Biology
Brain Imaging	Urban Policy
Security and Justice	Computational Mechanics
Vaccinology	
Islam, African Publics and Religious Values	
Immunology of Infectious Diseases in Africa	
Customary Law, Indigenous Values & Dignity Jurisprudence	
Lung Infection & Immunity in Poverty Related Diseases	
Land Reform and Democracy in South Africa	
Ocean-land-atmosphere phenomena	

| PART 3 |

MANAGEMENT AND ADMINISTRATION

Changes in Senior Management

2008 was a particularly significant year for UCT. The University underwent a major leadership transition with the terms of office of the previous Vice-Chancellor, Professor Njabulo Ndebele, and the UCT Council, ending in June of that year, and the subsequent appointment of a new Council and Vice-Chancellor with effect from 01 July 2008.

Archbishop Njongonkulu Ndungane took over from Advocate Geoff Budlender as the new Chairperson of Council. The leadership transition also saw three Deputy Vice-Chancellors stepping down in 2008 - Professor Cheryl de la Rey with effect from 30 April, and Professor Martin Hall with effect from 31 August. Professor Martin West retired from his post as Deputy Vice-Chancellor with effect from 30 June but stayed on as a Special Advisor to the Vice-Chancellor until 31 December 2008.

2008 also saw the appointment of Mr. Khotso Raphoto as Executive Director HRM. Mr. Sakkie Janse van Rensburg accepted the offer of appointment to the vacant post of Executive Director of Information Communication Technology Services (with effect from 01 February 2009), and Professor Hugh Corder's term of office as Dean of Law coming to an end. Professor Pamela Jane Schwikkard was appointed the first female Dean of Law at UCT with effect from 1 January 2009.

All of the above formed part of the broader leadership transition and the management of this transition process enjoyed considerable and detailed attention. An initial step included the appointment of ex-Deans, Professors Daya Reddy and Cyril O'Connor, as Acting Deputy Vice-Chancellors. Subsequently, a comprehensive and transparent selection and appointment process followed for the three vacant DVC posts, leading to the appointment of Professor Danie Visser (with effect from 01 January 2009) and Professor Jo Beall (with effect from 01 April 2009). A third candidate declined the offer of appointment. The University Council endorsed a decision to delay making a further appointment, agreeing that this matter would enjoy further consideration in 2009, after the new executive team had some time to settle in to the new administration.

During 2008 Professor Frank Horwitz also announced his resignation as the Director of the Graduate School of Business and a selection process to find a successor was initiated and a successor identified – Professor Walter Baets will take up appointment in July 2009.

The scale of the leadership transition was significant and the collective contribution of a number of colleagues assisted with the management of the transition process.

Academic Administration

Overall, our administrative systems are stable. The new student administration system, PeopleSoft, implemented a few years ago, has bedded down and UCT has worked through the initial teething problems.

As far as the student admission cycle is concerned, we continue to grapple with the challenge of accurately predicting a take-up on study offer rate. As this is not an exact science, and given the inevitability of making more offers than we have places available, we exceeded our short-term enrolment targets. This did place strain on existing capacity, including facilities, residence accommodation, classroom space and teaching resources.

supaTsela Project

In his 2007 report, Vice-Chancellor Professor Ndebele made reference to the fact that the supaTsela Project was due to be signed-off by the University Council in June 2008. The three-year project to renew UCT's information technology infrastructure, a complete re-wiring of our campuses, a new server structure and a new back up system was completed successfully. What's more, the Project was completed within its budget of R78m.

On the other hand, the inefficiency of the external bandwidth has continued to plague the University's academic endeavour. We have committed funds, as from 2009, to a national universities consortium to acquire a significant increase in bandwidth which should become available in mid-2009.

Staffing Matters

In the academic sector, an Academics' Union was established and registered as a labour union, replacing the Academics' Association. Management recognised the union and negotiated on this basis. Salary increase settlements were reached with the academic sector, NEHAWU and the UCT Employees' Union (representing Professional, Administrative and Support Staff), in line with our policy to maintain academic salaries at the 75th percentile of the Tertiary Education Market and PASS staff at the 50th percentile of the All Jobs Market. The performance management system continued to be raised as an area of concern by PASS staff and management undertook to implement a comprehensive training programme to address this matter. The planning of such an intervention commenced in 2008 and implementation is scheduled for 2009.

Safety

Our crime awareness campaign continued in 2008, supported by an expanding security apparatus infrastructure. This includes:

- 215 fixed and 42 PTZ (pan/tilt/zoom) cameras are installed across campus,
- The preferred pedestrian route, the Blue Safe Walk Route, is well established and includes nine emergency bollards with intercom connectivity and the route is covered by CCTV.
- Fenced residences.
- Trained Campus Protection Services (CPS) staff, with CPS operating six service centres, 24 hours a day, seven days a week.

Access Control

In 2008 the decision was also taken to undertake a comprehensive upgrade of the card access-control system. The existing access control system - both software and hardware - has been identified as a high risk. This combined Properties & Services and Information Communication & Technology Services project commenced in the latter part of 2008 and is due for completion in August 2009.

Conclusion

I wish to express the University's deepest appreciation to the 2004 – 2008 Council and members of the Executive, the Senior Leadership Group, and for the leadership roles of the previous Chair of Council, Advocate Geoff Budlender, and Vice-Chancellor, Professor Njabulo Ndebele, who warrant special mention.



DR. M PRICE

VICE-CHANCELLOR

3 JUNE 2009

REPORT OF THE INSTITUTIONAL FORUM

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 met eight times during 2008. In addition to the four scheduled meetings, the IF convened four further special meetings. Among issues considered were:

- i) The Vice-Chancellor's proposals for the appointment of acting Deputy Vice-Chancellors;
- ii) The process followed for the appointment of the Dean of the Faculty of Law;
- iii) The appointment process for the three Deputy Vice-Chancellors; and
- iv) The appointment process on the appointment of the Director: Graduate School of Business.

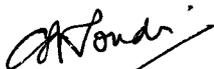
In all instances, the IF's advice to Council was to report that the processes followed or proposals put forward were in accordance with the agreed processes.

The IF frequently failed to achieve a quorum at meetings. This was especially in the latter part of the year after the new term of office for all members of the IF started (1 July 2008) and the Forum found itself inadequately constituted, particularly in the staff sector.

The Black Staff Association disbanded in 2008 and consequently ceased to be represented on the IF. This prompted a realignment of the staff bodies' representation on the IF in line with UCT's Statute.

To more effectively deal with the range of major issues relating to institutional climate, the IF hopes to take forward concerns relating to its own functioning in 2009. These include

- A belief within the IF that it functions merely to rubber-stamp decisions;
- Clarifying which policies should be presented to the IF and when this should happen;
- Ways of ensuring meaningful report-back from Council on matters raised or issues that affected the IF;
- The Transformation Manager vacancy; and
- The Vice-Chancellor's transformation strategy and the role of the IF in that plan.



PROFESSOR C SOUDIEN

CO-CHAIR

3 JUNE 2009



DR. J GROSSMAN

CO-CHAIR



MR. M RWENYAMA

CO-CHAIR

COUNCIL STATEMENT ON CORPORATE GOVERNANCE

Introduction

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

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

The Council's vision for the University

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

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

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

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

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

Values

We commit ourselves to:

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

Actions

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

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

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

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

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

The Council governs the University in terms of the Act and the Statute. It consists of 30 members, of whom 18 (60%) are external or independent (in that none may be a student or a staff member) and 12 internal. The term of office (other than for the student members who serve for two years, and the Vice-Chancellor and Deputy Vice-Chancellors who serve *ex officio*) is for four years. This term ended during the year under review (on 30 June 2008) and a new Council was constituted by election or appointment for the four-year term to 30 June 2012.

While the Council governs the University, the Senate has jurisdiction over the academic and research functions of the University. It consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 300 members in 2008. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

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

The Council is supported by specialist committees and working groups.

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

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

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

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

- The University has clear strategic goals and objectives;
- The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving these;
- The University financial position is sound in the short term and the long term;
- No fees are set, and no financial appropriations made, without its approval;
- Risk management and internal controls are in place;
- All its members (staff, students, and alumni) donors, customers, and suppliers are treated in an appropriate manner;
- The University complies with all relevant laws, regulations and accounting policies; and
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted with a relevant composition and have appropriate terms of reference and reporting procedures.

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

Code of ethics and ethics in University research

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

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

Council and its Executive Committees

The Council is supported by a standing Executive Committee; Council has not delegated formal decision-making functions to this committee, but is supported by its deliberations which expedite the work of the Council. Council or its Executive Committee (Exco) meet monthly from February to December.

Exco consists of the Chair and Deputy Chair, the Chair of the Finance Committee, four members of Council (two of whom are external/independent, one of whom must be a student member) and the Vice-Chancellor. Exco was reconstituted from 1 July 2008 at the time of the new Council.

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

The following tables summarise attendance by members at Council and EXCO meetings in 2008. They reflect the changes in membership that occurred in 2008.

Attendance at Council Meetings – 2008

2008	Mar	May	Jun	Aug	Oct	Nov	Dec	%
D G Aschman	P	P	Ap	P	P	P	P	86
A W Barday	P	P	P	P	Ap	Ap	P	71
G Bloch				P	Ap	P	Ap	50
D Budlender	P	P	P	P	P	P	P	100
G M Budlender (Chair to 30 June 2008)	P	P	P					100
P Buthelezi					Ap	Ap	Ap	0
V Doo	Ap	P	P	P	P	P	P	86
I G Farlam				P	P	P	P	100
P I Folb	P	Ap	P					67
G Gabriels				P	P	P	P	100
J J Gauntlett SC	P	P	P	P	P	Ap	P	86
E Goliath	P	P	P					100
M J Hall	P	P	P	Ap				75
L P Hlahane	P	P	P	P	P	P	P	100
C T Howie				P	Ap	Ap	P	50
A Jakoet	P	P	P					100
M Jeebhay				P	Ap	P	P	75
E Kalula	P	P	Ap	P	P	P	P	86
O Kinahan	P	P	P	P	P	Ap	Ap	71
R E Kirsch				P	P	P	Ap	75
P S G Leon	P	Ap	P					67
B Mayosi	P	P	P					100
T Madinginye	P	P	P	P	P	P	Ap	86
T Mhlambiso	P	P	P	P	P	P	Ap	86
L Mpahlwa	Ap	Ap	P					33
N S Ndebele	P	P	P					100
N W H Ndungane (Chair from 1 July 2008)	Ap	Ap	P	P	P	P	Ap	57
R T Nhlapo	P	P	P	P	P	P	P	100
C T O'Connor				P	Ap	P	P	75
E Patel	P	P	Ap	P	Ap	P	Ap	71
T D Petersen	P	P	P	P	P	P	P	100
L F Platzky	P	P	P					100
M Price				P	P	P	P	100
B D Reddy	P	P	P	P	P	P	P	100
R B Rosenthal	P	P	P					100
J Samuel						P	P	100
M Seligson SC				P	P	P	P	100
J Terblanche	P	P	P	P	P	Ap	P	86
M A Thompson	Ap	P	Ap					33
C L Vaughan				Ap	P	P	P	75

Attendance at Council Meetings – 2008 (continued)

P Vinjevold						P	Ap	50
D P Visser	P	P	P	P	P	Ap	P	86
M E West	P	P	P					100

	= Not a Council member during highlighted periods	
P = Present	Ap = Apology	Abs = Absent

Attendance at Council EXCO Meetings – 2008

2008	Feb	April	Jun	Sep	Nov	%
D Budlender					P	100
G M Budlender (Chair to 30 June 2008)	P	P	P			100
J J Gauntlett	P	Ap	P	P	Ap	60
E Kalula	P	P	P	Ap	P	80
T Madinginye	P	P	Ap	P	P	80
T Mhlambiso (Deputy Chair from 1 July 2008)	P	P	P	P	P	100
N S Ndebele	P	P	P			100
NWH Ndungane (Chair from 1 July 2008)				P	P	100
T D Petersen(Deputy Chair to 30 June 2008)	Ap	P	P	P	P	80
M Price				P	P	100

	= Not a Council EXCO member during highlighted periods	
P = Present	Ap = Apology	Abs = Absent

Council Committees

Council Appointments Committee

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

The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external people and the Vice-Chancellor. It met four times in 2008, and both internal and independent auditors have unrestricted access to it. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the Committee. The Audit and Risk Committees continued with a comprehensive review of risk and put measures in place to manage identified risks.

The Audit Committee's responsibilities are set out in comprehensive terms of reference which were revised during the year under review. Key responsibilities include

- Ensuring an effective process for assessing and managing risk;
- Assessing the financial statements for reasonability and accuracy, and recommending a set of financial statements and annual reports to the Council for approval;
- Reviewing the scope of the external audit programmes;
- Reviewing and approving the scope of internal audit programmes;
- Recommending the appointment and retention of the independent auditors; and

- Ensuring an effective process for adequate and effective systems of internal control.

The University Finance Committee

The University Finance Committee is a standing committee of Council. The Finance Committee advises Council on financial strategy, makes recommendations on annual revenue and capital budgets and monitors and reports on progress against these budgets. It met seven times during 2008.

The Council Remuneration Committee

The Council Remuneration Committee is a standing committee of Council and consists of the Chair and Deputy Chair of Council, the Chairs of the Audit, Human Resources and Finance Committee and the Vice-Chancellor.

The committee is responsible for:

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

The University Student Affairs Committee (USAC)

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

The University Human Resources (HR) Committee

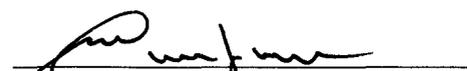
This standing committee advises Council on HR policy, is responsible for advising Council on employment equity policy and plans, and for keeping abreast of staff issues and staff concerns. The committee met twice during 2008. A Council member chairs the Committee.

The University Building and Development Committee (UB&DC)

The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings. The committee met 11 times during 2008.

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.


 ARCHBISHOP N W H NDUNGANE
 CHAIR OF COUNCIL

3 JUNE 2009


 DR. MAX 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 and to safeguard its assets. The University has a documented organisational structure and division of responsibilities, and established policies and procedures, which are communicated throughout the University.

Information systems utilising modern information technology are in use throughout the organisation. All have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security. The student administration ERP system (Oracle's PeopleSoft Campus Solutions product), was successfully upgraded to the next generation during the period under review. This did not involve any major changes to functionality and there were no changes to any of the University's other major administrative systems during the period under review.

The University applies what it considers to be acceptable standards to protect privacy and ensure control over all data, including disaster recovery and back-up procedures. The development, maintenance and operation of all systems are under the control of competent, trained staff.

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, areas have been identified where improvements could be made. These have been brought to the attention of the Audit Committee and management and are being attended to. Ernst & Young have reported that good progress has been made in addressing these issues, indicating where items have been resolved, partially resolved, not yet resolved and where management has suggested that the risk has been accepted. These latter items require the acceptance of the Audit Committee.

It is the role of Internal Audit to monitor internal control systems and to assist line management in ensuring the adequacy of such controls. As outlined elsewhere in this report, the Audit Committee has been concerned about the effectiveness of Internal Audit in fulfilling this role and has instituted measures to rectify the situation.

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

Committee Structures

The University Audit Committee is a standing committee of the Council and, in terms of its constitution, consists of at least three external (non-executive) members of Council and the Vice-Chancellor. There are presently four external members but, following the election of the new University Council from July 2008, only one external member of the Audit Committee was a member of Council. This situation was only rectified in March 2009 when Council appointed an additional Council member to the Committee and amended the Committees' constitution to read that Council 'appoints three (or more) members (who should be financially literate) chosen by Council of whom at least two should be from members of Council other than the Executive Officers, staff or students'.

The Committee is chaired by Mr Colin McClelland who, although not a member of Council, receives all Council papers and has the right to attend Council and Council Executive Committee meetings as he chooses, in order to ensure direct access by the Audit Committee Chair to Council.

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

Membership of both the Audit and Risk Management Committees changed considerably during the period under review due to the election of a new University Council (Audit) and to changes in executive management as described in the report on management and administration (Risk Management).

Attendance at Audit and Risk Management Committee meetings during 2008 is given in the tables below.

Audit Committee		Feb	April	May	Sep	Nov	%
C McClelland	Chair	P	P	P	P	P	100
A Jakoet	Deputy Chair	P	P	P	P	P	100
A C Mopp	Member	P	Ap	Ap	P	P	60
Dr M Price	Member from July 08				Ap	Ap	0
M Seligson	Member from July 08					P	100
Professor N S Ndebele	Member to June 08	Ap	Ap	Ap			0
R B Rosenthal	Member to June 08	P	P	P			100

Risk Management Committee		March	Sept	Nov	%
Dr M Price (VC and Chair from 1 July 08)			P	Ap	50
Professor N S Ndebele (VC and Chair to 30 June 08)		P			100
Professor M E West (to 30 June 08)		P			100
Professor K Driver		P	Ap	P	67
Professor E Uliana		P	P	Ap	67
Mr H T Amoore		Ap	P	Ap	33
Mr C McClelland (Audit Committee representative)		Ap	P	P	67
Mr J Critien		P	P	P	100
Ms M Khan		P	Ap	P	67
Ms G Kruger		P	P	Ap	67
Professor C T O'Connor		Ap	P	Ap	33

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

The Risk Management Committee has continued to identify areas of risk and to ensure that controls are in place for managing key risk areas. Areas which have been identified requiring more detailed work include the health and safety system, responses to medical emergencies and legal compliance. Risks associated with interruptions in the electrical power supply continued to receive attention during 2008 while insurance has been arranged to cover the risks to the University specific to conducting clinical trials. A number of cases of fraud have been uncovered during the period 2005 to 2008. These amounted to some R2.3 million in total of which R1.9 million has been recovered. Where appropriate, full criminal procedures have been followed and control measures have been reassessed and revised.

The Committee has in addition continued to assess the identification and management of PAYE and VAT risks within the University arising from an independent review which it had instigated in 2007. During the year under review this has resulted in Senate and Council clarifying the governance and controls on research grants and the distinction between research grants on the one hand and allowances payable to individuals on the other; the key to this is (i) that research grants are never allowances and are to pay for the costs the University incurs in supporting research work while (ii) allowances are for individuals, from which it follows that all allowances must be paid through the payroll and are fully taxable regardless of the form in which the recipient chooses to receive the allowance. Controls necessary to ensure that this distinction is observed have been put in place.

A major concern has been the impact on the University of the world economic crisis brought about by the 'sub-prime' collapse in the financial sectors of the United States and Europe. Management, together with the independent auditors, has assessed the potential impact and has reported that the University has been protected from the worst of this due to the protection of the South African financial services sector afforded by the exchange control regulations. In addition, the investment strategies and distribution policies adopted by the University's Investment Committee ensured that fund holders whose monies

were invested, and who were reliant on the income from such investments, were protected in the short to medium (three year) term. It was management's opinion that the full economic impact of the crisis on South Africa, and thus on the University, would only be felt during 2009 and the Committee will continue to assess its impact for the foreseeable future.

The Audit Committee, through its Risk Management Committee, has initiated a programme to assess the University's compliance with the various legal and governance requirements to which it is subject. This will be a focus of the Risk Management Committee for 2009.

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

In considering risk mitigation, the Audit Committee must ensure that insurance cover against fire and related risks, accidental damage, business interruption, theft, money and fidelity and, critically, both public and employee liability is considered adequate. The Audit Committee has satisfied itself that such insurance is in place.

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

The Quality Assurance Working Group operates largely in the academic domain, although this has now been extended into administrative departments. Its remit is to help the University put in place the necessary quality assurance mechanisms that will give assurance on teaching and learning, on research, and on social responsiveness. These mechanisms constitute a very important subset of risk management in a university environment. Further reports on its work are included in the report of the Senate. A major feature of its work has been to monitor the progress of the University's quality improvement plan (UNIQIP) which is a self-improvement plan designed to strengthen those areas of quality assurance that were the subject of recommendations by the HEQC.

Rotation of the independent auditors

The University has adopted a policy whereby, 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 was 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 five year period. At the end of the second period (i.e. after a total of eight years) the University will seek tenders for the audit appointment. The incumbent audit firm will not be debarred from competing for the appointment.

In terms of this policy, the University's current auditors, Ernst & Young, will continue in office for the 2009 audit, following which the University will seek tenders for the audit for 2010 and subsequent years.

The scope of the independent and internal audit programme

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

Concerns about the effectiveness of the internal audit function led to a decision to seek an independent review of this from Ernst & Young. A report has been received and it is expected that this will lead to a strengthening of the internal audit function in the years ahead, both in general and with regard to skills in the area of information systems audit. During the year the Committee has interacted with Internal Audit in respect of its programme of work and has established a process of reviewing progress and the findings in Internal Audit Reports.

Assurances received and review of the Annual Financial Statements

The Committee received an assurance from the independent auditors that there were no material unresolved accounting and audit problems relating to the audit of the 2008 financial year, and was also assured by the auditors that adequate accounting records were being maintained. The Annual Financial Statements are prepared in terms of International Financial Reporting Standards (IFRS). The University reports more fully to Government in the manner required by the Minister of Education as set out in the manual on annual reporting issued by the Department of Education. All accounting policies had been approved by the Audit Committee and there had been no changes to those adopted in previous years.

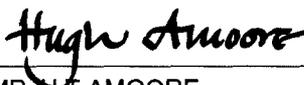
The independent auditors have confirmed that there had been no irregularities which they had considered reporting to the IRBA and that the Financial Statements, as presented, were compliant with IFRS.



MR. C McCLELLAND

CHAIR OF AUDIT COMMITTEE

3 JUNE 2009



MR. H T AMOORE

REGISTRAR, responsible for Internal Audit

ANNUAL FINANCIAL REVIEW

Financial Policy

Securing Financial Stability for UCT

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

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

- We target a surplus from Council Controlled recurrent operations to provide a hedge against unforeseen circumstances and to enable new initiatives.*
- Capital expenditure is undertaken in terms of the strategic framework, and is constrained by affordability as evidenced by available cash resources and borrowing capacity.*
- Debt finance is used conservatively if required and further constrained by the ability to service the debt, in terms of both the interest and capital repayments.*
- Investment income after deducting all financing costs, being volatile in nature, is only used to seed new initiatives and other strategic choices.*

Financial Management

UCT pays particular attention to financial management, seeking to ensure a combination of good practice, stewardship and forward projection that provides the university with the financial resources needed to meet its objectives.

The comprehensive university financial plan consists of seven distinct yet interrelated components:

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

Recurrent operations

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

Capital expenditure

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

- Available cash resources; the depreciation charge suggests (but does not entitle) an amount available for the replenishment of existing assets.
- Donations from external sources.
- Such portions of the strategic spend allocated to capital expenditure.

- For major infrastructural developments, the borrowing capacity of the University's balance sheet, and the debt servicing capacity of the recurrent operations.

Other expenditure

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

Medium term budget framework

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

Financial Highlights 2008

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

Key features of the financial results for 2008 were:

1. Recurrent operating income grew at a lower rate than recurrent operating expenditure reversing the trend over the previous two years of superior growth, mainly due to state subsidies for recurrent activities being the lowest growing of the major income and expenditure variables. However, the state did contribute significant capital structure grants which have enabled much needed capital expansion. The slower growth in income in relation to expenditure is a cause for concern. Albeit small, if not reversed it can quickly escalate to levels which become difficult to correct without hardship. Given the pressure on tuition fees our options to increase income are limited.
2. Total recurrent income increased by 18% (20% 2007), mainly due to:
 - A further increase of 22.9% in income from contracts, which on top of the 61.4% increase in 2007 reflects the substantial increase in the research activity of the university.
 - A 11.2% increase in income from the rendering of services (2007 20.6%).
 - An increase in tuition and other fee related revenues of 11.8%. (2007 9.8%).
 - State appropriations increased by 13.6%. Increased designated grants of 39.8% were received in recognition and support of research excellence; in particular relating to the Centres of Excellence and the SARCHI chairs.
 - Interest and dividend income grew by 59.4%, due to higher interest rates and favourable timing of cash flows.
3. Total recurrent expenditure increased by 16% (2007 17%), mainly due to:
 - Increases in operating expenditure of 29.7% in designated activities, being a consequence of increased research activity.
 - Personnel costs increased by 14.9%. The increased research activity saw related staff costs increase by 27.1%. This does not include increased costs in staffing and other resources incurred by the Council controlled unrestricted expenditure segment in supporting these activities. These costs are incurred throughout the university; mainly in the Research and Contracts offices, in Finance and Recruitment activities both in Faculties and at the centre, and in additional demand on space and library facilities.

4. The net cash position amounted to R733 million (2007 R440 million), after investing a further R89.8 million in fixed assets. Much of this cash, however, is specifically earmarked for designated activities such as research and grants for infrastructure development.
5. The University's liabilities rose by R99.3 million to R445.4 million. A large portion of the liabilities (R221.4 million – relating to employee benefits) represents provisions that do not involve an immediate cash commitment. Interest bearing liabilities total R3.8 million, the remainder are the consequence of normal operations and comprise accounts payable, accruals and deposits.
6. Expenditure on bursaries and scholarships increased by 27.7% (2007 32.3%) to R177.9 million (2007 R139.3 million). In addition the National Student Financial Aid Scheme and the National Research Foundation provided a further R46.0 million and R13.6 million respectively to UCT students. Allocations for financial aid from Council controlled funds increased by 39% from R40.1 million in 2007 to R55.7 million.
7. Designated and endowed investments amounted to R1,896.4 million (2007 R1,897.4 million), which includes capital inflows of R21 million. Given the conditions in equity markets during the period, the fall of R22 million (0.01%) is a tribute to the Joint Investment Committee, its asset allocation strategy, and the selection of the university's fund managers. The long term distribution policy ensures that operating and designated activities will not be compromised by market returns. Growing the free endowment continues to be a focus incorporated in the principles of the Medium Term Budget Framework. The UCT Foundation contributed R33.5 million to UCT activities, of which R8.9 million was undesignated.
8. Unrestricted Council controlled funds rose from R679.8 million to R809.6 million; it should be noted, however, that much of this is not supported by readily realisable assets, being primarily invested in buildings and plant.
9. The overall operating surplus fell from R495.3 million to R382.5 million, and the surplus attributable to Council controlled unrestricted funds increased marginally from R95.5 million to R103.8 million. Net interest and other investment related income amounting to R116.2 million were included in computing the surplus. Consequently, the Council controlled unrestricted operations generated a deficit of R12.5 million for 2008. This reflects the sustainable operating activities under the control of Council. The results for the core recurrent unrestricted operations are shown in the table below. They show the narrow margin between income and expenditure, and emphasise the need for continued financial discipline to achieve the targets embodied in the Medium Term Budget Framework which are required to ensure sustainability.

Recurrent Unrestricted Council Controlled Operations

	2008	2007	2006	2005	2004
	R'm	R'm	R'm	R'm	R'm
RECURRENT INCOME	1,306	1,207	1,082	992	954
State appropriations-subsidies & grants	684	640	570	513	496
Tuition and other fee income	483	425	401	364	330
Sales of goods & services	134	134	106	97	102
Private gifts & grants	5	8	5	18	26
RECURRENT EXPENDITURE	1,319	1,185	1,078	1,013	931
Personnel	801	721	681	644	574
Other operating expenses	443	405	342	313	305
Bursaries	56	40	40	41	40
Depreciation	19	19	15	15	12
RECURRENT OPERATING (DEFICIT)/SURPLUS	(13)	22	4	(21)	23

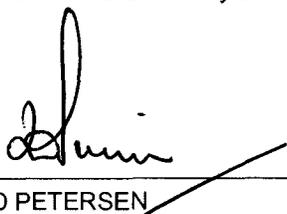
The Future

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

- To continue to build awareness within the University community of the importance and relevance of effective financial management, via broad involvement in the budgeting process, the provision of effective management information and ensuring proper reporting of results.
- To create further capacity for planned renewal and maintenance of campus facilities.
- To identify future needs at an early enough stage to enable cohesive financial planning.
- To help develop a more nuanced approach to financial aid and bursaries so as to enhance our affordability and attractiveness to our targeted students.
- To provide a suitable infrastructure that enhances the University's ability to attract and retain the quality of staff needed to grow the teaching and research capability. Such an infrastructure also helps in attracting quality students. Activities over recent years towards these ends include:
 - Significantly increased contributions to research activities;
 - Improvements in salary levels were introduced for all categories of staff based on relevant market related benchmarks.
 - A major overhaul of the entire information technology infrastructure;
 - The ongoing development of the residence infrastructure.
 - New and significantly refurbished academic buildings; and
 - An integrated student system with enhanced academic and administrative capabilities.

The Department of Education (DoE) awarded UCT R140 million for the period 2007-9 towards infrastructure development, the full cost of which is estimated to be about R215 million. A further award has been made for the period 2010-12 amounting to R200 million for inter alia academic facilities, residences, and research equipment. Undertaking all the projects in terms of this award requires investment in excess of a further R500 million. Clearly, the DoE awards present an exciting opportunity; at the same time they pose significant challenges to the management of the university finances, the free reserves will be stretched and financing arrangements will need to be arranged with lending institutions and possibly with equity investors. Our financial policies, summarized below, are designed to enable such opportunities by applying strict discipline at all times.

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



MR. T D PETERSEN
CHAIR: FINANCE COMMITTEE

3 JUNE 2009



PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR: FINANCE

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

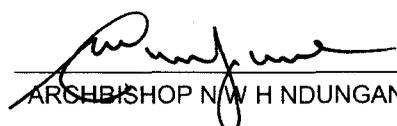
The financial statements presented on pages 31 to 64 of this annual report for 2008 have been prepared in accordance with IFRS and the requirements of the Minister of Education as contained in the manual on annual reporting issued by the Department of Education, and include amounts based on judgements and estimates made by management as more fully laid out in the notes to the financial statements. Council also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the financial statements.

The 'going concern' basis has been adopted in the preparation of the financial statements. The Council has no reason to believe that the University of Cape Town is not a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the institution.

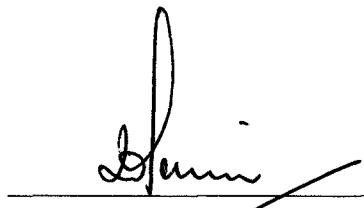
The financial statements have been audited by Ernst & Young Inc. who have been given unrestricted access to all financial records and related data, including minutes of the meetings of Council and all its committees. Council believes that all representations made to the independent auditors during their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

Approval by Council of the Annual Financial Statements

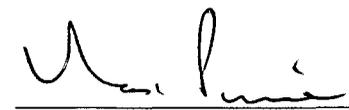
The annual financial statements set out on pages 31 to 64 were approved by the University Council on June 3 2009 and are signed on its behalf by:



ARCHBISHOP N W H NDUNGANE
CHAIR OF COUNCIL



MR. T D PETERSEN
CHAIR OF FINANCE COMMITTEE



DR. M PRICE
VICE-CHANCELLOR
3 JUNE 2009



PROFESSOR E O ULIANA
EXECUTIVE DIRECTOR OF FINANCE

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

We have audited the annual financial statements of the University of Cape Town, which comprise the balance sheet as at 31 December 2008, the income statement, the statement of changes in fund balances and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 64.

Council's Responsibility for the Financial Statements

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

Auditors' Responsibility

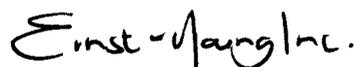
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Cape Town as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Minister of Education in terms of S41 of the Higher Education Act 101, 1997 (as amended).



ERNST & YOUNG INC.
REGISTERED AUDITOR
Cape Town
3 June 2009

UNIVERSITY OF CAPE TOWN

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 R'000	2007 R'000
ASSETS		3,768,508	3,396,643
Non-Current Assets		2,825,283	2,769,560
Property, plant and equipment	5	924,561	871,372
Investments	6	1,896,374	1,897,359
Investments in associates	7	-	-
Non-current receivables	8	4,348	829
Current Assets		943,225	627,083
Inventories	9	438	373
Accounts receivable and prepayments	10	176,072	151,473
Loans to employees	10	935	1,490
Student fees receivable	10	33,004	33,771
Cash at bank and cash equivalents	11	732,776	439,976
ACCUMULATED FUNDS AND LIABILITIES		3,768,508	3,396,643
Accumulated Funds		3,323,105	3,050,546
Non-distributable funds		1,385,180	1,443,206
Endowed funds		1,168,462	1,095,556
Revaluation reserve		216,718	347,650
Restricted funds designated for specific activities		1,128,317	927,538
Education and general		1,009,631	808,491
Student and staff accommodation		118,686	119,047
Unrestricted council controlled funds		809,608	679,802
Non-Current Liabilities		229,914	181,267
Interest bearing borrowings	12	2,184	3,787
Deferred revenues – Government grants	13	60,000	30,000
Provisions – employee benefits	14	167,730	147,480
Current Liabilities		215,489	164,830
Accounts payable and accrued liabilities	15	130,888	88,633
Student deposits		29,295	24,863
Provisions – employee benefits	14	53,703	49,024
Current portion of interest bearing borrowings	12	1,603	2,310

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

(All amounts in R'000)

		Education and General				2008 TOTAL	Change %
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total	Student and Staff Housing Restricted			
Recurrent Revenue		1,401,468	979,560	2,381,028	162,717	2,543,745	18.3
State appropriations- subsidies and grants	16	684,033	217,939	901,972	-	901,972	13.6
Tuition and other fee revenue		482,939	-	482,939	141,149	624,088	11.8
Income from contracts		17	403,216	403,233	-	403,233	22.9
Rendering of services		133,853	99,787	233,640	18,192	251,832	11.2
Donations and gifts		5,343	148,308	153,651	15	153,666	35.4
Sub-Total		1306,185	869,250	2,175,435	159,356	2,334,791	15.6
Interest and dividends	17	95,283	110,310	205,593	3,361	208,954	59.4
Recurrent Expenditure		1,303,080	753,685	2,056,765	162,395	2,219,160	16.0
Personnel	18	800,522	289,349	1,089,871	22,566	1,112,437	14.9
Other operating expenses	19	443,303	327,481	770,784	121,888	892,672	15.7
Bursaries and financial aid		55,741	122,122	177,863	-	177,863	27.7
Depreciation	5	19,114	14,728	33,842	1,788	35,630	6.3
Sub-Total		1,318,680	753,680	2,072,360	146,242	2,218,602	16.0
Net finance costs	20	(15,600)	5	(15,595)	16,153	558	(38.6)
Finance costs		410	5	415	143	558	(38.6)
Interest on internal borrowings		(16,010)	-	(16,010)	16,010	-	-
RECURRENT SURPLUS		98,388	225,875	324,263	322	324,585	36.3
NON-RECURRENT ITEMS		5,362	52,493	57,855	88	57,943	(77.5)
Loss on disposal of property, plant & equipment		-	(516)	(516)	-	(516)	(94.3)
Realised profit on sale of investments		5,362	100,886	106,248	88	106,336	(56.8)
Impairment of available-for- sale investments		-	(47,877)	(47,877)	-	(47,877)	-
Other non-recurrent income		-	-	-	-	-	(100.0)
NET SURPLUS		103,750	278,368	382,118	410	382,528	(22.8)

UNIVERSITY OF CAPE TOWN
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts in R'000)

		Education and General				2007 TOTAL	Change %
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total	Student and Staff Housing Restricted			
Recurrent Revenue		1,266,269	736,054	2,002,323	148,808	2,151,131	20.0
State appropriations- subsidies and grants	16	640,487	153,401	793,888	-	793,888	17.0
Tuition and other fee revenue		424,692	-	424,692	133,384	558,076	9.8
Income from contracts		105	328,089	328,194	-	328,194	61.4
Rendering of services		134,268	78,832	213,100	13,287	226,387	20.6
Donations and gifts		8,108	105,379	113,487	-	113,487	12.9
Sub-Total		1,207,660	665,701	1,873,361	146,671	2,020,032	20.4
Interest and dividends	17	58,609	70,353	128,962	2,137	131,099	14.3
Recurrent Expenditure		1,185,844	592,573	1,778,417	134,608	1,913,025	17.0
Personnel	18	721,244	227,689	948,933	19,007	967,940	10.9
Other operating expenses	19	404,644	252,471	657,115	114,280	771,395	23.5
Bursaries and financial aid		40,097	99,157	139,254	-	139,254	32.3
Depreciation	5	19,117	13,248	32,365	1,163	33,528	11.8
Sub-Total		1,185,102	592,565	1,777,667	134,450	1,912,117	17.1
Finance costs	20	742	8	750	158	908	(42.8)
RECURRENT SURPLUS		80,425	143,481	223,906	14,200	238,106	50.2
NON-RECURRENT ITEMS		15,111	241,700	256,811	375	257,186	54.5
Loss on disposal of property, plant & equipment		(4,637)	(4,156)	(8,793)	(211)	(9,004)	-
Realised profit on sale of investments		13,009	232,789	245,798	586	246,384	47.7
Other non-recurrent income		6,739	13,067	19,806	-	19,806	-
NET SURPLUS		95,536	385,181	480,717	14,575	495,292	52.4

UNIVERSITY OF CAPE TOWN
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in R'000)

Note	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	TOTAL	
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled		
FUND BALANCES AS AT 1 January 2007	890,633	435,483	610,086	104,693	592,912	2,633,807	
Realised gains on available-for-sale investments	6	-	(246,384)	-	-	(246,384)	
Fair value movement in available-for-sale investments	6	-	158,551	-	-	158,551	
Capital inflows – endowments received		9,280	-	-	-	9,280	
Total income and expense for the year recognised directly in funds		9,280	(87,833)	-	-	(78,553)	
Net surplus 2007		-	-	385,181	14,575	95,536	495,292
Total income and expense for the year		9,280	(87,833)	385,181	14,575	95,536	416,739
Transfers between funds		195,643	-	(186,776)	(221)	(8,646)	-
FUND BALANCES AS AT 31 DECEMBER 2007		1,095,556	347,650	808,491	119,047	679,802	3,050,546
Realised gains on available-for-sale investments	6	-	(106,336)	-	-	-	(106,336)
Impairment of available-for-sale investments			47,877	-	-	-	47,877
Fair value movement in available-for-sale investments	6	-	(72,473)	-	-	-	(72,473)
Capital inflows – endowments received		20,963	-	-	-	-	20,963
Total income and expense for the year recognised directly in funds		20,963	(130,932)	-	-	-	(109,969)
Net surplus 2008		-	-	278,368	410	103,750	382,528
Total income and expense for the year		20,963	(130,932)	278,368	410	103,750	272,559
Transfers between funds		51,943	-	(77,228)	(771)	26,056	-
FUND BALANCES AS AT 31 DECEMBER 2008		1,168,462	216,718	1,009,631	118,686	809,608	3,323,105

UNIVERSITY OF CAPE TOWN

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 R'000	2007 R'000
Cash flows from operating activities			
Cash receipts from students, government and private sources		2,133,507	1,833,617
Cash paid to employees and suppliers		(1,933,558)	(1,707,150)
Cash generated from operations		199,949	126,467
Investment income – interest	17	189,104	106,031
Investment income – dividends	17	19,850	25,068
Finance costs	20	(558)	(908)
Net cash inflows from operating activities		408,345	256,658
Cash flows from investing activities			
Additions to maintain property, plant and equipment	5	(89,761)	(94,357)
Proceeds on disposal of property, plant and equipment		436	493
Net cash acquired on acquisition of subsidiary		-	9,775
Purchase of available-for-sale investments	6	(267,904)	(355,230)
Proceeds from sale of available-for-sale investments		196,406	254,034
Proceeds from realisation of held-to-maturity investments		-	1,159
Net cash used in investing activities		(160,823)	(184,126)
Cash flows from financing activities			
Endowed funds – capital inflows		20,963	9,280
Ukukhula Trust loan	8	(3,375)	-
Decrease in long term interest bearing borrowings	12	(2,310)	(4,043)
Increase in deferred revenue – government grants	13	30,000	30,000
Net cash inflows from financing activities		45,278	35,237
Net increase in cash and cash equivalents		292,800	107,769
Cash and cash equivalents at beginning of period		439,976	332,207
Cash and cash equivalents at end of period	11	732,776	439,976

Cash generated from operations

Reconciliation of net surplus to cash generated from operations:

Net surplus		382,528	495,292
Adjustments for:			
Depreciation	5	35,630	33,528
Net assets acquired by donation on acquisition of subsidiary		-	(13,767)
Increase in employee benefit provisions	14	24,929	9,874
Loss on sale of property, plant and equipment		516	9,004
Investment income – interest	17	(189,104)	(106,031)
Investment income – dividends	17	(19,850)	(25,068)
Finance costs	20	558	908
Profit on sale of investments		(106,336)	(246,384)
Impairment of available-for-sale investments		47,877	-
Changes in working capital			
accounts receivable, prepayments and loans	8 & 10	(23,421)	(53,200)
inventories	9	(65)	(22)
accounts payable, accrued liabilities and deposits	15	46,687	22,333
Cash generated from operations		199,949	126,467

UNIVERSITY OF CAPE TOWN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of Council on 3 June 2009.

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

2. Basis of preparation

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

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

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

- IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.

The University has not early adopted the following IFRS, IAS and IFRIC interpretations:

- IFRS 3R: *Business Combinations (effective date - 1 July 2009)*
- IAS 1: *Presentation of Financial Statements (effective date – 1 January 2009)*
- IAS 23: *Borrowing Costs (effective date 1 January 2009)*
- IAS 27: *Consolidated and Separate Financial Statements (effective date – 1 July 2009)*
- IAS 32:and IAS 1: *Amendments to IAS 32 Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation (effective date – 1 January 2009)*
- IAS 39: *Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective date – 1 July 2009)*
- IAS 39 and IFRS 7: *Reclassification of Financial Assets (1 July 2008 – no connection to any specific annual period)*
- IAS 39 and IFRIC 9: *Embedded derivatives (annual periods ending on or after 30 June 2009)*
- IFRS 7: *Improving disclosures about Financial Instruments (effective date – 1 January 2009)*
- Improvements to IFRS (1 January 2009)

The impact of applying these standards is expected to have a minimal impact on the reported numbers of the University but may lead to additional disclosure.

Statement of compliance

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

2. Basis of preparation (continued)

Basis of consolidation

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

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

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

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

When there is a disposal or loss of control of a subsidiary, the consolidated financial statements would include the results for the part of the reporting period during which the University had control. Any difference between the net proceeds on disposal and the carrying amount of the subsidiary is recognised in the University's income statement.

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

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

Entity	Nature of ownership
The University of Cape Town Foundation	A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary
The University of Cape Town Trust	A trust, formed in the United Kingdom, of which the University of Cape Town is the sole beneficiary
The Student Loan Fund Limited	A Section 21 company controlled by the University of Cape Town
The UCT Lung Institute (Pty) Limited	A wholly owned subsidiary of the University of Cape Town

Segment information and accumulated funds

A segment is a recognised component of the University that is engaged in undertaking activities and providing services that are subject to risks and returns different from those of other segments. Segmentation provided in the income statement of these financial statements is in terms of the guidelines prescribed by the Department of Education and is specifically not in terms of IAS14. The operating businesses are managed separately but fall under the oversight of the University of Cape Town's executive leadership.

Endowed funds income

Income from specific endowments, comprising investment income and realised profits arising from the sale of investments, are recognised in the income statement as designated for specific purposes in the period when they accrue.

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

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

Revaluation reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

2. Basis of preparation (continued)

Segment information and accumulated funds (continued)

Specifically funded activities restricted (Education and general)

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

Unrestricted Council controlled funds

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

Student and staff accommodation

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

3. Significant accounting judgements and estimates

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

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

Judgement

Investments

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

Estimation uncertainty

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

Impairment

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

The University classifies certain assets as available-for-sale and recognises movements in their fair value in funds. 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 2008 R47.9 million of impairment losses have been recognised for available for sale assets (2007: Nil). The carrying value of available for sale assets at 31 December 2008 was R1 896.4 million (2007: R1 897.4 million) refer Note 6.

Depreciation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Gratuity provision academic staff

The University pays a gratuity on retirement, retrenchment or death in special circumstances. In order to estimate the probability of incurring this liability, management make assumptions in respect of the number of staff that will reach retirement at the University. In addition, to fair value the liability the University needs to make assumptions regarding both expected future salary increases and a suitable discount rate. More details on these assumptions are provided in Note 14. The carrying value of the gratuity provision for academic staff at 31 December 2008 was R27.0 million (2007: R19.25 million).

Post retirement medical aid benefits obligation

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued based on the projected unit credit method. For the purpose of the valuation at 31 December key assumptions were made in respect of the discount rate, expected inflation on medical aid contributions, expected age of retirements and mortality rates. More details on these assumptions are provided in Note 14. The carrying value of the post retirement medical aid obligation at 31 December 2008 was R151.9 million (2007: R137.6 million).

Student fees receivables

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2008 was R33.0 million (2007: R33.8 million) refer Note 10.

4. Summary of significant accounting policies

4.1 Foreign currency translation

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange currency rate ruling at the balance sheet date. All differences are taken to profit or loss in the year in which they arise.

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

4.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

State appropriations - subsidies and grants

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

Subsidies and grants for specific research purposes are brought into the income statement in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.2 Revenue recognition (continued)

the financial period in which it accrues to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately as credits in the income statement. Subsidies and grants relating to specific expenses are not offset against the expense but are included in the disclosure of State appropriations - subsidies and grants.

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 lives of the relevant assets.

Designated income from contracts, grants and donations

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

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

Tuition and residence fees

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

Interest income

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

Dividends

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

Rendering of services

Revenue, involving the rendering of services, 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.

4.3 Retirement benefits

Defined contribution retirement plan

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

Medical aid benefits

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

Post-retirement medical aid benefits – defined benefit plan

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

The costs incurred in respect of post-retirement medical aid benefits are charged to income as incurred, as current service costs, as the employee renders the service. 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 balance sheet 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.3 Retirement benefits (continued)

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

4.4 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

4.5 Research costs

Research costs are expensed as incurred.

4.6 Library acquisitions

Library books are written off in the year in which they are acquired.

4.7 Property, plant and equipment

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

Subsequently, property plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the University and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Donated assets are initially recorded at fair value at the date of donation. 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:

	2008	2007
Buildings	75-200 years	75-200 years
Leasehold improvements	Lease period	Lease period
Land improvements other than buildings	30 years	30 years
Motor vehicles	15 years	15 years
Furniture and equipment	5-50 years	5-50 years
Computers and hardware	5-10 years	5-10 years

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

4.8 Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.8 Impairment of non-financial assets (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 profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

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

4.9 Financial assets and liabilities

Financial assets and financial liabilities are initially recognised on the balance sheet 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 require delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three following categories. Such assets are comprised of 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 a separate component of funds 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 income statement.

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 on the balance sheet date.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the University has the intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.9 Financial assets and liabilities (continued)

Gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

Loans and receivables

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit and loss, and derivatives. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are accounted for as held for trading instruments. The University makes limited use of derivative financial instruments such as forward currency contracts and futures and option contracts to hedge its risks associated with equity exposures and foreign currency fluctuations.

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into. Subsequent to initial recognition, derivatives are remeasured at fair value.

Fair values are obtained from quoted market prices and dealer price quotations in active markets. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Gains and losses on realisation or re-measurement are recognised in the income statement. All derivative instruments of the University are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial liabilities

Financial liabilities are comprised of accounts payable and accrued liabilities, deposits and interest bearing loans and borrowings.

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

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

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.10 De-recognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

Financial assets and liabilities are offset and the net amount reported on the balance sheet 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 balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

Assets carried at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.11 Impairment of financial assets (continued)

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

The University first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Available-for-sale financial assets

Available-for-sale asset are recognised as being impaired if there is objective evidence of a significant or prolonged decline in the fair value of the investment below its cost. If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from funds to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit.

Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

4.12 Investment in associates

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.12 Investment in associates (continued)

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

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

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

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

4.13 Inventories

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

4.14 Provisions

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

Where the University expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- 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 dependant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

4. Summary of significant accounting policies (continued)

4.15 Leases (continued)

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.

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 2008

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

5. Property, Plant and Equipment (continued)

Year ended 31 December 2007

(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 2007	602,342	246,845	76,843	15,208	67,480	1,008,718
Additions	50,615	29,591	7,255	2,816	4,080	94,357
Additions on acquisition	8,699	525	274	57	-	9,555
Transfers	66,403	-	-	-	(66,403)	-
Disposals	(98)	(13,552)	(14,728)	(1,660)	-	(30,038)
Cost 31 December 2007	727,961	263,409	69,644	16,421	5,157	1,082,592
Accumulated depreciation						
Balance 1 January 2007	80,698	77,329	36,277	3,933	-	198,237
Disposals	(44)	(7,586)	(12,042)	(873)	-	(20,545)
Depreciation charge	7,342	14,950	10,160	1,076	-	33,528
Balance 31 December 2007	87,996	84,693	34,395	4,136	-	211,220
Book value 31 December 2007	639,965	178,716	35,249	12,285	5,157	871,372

A register of land and buildings is available for inspection at the business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the approval of the Minister of Education. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act. The University's buildings and land improvements have an insured value of R5 738.4 million (2007: R4 928.0 million).

Land and buildings above include leasehold improvements with a net book value of R32.0 million (2007 R32.7 million).

6. Investments

Available-for-sale investments

	2008 R'000	2007 R'000
Opening balance	1,897,359	1,637,612
Additions	267,904	355,230
Disposals	(90,080)	(7,650)
Realised gains on sale of investments	(106,336)	(246,384)
Fair value movement in investments	(72,473)	158,551
Total long term investments	1,896,374	1,897,359

The total investments comprise the following categories:

Local equities	790,671	905,058
International investments	369,919	310,551
International equity holdings (unit trusts)	246,970	211,821
International interest bearing investments (unit trusts)	122,949	98,730
Capital market interest-bearing investments	695,843	639,896
Money market deposits	39,941	41,854
Total available-for-sale investments	1,896,374	1,897,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
7. Investments in associates		
African Medical Imaging (Pty) Ltd (44%)	1,211	1,211
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	<u>2,411</u>	<u>2,411</u>
Total investment	3,622	3,622
Less: share of accumulated losses	<u>(3,622)</u>	<u>(3,622)</u>
Carrying value	<u>-</u>	<u>-</u>

Council values the investment in the associates at carrying value.

Share of the associate's balance sheets:

Non-current assets	1,549	1,059
Current assets	14,905	6,209
Non-current liabilities	(22,534)	(7,567)
Current liabilities	<u>(9,244)</u>	<u>(8,418)</u>
Net Liabilities	<u>(15,324)</u>	<u>(8,717)</u>

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

Revenue	13,345	10,447
Losses	(3,875)	(2,812)

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

8. Non – current receivables

Loans to employees	973	829
The University of Cape Town Ukukhulu Trust (loan to a trust-to-be-formed)	<u>3,375</u>	<u>-</u>
	<u>4,348</u>	<u>829</u>

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

The loan to the Trust will be for a term of 10 years (repayable in advance at the discretion of the Trust) at a rate of interest, payable at the end of the term, to be agreed with the Trust, on advice of the Joint Investment Committee.

The weighted average interest rates were as follows:

Loans to employees – motor vehicle finance	14.75%	9.00%
Loans to employees - other	15.75%	13.58%

9. Inventories

Consumables	<u>438</u>	<u>373</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
Trade receivables	93,264	104,408
Prepayments	27,241	27,199
Department of Education supplementary grant	17,302	-
Sundry receivables	<u>38,265</u>	<u>19,866</u>
Accounts receivables and prepayments	176,072	151,473
Loans to employees	935	1,490
Student fees receivable	<u>33,004</u>	<u>33,771</u>
	<u><u>210,011</u></u>	<u><u>186,734</u></u>

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

From 1 January 2008 the rate of interest charged to students is a fixed rate of 1.25% per month. This rate of interest is charged on 2007 unpaid student fees and on 2008 outstanding student fees not paid by 30 June 2008.

For 2007, the student fees outstanding at 30 June and not paid by 31 July of each year were charged interest at prime. The rate of interest for the six months ranged between 13% and 14.5% with the year end rate being 14.5%.

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

Amounts in R'000	Up to 30 days	30 - 60 days	60 - 90 days	90 -180 days	180 days plus	Total
2008	37,280	18,715	8,687	10,598	17,984	93,264
2007	25,877	21,877	18,888	22,230	15,536	104,408

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

At the 31 December 2008, trade receivables at a nominal value of R 3.1 million (2007: R 1.3 million) were impaired and fully provided for.

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

	Individually Impaired R'000	Collectively impaired	Total R'000
At 31 December 2006	4,065	800	4,865
Charge for the year	301	200	501
Utilised	(3,970)	-	(3,970)
Unused amounts reversed	<u>(95)</u>	<u>-</u>	<u>(95)</u>
At 31 December 2007	301	1,000	1,301
Charge for the year	1,024	750	1,774
Utilised	-	-	-
Unused amounts reversed	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2008	<u><u>1,325</u></u>	<u><u>1,750</u></u>	<u><u>3,075</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

10. Accounts receivable and prepayments (continued)

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

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

All amounts in R'000	2007 Fees	2006 Fees	2005 Fees	2004 Fees	Total
2007	29,448	2,370	1,383	570	33,771

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2009 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

At the 31 December 2008, student receivables with a nominal value of R33.3 million (2007: R28.7 million) were impaired and fully provided for.

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

	2008 R'000	2007 R'000
	Collectively impaired	
Balance at 1 January	28,681	31,798
Charge for the year	6,000	6,000
Unused provision released	-	(5,000)
Utilised	(1,424)	(4,117)
Balance at 31 December	<u>33,257</u>	<u>28,681</u>

11. Cash at bank and cash equivalents

Cash at bank and in hand	20,165	574
Short-term bank deposits - Local	704,922	436,440
- Foreign	<u>7,689</u>	<u>2,962</u>
	<u>732,776</u>	<u>439,976</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hour notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is R732.8 million (2007: R440.0 million).

At 31 December 2008, the University had available R Nil (2007: R 20 million) of undrawn borrowing facilities in respect of which all conditions precedent had been met.

The weighted average effective interest rate on short-term bank deposits was 12.22% for local deposits and 2.8% for foreign (2007: 9.07% for local deposits and 3.1% for foreign).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
12. Interest bearing borrowings		
Financial institutions for government – subsidised loans	3,787	6,047
Total interest bearing borrowings	3,787	6,047
Student loan fund loans	-	50
Total borrowings	3,787	6,097
Current portion	(1,603)	(2,310)
Total non-current borrowings	2,184	3,787

Financial institutions for government-subsidised loans

Government subsidised loans are subsidised to the extent of 50% or 85% for both interest and capital repayments, and consist of a number of loans with financial institutions at fixed interest rates ranging from 6.75% to 13.0% and varying repayment terms. The weighted average interest rate was 10.29% (2007 10.44%). The loans are unsecured and the carrying values collectively approximate their fair values.

Interest rate exposure		
At fixed rates	3,787	6,047
Finance costs		
Financial institutions for government subsidised loans	558	908

Maturity of interest-bearing non current borrowings

Between 1 and 2 years	1,867	2,810
Between 2 and 5 years	317	977
Later than 5 years	-	-
Total non current borrowings	2,184	3,787

13. Deferred revenues – Government grants

Capital grants received from the Government	60,000	30,000
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The R60 million received represents the first two installments of a capital grant of R140 million, for infrastructure, from the Department of Education. The grant will be received in total over a period of three years. Amounts are released to the income statement as the assets are depreciated over their useful lives. No amounts have been released to the income statement as the projects are still in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
14. Provisions – employee benefits		
Gratuity provision for academic staff	27,000	19,250
Leave provision for administrative and support staff	42,503	39,624
Post-retirement medical aid benefit obligation	151,930	137,630
Total provisions – employee benefits	<u>221,433</u>	<u>196,504</u>
Current portion – gratuity provision academic staff	(1,600)	(1,600)
Current portion – leave provision for administration and support staff	(42,503)	(39,624)
Current portion – post retirement medical aid obligation	(9,600)	(7,800)
Total current provisions – employee benefits	<u>(53,703)</u>	<u>(49,024)</u>
Total non-current provisions – employee benefits	<u>167,730</u>	<u>147,480</u>

Gratuity provision academic staff

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

In order to estimate the probability of incurring this liability management has utilised the following assumptions in calculating the liability, which are consistent with the prior year:

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

In addition, in order to fair value the liability, management has assumed that future salary increases will be 3.95% per annum (2007: 5.5%) and the discount rate that has been applied is 7.2% (2007: 8.8%).

Leave provision for administrative and support staff

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

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

Post-retirement medical aid benefit obligation

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

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 7.2% (2007: 8.8%); expected inflation on medical aid contributions of 5.5% over the long term (2007: 6.8%). Post retirement mortality is based on PA (90) rated down two years, unchanged from 2007.

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 (2007: 17 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

14. Provisions – employee benefits (continued)

	2008 R'000	2007 R'000
Funding obligation	158,200	132,300
Unrecognised actuarial (losses)/gains	<u>(6,270)</u>	<u>5,330</u>
Amount accrued in respect of funding obligation	<u>151,930</u>	<u>137,630</u>

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

- Interest on obligation	11,600	9,600
- Current service cost	7,800	7,100
	<u>19,400</u>	<u>16,700</u>

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

Funding obligation at start of year	132,300	119,800
Interest on obligation	11,600	9,600
Current service cost	7,800	7,100
Actuarial losses	11,600	500
Benefits paid by the University in respect of funding obligations	<u>(5,100)</u>	<u>(4,700)</u>
Funding obligation at end of year	<u>158,200</u>	<u>132,300</u>

It is estimated that the benefits payable in respect of funding obligations in 2009 will be R5.4 million (2008: R5.1 million).

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

1% Increase	24,300	19,900
1% Decrease	(19,900)	(16,400)

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

	Post-employment medical benefits				
	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000
Defined benefit obligation	158,200	132,300	119,800	99,500	102,000
Experience adjustments on plan liabilities – losses/(gains)	11,600	500	10,800	(13,100)	(5,200)

15. Accounts payable and accrued liabilities

Trade payables	39,973	29,171
Accrued expenses	25,245	26,689
National Research Foundation grant deposit	15,901	-
VAT	1,551	1,697
Payroll	15,381	11,069
Other payables	<u>32,837</u>	<u>20,007</u>
Total	<u>130,888</u>	<u>88,633</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
16. State appropriations-subsidies and grants		
Subsidy for general purpose	659,235	615,198
State grants and contracts	240,446	175,699
Subsidy on interest and redemption on state guaranteed loans	2,291	2,991
	<u>901,972</u>	<u>793,888</u>

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

17. Interest and dividends

Bank interest	91,284	46,255
Interest income on accounts and other receivables	28,354	18,342
Income from investments:		
Dividends	19,850	25,068
Interest - available-for-sale	69,466	41,330
- held-to-maturity	-	104
Total interest and dividends	<u>208,954</u>	<u>131,099</u>

Interest income on debts subject to possible impairment amounted to R8.2 million (2007: R5.8 million). It is management's opinion that the amount of interest raised on impaired debt is negligible.

18. Personnel costs

	Academic Professional	Other	Total	Total
Wages and salaries	456,831	488,585	945,416	828,186
Termination benefits	3,323	8,800	12,123	3,181
Pension costs	71,175	64,323	135,498	119,873
Post retirement medical aid benefits	9,297	10,103	19,400	16,700
	<u>540,626</u>	<u>571,811</u>	<u>1,112,437</u>	<u>967,940</u>
Average number of persons employed during the year			No.	No.
Full time			3,355	3,294
Part time			1,043	977
Total			<u>4,397</u>	<u>4,271</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

	2008 R'000	2007 R'000
19. Other operating expenses		
The following items have been charged in arriving at operating surplus:		
<i>Other operating expenses:</i>		
Library acquisitions	36,326	38,213
Repairs and maintenance	97,034	76,708
Software costs	9,374	12,344
General services outsourced	59,010	44,899
Catering services outsourced	51,960	37,458
Auditors' remuneration	3,600	3,179
Current year - Annual Financial Statements 2008	2,451	2,251
- under provision 2007	125	-
- Other audit services	1,024	928
Lease expenses	18,946	13,118
20. Finance costs		
External finance costs	558	908

21. Financial risk management objectives and policies

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

21. Financial risk management objectives and policies (continued)

Market risk

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

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

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

This Committee comprises trustees of the Foundation, members of the University's Council and external members with specific expertise relating to investments. The Committee meets quarterly and receives reports from investment managers on a cyclical basis. In addition, the Committee has employed the services of an actuarial firm, 5th Quadrant, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

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

Price risk

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

All amounts in R millions	Impact of these variances on funds employed in R millions					
	+10%	+5%	+1%	-5%	-10%	-20%
Market Variance						
At 31 December 2008						
Local equities	79.1	39.6	7.9	(39.6)	(79.1)	(158.2)
International equities	24.7	12.4	2.5	(12.4)	(24.7)	(49.4)
International interest bearing capital unit trusts	12.3	6.2	1.2	(6.2)	(12.3)	(24.6)
At 31 December 2007						
Local equities	90.5	45.3	9.1	(45.3)	(90.5)	(181.0)
International equities	21.2	10.6	2.1	(10.6)	(21.2)	(42.4)
International interest bearing capital unit trusts	9.9	4.9	1.0	(4.9)	(9.9)	(19.7)

Foreign currency risk (Investments)

The University reflects no exposure to foreign currency risk within this category of financial asset because in terms of IFRS the gains or losses recognised directly in equity include any related foreign exchange movement.

Interest rate risk

All of the University's interest-bearing borrowings are at fixed rates of interest. The University has a number of receivables (i.e. student fees and loans to employees) where interest rates charged are linked to the prime rate. The impact of fluctuations in the interest rates on student fees are negligible as these debts are largely paid off shortly after year end. From 1 January 2008 students are charged interest at a fixed rate of 1.25% per month. The amounts owed by staff are negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

21. Financial risk management objectives and policies (continued)

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

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

Impact of interest changes on funds employed in R millions						
Interest rate changes in basis points (BP)	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
Holdings at 31 December 2008						
Local capital market interest bearing investments	94.6	45.2	22.3	(20.9)	(41.1)	(79.3)
Holdings at 31 December 2007						
Local capital market interest bearing investments	74.9	35.8	17.9	(16.6)	(32.7)	(62.7)
Impact of interest changes on net surplus in R millions						
Interest rate changes in basis points (BP)	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
Holdings at 31 December 2008						
Money market and call deposits	0.8	0.4	0.2	(0.2)	(0.4)	(0.8)
Cash and cash equivalents	14.7	7.3	3.7	(3.7)	(7.3)	(14.7)
Holdings at 31 December 2007						
Money market and call deposits	0.8	0.4	0.2	(0.2)	(0.4)	(0.8)
Cash and cash equivalents	8.8	4.4	2.2	(2.2)	(4.4)	(8.8)

Foreign currency risk

The University is exposed to foreign currency risk through its holdings of bank accounts (refer Note 11) and certain accounts receivable and payable denominated in foreign currencies. All of the above holdings are in major international currencies.

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

At the year end the University had R11.9 million (2007: R7.7 million) of trade receivables and had R0.1 million (2007: R0.2 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

Credit risk

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

21. Financial risk management objectives and policies (continued)

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

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

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

	In R'000				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
At 31 December 2008					
Interest bearing loans and borrowings	-	-	1,603	2,184	3,787
Trade and other payables	-	130,888	-	-	130,888
At 31 December 2007					
Interest bearing loans and borrowings	-	-	2,260	3,787	6,047
Trade and other payables	-	88,633	-	-	88,633

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	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Financial assets				
Cash	732,776	439,976	732,776	439,976
Available-for-sale investments	1,896,374	1,897,359	1,896,374	1,897,359
Account receivables	131,529	124,274	131,529	124,274
Loans to employees	1,908	2,319	1,908	2,319
Student fees receivable	33,004	33,771	33,004	33,771
Financial liabilities				
Interest bearing loans and borrowings:				
- Fixed rate borrowings	3,787	6,047	3,787	6,047
Accounts payable and accrued liabilities	130,888	88,633	130,888	88,633
Student deposits	29,295	24,863	29,295	24,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

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.

At the end of December 2008, the University held 21 futures contracts in the ALSFH9/J200 Future Index, and a further 530 futures contracts in two listed shares all maturing on 19 March 2009, with an effective maximum exposure of R13.8 million. In addition, the University held over the counter call and put options in respect of listed stock, that also expire on 19 March 2009, with an effective maximum exposure of R3.6 million.

At the end of December 2007, the University held 11 futures contracts in the ALSFH8/J200 Future Index, maturing on 20 March 2008, with an effective maximum exposure of R2.9 million. In addition, the University held over the counter call and put options in respect of listed stock, that also expire on 20 March 2008, with an effective maximum exposure of R2.0 million. A further open short position had been entered into in respect of 77 ALSI 40 03/08 – RMB futures with an effective maximum exposure of R20.6 million.

Capital Management

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

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

The University's policy is to apply conservative financing. Internal loans are used for managerial purposes at a rate appropriate to the inherent risk. Debt is avoided but, where taken, the policy is to settle in as short a period as possible, not exceeding 10 years, except in exceptional circumstances. In any event the operations need to generate a sufficient surplus to meet both the interest on the debt and the capital repayments. This policy is consistent with that adopted in previous years.

22. Contingent liabilities

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

23. Commitments

Capital commitments

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

	2008 R'000	2007 R'000
Approved but not contracted for	197,188	49,658
Contracted	3,350	4,630
	<u>200,538</u>	<u>54,288</u>

It is intended that these commitments will be funded from current resources, with the balance of the required funding being met from contributions from both the public and private sectors, including the utilisation of the R60 million of Government grants reflected as deferred revenue in note 13 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

23. Commitments (continued)

Operating lease commitments – University as lessor

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

Year ended 2008	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	2,594	4,008	-	6,602
Year ended 2007				
Rental of premises	2,012	2,157	-	4,169

Operating lease commitments – University as lessee

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

Year ended 2008	Within 1 year	2 to 5 years	Later than 5 years	Total
Jammie Shuttle	6,780	-	-	6,780
Photo copying machines	2,324	2,399	-	4,723
	9,104	2,399	-	11,503
Year ended 2007				
Jammie Shuttle	5,749	5,749	-	11,498
Photo copying machines	1,503	2,042	-	3,545
	7,252	7,791	-	15,043

24. Remuneration of key management

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

EXECUTIVE MANAGEMENT TEAM DURING 2008		R'000	
Name	Job Title	Annualised salary	Amount paid or accrued
Prof N S Ndebele**	Vice-Chancellor (until 30 June 2008)	1,559	2,296
Dr M R Price	Vice-Chancellor (from 1 July 2008)	1,559	779
Prof T Nhlapo	Deputy Vice-Chancellor	1,110	1,110
Prof C M de la Rey	Deputy Vice-Chancellor (until 30 April 2008)	1,145	482
Prof M J Hall*	Deputy Vice-Chancellor (until 31 August 2008)	1,134	758
Prof M E West	Deputy Vice-Chancellor (until 30 June 2008)	1,335	768
Prof D P Visser	Acting Deputy Vice-Chancellor (from 1 February 2008)	995	933
Prof B D Reddy*	Acting Deputy Vice-Chancellor (from 15 July 2008)	1,108	922
Mr H T Amoore	Registrar	929	929
Prof M D Ayogu	Dean: Commerce	912	912
Prof F Horwitz*	Director: Graduate School of Business	890	890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

24. Remuneration of key management (continued)

EXECUTIVE MANAGEMENT TEAM DURING 2008		R'000	
Name	Job Title	Annualised salary	Amount paid or accrued
Prof C T O'Connor*	Dean: Engineering and the Built Environment (until 31 March 2008) and acting Deputy Vice-Chancellor (from 1 June 2008)	1,095	1,095
Prof F W Petersen	Dean: Engineering and the Built Environment (with effect from 1 April 2008)	1,100	825
Prof M Jacobs	Dean: Health Sciences	979	979
Prof P Ensor	Dean: Humanities	955	955
Prof H Corder*	Dean: Law	879	879
Prof K Driver	Dean: Science	901	901
Associate Prof N Yeld	Dean Centre for Higher Education Department	825	825
Mr J Critien	Executive Director Properties and Services	900	900
Ms M B M Khan	Executive Director: Student Affairs	869	869
Ms G Kruger	Executive Director Communication and Development	869	869
Dr J MacNamara	Executive Director: Development & Alumni Affairs	890	890
Mr P N Naicker	Executive Director Information and Communication Technology (until 28 February 2008)	888	148
Dr F Goldstein	Acting Executive Director Information and Communication Technology (from 1 February 2008)	870	855
Ms J Rapp	Executive Director University Libraries	995	995
Prof E O Uliana*	Executive Director Finance and Professor. of Accounting	1,397	1,397
Mr D Van Eeden*	Executive Director Human Resources (until 31 July 2008)	1,174	1,174
Mr K C Raphoto	Executive Director Human Resources (from 1 August 2008)	825	344

* Those individuals indicated by an asterisk also performed other services, not related to their primary executive function, within the University for which they collectively were paid R 457,650.

**The amount paid or accrued to Prof. Ndebele includes leave pay to 30 June 2009, this leave having derived from his term as Vice-Chancellor.

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

Purpose/reason for payment	Name	Position held	Amount R'000
Retirement package	Associate Prof. A Duncan	Project Manager in the Office of the Vice-Chancellor	582
Retirement package	Prof M E West	Deputy Vice-Chancellor	1,819
Severance package	Dr A R Joubert	Chief Scientific Officer	344
Severance package	Ms V Scholltz	Humanities I.T. Manager	278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

24. 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.

Reimbursements for travel to meetings of Council amounting to R50 019 (2007: R10,476) were paid on behalf of members of Council.

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

Compensation of key management	2008 R'000	2007 R'000
Short-term employee benefits	21,293	16,950
Post-employment pension and medical benefits	4,386	3,886
Termination/Retirement benefits	1,819	-
Total compensation paid to key management personnel	<u>27,498</u>	<u>20,836</u>

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

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

25. Retirement benefits

University of Cape Town Retirement Fund

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R135.5 million (2007: R119.9 million).

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

26. Lessee improvements

Groote Schuur Hospital

The Groote Schuur Hospital, located in the Cape Town suburb of Mowbray, has been built on land owned by the University of Cape Town. The initial 99 year lease has 16 years to run with an option to renew of a further 99 years. Lease income on this property is nominal. The original cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the buildings will revert to the University of Cape Town at the end of the lease.

Given the absence of any usufructory rights for 115 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

Pinewood Village

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

The initial lease of 99 years still has 82 years to run with a renewal option of a further 99 years. Lease income on this property is nominal. The original cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the buildings will revert to the University of Cape Town at the end of the lease. A modest annual income is received from Pinewood village.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 (CONTINUED)

27. Related party disclosures

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

- Subsidiary entities (refer Note 2 – Basis of consolidation);
- Associate companies (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 24); and
- National Government (refer Note 16).

Transactions between related parties have been conducted at arms length.

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

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

Mr. T D Petersen is a member of Council, Chair of the University Finance Committee and is a member of the Remuneration Committee. Mr. Petersen is the managing partner of PricewaterhouseCoopers in the Western Cape. The firm provided tax services to the University amounting to R0.8 million (2007: R0.3 million).

28. Post balance sheet events

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