

**RHODES UNIVERSITY**

**ANNUAL REPORTS  
AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 December 2008**

# **RHODES UNIVERSITY**

## **ANNUAL REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2008**

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## **RHODES UNIVERSITY**

### **DETAILS OF OFFICERS AND MEMBERS OF COUNCIL as at 31 December 2008**

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#### **Officers of the University**

Chancellor: Professor G J Gerwel

Principal and Vice-Chancellor: Dr M S Badat

Deputy Vice-Chancellor: Academic and Student Affairs: Dr G S S Mabizela

Deputy Vice-Chancellor: Research and Development: Dr P G Clayton

Chair of Council: The Hon Mr Justice R J W Jones

Registrar: Dr S Fourie

#### **Council**

The Vice-Chancellor: Dr M S Badat<sup>13</sup>

Chair of Council: The Hon Mr Justice R J W Jones<sup>13</sup>

The Deputy Vice-Chancellor: Research and Development – Dr P G Clayton<sup>1</sup>

The Deputy Vice-Chancellor: Academic and Student Affairs – Dr G S S Mabizela<sup>1</sup>

#### **Appointed by the Minister of Education**

Ms N Pityana

Bishop D Siwa

The Hon Mr Judge President C M Somyalo

Dr T R Terblanche<sup>23</sup>

Mr A Zinn<sup>2</sup>

#### **Elected by Senate**

Prof R T F Bernard<sup>1</sup>

Prof F T Hendricks

Prof D A Sewry

Prof A C M Webb<sup>1</sup>

#### **Elected by the academic staff**

Mr T L Amos

#### **Elected by the administrative/support staff**

Mr S Mzangwa

Ms N Ripley

#### **Appointed by the Makana Municipality**

Clr P Kate

Clr Z Mantla

#### **Elected by the Board of Governors**

Dr B S Rayner<sup>123</sup>

#### **Appointed by Council**

Ms W Bischoff

Mr C Meyer<sup>1</sup>

Ms M Schoeman

Dr N Stubbs

Mr N E Woollgar<sup>13</sup>

#### **Co-opted Members**

The Hon Mr Judge C Plasket

Mr A B Steele-Gray

Mr T C S Tagg<sup>12</sup>

Bishop E Ntlali

## **RHODES UNIVERSITY**

### **DETAILS OF OFFICERS AND MEMBERS OF COUNCIL as at 31 December 2008 (continued)**

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#### **Students' Representative Council**

Ms K Loni

Mr R Barnett

<sup>1</sup> Member of the Finance and General Purposes Committee

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Remuneration Committee

## **RHODES UNIVERSITY**

### **REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2008**

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This report addresses matters of governance, and the developments and achievements recorded all constitute progress by the University towards the attainment of the goals articulated in its Vision and Mission Statements. Council is confident that the University remains well managed, offers its students a high quality educational experience and is a top achiever in terms of research.

#### **The Council**

The Council met five times during the course of 2008.

In March, at the conclusion of the four year terms of office of most members, the Council gave careful consideration to the membership of the Council. It reappointed six members and appointed four new members, having paid due regard to the racial and gender composition of the Council in the manner contemplated in the Statute. The composition of the Council at the end of 2008 is appended to this report.

A one-day workshop was held to consider the role and functions of the Council, the responsibilities of individual Council members and issues of good governance.

Attendance at Council meetings was generally good with an overall attendance rate of 77.8%. Summary of attendance (note that not all members were in office for all five meetings held during the year):

Attended 5 out of 5 meetings: Dr S Badat, Dr P Clayton, Prof R Bernard, Prof A Webb, Ms N Ripley, Dr B Rayner, Judge J Jones

Attended 4 out of 5: Dr S Mabizela, Prof F Hendricks, Mr T Amos, Mr C Meyer, Mr B Steele-Gray, Mr T Tagg

Attended 3 out of 5: Judge C Somyalo, Mr N Woollgar

Attended 2 out of 5: Bishop Z Siwa, Clr P Kate

Attended 1 out of 5: Clr Z Mantla

Attended 3 out of 4: Mr R Brimecombe; Ms W Bischoff; Judge C Plasket

Attended 2 out of 4: Dr N Stubbs

Attended 1 out of 4: Ms M Schoeman

Attended 3 out of 3: Ms N Pityana, Mr A Zinn, Mr N Khuselo, Mr X Nyali

Attended 2 out of 3: Dr T Terblanche; Prof D Sewry

Attended 2 out of 2: Bishop E Ntlati

Attended 1 out of 1: Mr S Mzangwa, Ms K Loni, Mr R Barnett

The Council sub-committees with a mandate of strategic or financial significance – the Executive Committee, the Finance and General Purposes Committee, the Remuneration Committee and the Audit Committee – are all chaired by external members of Council with appropriate skills and experience. The meetings of these committees are exceptionally well attended, often because meetings are rescheduled to suit the members and thus ensure their attendance.

**REPORT OF CHAIR OF COUNCIL  
FOR THE YEAR ENDED 31 December 2008 (continued)**

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**Matters of significance considered by the Council**

- Appointed two new Deputy Vice-Chancellors and a Dean of Teaching and Learning.
- Allocated R3,325,000 to reserves for future student financial aid.
- Approved an “Ill-Health Incapacity and Occupational Health” policy.
- Authorized the adjustment of academic salaries to at least the 50<sup>th</sup> percentile of salaries paid to academics in the higher education sector.
- Approved the tender for the construction of a new Library building.
- Approved a Charter for the Remuneration Committee of Council.
- Approved a decision to make a public statement acknowledging various shameful and regrettable institutional actions during the pre-democracy period and to publicly and unreservedly apologize to society in general, and to those who were wronged, harmed and hurt by these actions in particular.
- Approved a Quality Improvement Plan as required after the HEQC institutional audit.
- Approved a balanced budget for 2009.
- Supported an infrastructural funding application to the DoE.
- Appointed a new Registrar: Finance and Operations who would assume office after the retirement of the current incumbent.
- Approved a “Common Faculty Policy and Procedures on Plagiarism”.
- Approved an Institutional HIV and Aids policy.
- Approved a policy for Parental Benefits and Leave.

**Significant awards to staff and students**

- DST/FirstRand Foundation Mathematics Education Chair to Professor Marc Schafer.
- The Africa-Arab State 2009 L’Oréal-Unesco Award for Women in Science to Professor Tebello Nyokong.
- A Flanagan Scholarship to Ms Melissa Marsh.
- Mandela Rhodes Scholarships to Ms Ingrid Cloete, Mr Siyabulela Nomoyi, Ms Katherine Furman and Ms Alinka Brutsch.
- Rhodes Scholarship to Mr Evan Ford.
- The Inyathelo Award for Exceptional Philanthropy to the Vice-Chancellor, Dr Saleem Badat.

**Staff development and equity in 2008**

Employment equity continues to remain a challenge and priority for the institution. Detailed statistics are kept to monitor applications and success rates of applicants by demographic group. For example, out of the 170 applications for 19 management posts during the period 1 September 2007 to 31 August 2008, 53% of applications were from designated groups. Amongst the category of professionals (90% of which are academic), only 49% of applications received that met the minimum educational criteria for the post, were from designated groups. If the dominant equity strategy remains ensuring a pool of suitably qualified applicants, this poses a serious problem for achieving transformation. In terms of selection, in the category of managers, 58% of appointments were from designated groups with the number of Black (African, Coloured, Chinese and Indian) appointees being 37%. Amongst the category of professionals, 53% of appointments were from designated groups with only 29% being Black. Black and women foreign nationals are not counted in these numbers as they are not regarded as members of designated groups as per the Employment Equity Act. Another area of concern as regards transformation has been the clerical area. Of the 48 posts available to be filled, 63% went to Black staff. This pleasing statistic is as a direct result of the Support Staff Internship Programme which has been running since 2004. With increased numbers being recruited into the internship programme, this is yielding positive benefits in terms of a pool of suitable staff from designated groups.

## **RHODES UNIVERSITY**

### **REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2008 (continued)**

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While this period has seen an increased number of designated persons employed, the overall profile of the University remains a challenge. For example, the number of Black professional staff is at 14% (49 staff out of 367). At the managerial level and at the clerical level, this percentage is 20% and 38% respectively.

Following an Equity Imbizo in July 2007, a revised Equity Plan was tabled at Senate in March 2008. This was referred back to the Faculties for further debate and input during 2008. A revised Employment Equity Plan has been tabled at Senate for approval at its May 2009 meeting. This Plan proposes, in part, initiatives to ensure greater accountability for Equity at the Faculty and Divisional levels.

The University submitted its 2008 Employment Equity Report on time to the Department of Labour.

Key to institutional equity initiatives are the Mellon Accelerated Development Programme and Support Staff internship programme. During 2008, a further 5 academic accelerated development posts were allocated (4 filled to date) thanks to further funding from the Mellon Foundation. In addition, the Vice-Chancellor has been successful in securing Kresge funding for a further 8 posts to be filled during 2009 and 2010. These are linked to upcoming retirements of staff or anticipated vacancies or new posts in departments. The Support Staff Internship Programme since its inception in 2004 has had 64 placements, 19 in 2008. The number of interns who have secured employment at the internship level or higher at Rhodes, either in a temporary or contract position, subsequent to their internship is 55%. A further 6% have secured employment elsewhere.

The staff development programmes including certificate courses in conversational isiXhosa, office administration, supervision, management and computer literacy as well as the Adult Basic Education and Training (ABET) programmes continue to be offered by the Human Resources Development Office. The HRD Office as usual, submitted its Sector Education Training Authority (SETA) reports on time in 2008 resulting in the maximum rebate on the skills levy paid by the institution.

#### **Composition of the student body**

Student numbers totalled 6319 in 2008. The details thereof are contained in the report of the Chairperson of Senate. The growth in student numbers was in line with the enrolment plan established in consultation with the Department of Education. Significant growth in the number of Black South African students has been recorded (from 33% of the total student body in 2007 to 37% in 2008) and the university continues to achieve success rates which are among the highest in South Africa (84 – 93 % across a range of qualifications – details are in the Senate report).

#### **Research**

Research continues to be strong and shows positive signs of ongoing improvement. Full details of research activities are included in the Report of Senate.

#### **Campus infrastructure**

During 2008 work began on the construction of a new library building, one of the largest infrastructure projects undertaken by the university. The building is due to be completed during 2010. Two new residences were constructed during the year, each with a capacity of 104 beds. Much attention was given to the “size and shape” of the university and this has major implications for the infrastructure of the campus. The planning is on-going with the development of an infrastructure needs assessment related to the university’s enrolment plan together with targeted growth in various academic programme areas.

## **RHODES UNIVERSITY**

### **REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2008 (continued)**

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#### **Prominent events on campus**

- Graduation. Five graduation ceremonies were held at which six honorary doctorates were awarded to William Joseph Kentridge, Reuel Jethro Khosa, Pius Nkonzo Langa, Bernard Lewis Fanaroff, John Pilger and Jonathan Brian Shapiro.
- Convocation and Founders' Day. Convocation was again well supported by the Alumni and prestigious Old Rhodian Awards were presented to Gordon Cragg, Derek Jacobs, Donovan Neale-May and Peter Mtuze.

#### **Student services**

During 2008 the Dean of Students initiated several new projects, all aimed at student development and 'transformation' in the broad, holistic sense. The office ran eight awareness weeks during the year, each focussed on a particular issue, such as substance abuse, human rights, women's rights, diversity, HIV/AIDS, homophobia, harassment and violence. As part of our Human Rights Awareness week, a "Rhodes Truth Commission", modelled loosely on the Truth and Reconciliation Commission, was held and the event provoked intense debate and awareness of human rights issues. A further awareness-raising initiative focussed on alcohol-abuse, which remains an ongoing problem at Rhodes, like all other campuses.

With the growth of the residential system, attention has been focussed on the crucial role of the Wardens. Considerable effort was put into improving their conditions of service during the past year, and training and mentoring was provided for all new wardens.

A "Quality of Residence Life" survey, which has become an annual survey, was again conducted. The results were widely disseminated, and this resulted in discernable improvements and productive discussions amongst students regarding what they can do to enhance communal living and improve the residential experience.

During the past year, the training for the incoming SRC was improved. It now includes a full week's induction after election. A formal mentoring system, pairing each SRC member with a senior academic of their choice, was instituted to ensure that students keep the balance between their academic and SRC commitments. In order to encourage students to make themselves available for the position of SRC president, a special leadership bursary was offered which SRC presidents can take up during their term of office in order to extend the registration period and enable them to achieve good academic results.

The name of the sanatorium was changed to the "Health Care Centre", and, using generous funding from the European Union for improved responses to the HIV and AIDS pandemic, work began on upgrading the existing sanatorium building in order to provide better testing and counselling services for staff and students. This EU funding also enabled the University to develop a range of sustainable awareness-raising initiatives.

Adv Tshidi Hashatse, a Rhodes graduate with extensive legal experience in the field of human rights, was appointed Deputy Dean of Students. Her focus will be to respond better to the needs of disabled students, and the general need for education of students around wellness and health.



**RHODES UNIVERSITY**

**REPORT OF CHAIR OF COUNCIL  
FOR THE YEAR ENDED 31 December 2008 (continued)**

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**Conclusion**

The year under review saw significant progress towards the goals of the University as set out in its vision and mission statements. Growth in numbers has been experienced, progress has been made towards equity goals, particularly in terms of the composition of the student body, and the University is oriented towards further development and growth through such instruments as the Quality Improvement Plan.

Furthermore, the financial matters of the University continue to be appropriately managed, with an unqualified audit opinion being testament to this fact.

**JUDGE R J W JONES  
CHAIR OF COUNCIL**

18 June 2009

## **RHODES UNIVERSITY**

### **REPORT OF THE CHAIR OF THE FINANCE COMMITTEE OF COUNCIL**

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The Financial Statements for the year ended December 2008 show sound financial results reflecting the prudent approach to financial management that has been adopted by the University. The institution's financial strategy is to achieve a financial break even from an operating perspective. This was again achieved through strict budgetary control and efficient administration of resources.

Cash generated from this approach and the added income generated by the growth in student numbers, supplemented by improved subsidy income and an additional allocation from the Department of Education for the purpose of infrastructure development, provided the opportunity to increase the amount of accommodation available to students on campus. Funding of this development and other supporting capital needs were achieved on a debt-free basis.

The financial challenges for the year were focused on ensuring that salaries for both academic as well as support staff become more competitive in the market place. This focus will continue into the future and will provide ongoing challenges to sustainability. In addition, the University was able to increase loan funds available to support student fees and bursaries.

Based on these financial strategies, a surplus was once again achieved in Council Directed Fund Activities before taking into account retirement costs. The University supports a provident fund as well as a defined benefit pension fund. The financial stability of the pension fund is managed by the Trustees in line with the statutory controls and requirements called for by the Pension Funds Act. Accounting conventions, however, require a different evaluation of assets and liabilities in a prescribed manner (South African Statements of Generally Accepted Accounting Practice). Consequently, a charge of R67 million relating to the pension fund liability was recorded for 2008 (R26 million in 2007). This loss is unrelated to operating activities; rather a direct result of the decline in the value of the underlying investments of the fund which was called for by these accounting conventions. The value of the Fund is likely to fluctuate both positively and negatively in line with market conditions over time in line with these accounting conventions. This convention, in the view of the University, places an excessive burden on the value of retirement fund benefit obligations. It has been argued previously that this accounting convention is inappropriate to a university environment and should be reassessed as to its applicability. The University continues to support this view.

While the University has traditionally financed infrastructure through the generation of internal cash, the ability to continue this programme to support the enrolment plan and future growth will be under severe pressure. Added finances in the form of Department of Education grants and other sources will be needed to effect the necessary infrastructure to support the institution's plans in the near term. The University plans to continue to control the management of cash and resources to support these objectives for future years.

The unqualified auditors report is testament to the University's long-term financial stability and its aspiration of being a place of knowledge and learning, supported by sound financial structures.

**N E WOOLLGAR**  
**CHAIR: FINANCE & GENERAL PURPOSES**  
**COMMITTEE**

**R W MARRINER**  
**REGISTRAR: FINANCE AND OPERATIONS**

18 June 2009

## **RHODES UNIVERSITY**

### **COUNCIL'S REPORT ON GOVERNANCE**

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The purpose of this statement is to give readers of the Annual Report an understanding of the governance structures and procedures adopted by the Rhodes University Council.

The Council of Rhodes University is committed to serving the best interests of the university. It is committed to the principles of discipline, transparency, independence, accountability, responsibility, fairness and social responsibility, as advocated in the King Report on Corporate Governance. With the advent of a new Council in the course of 2008 the Council convened a workshop to explore issues of governance, including its role and responsibilities in governing the institution in a responsible manner and in accordance with generally accepted practices.

#### **Council**

The Council comprises thirty members who are elected in the manner prescribed by the Institutional Rules and by the Higher Education Act, 101 of 1997. Sixty percent of the members of Council are external members, i.e. neither staff nor students of the university, none of whom are remunerated for their services to the University. The Chairperson and the Vice-Chairperson are elected from the external members.

The functions of the Council are set out in the University Statute (Government notice 234 of 15 March 2005) and in terms of the Higher Education Act. The Council is responsible for the ongoing strategic direction of the university, the approval of all policies which guide the management of the institution, for the allocation of the university's resources and the oversight of its finances. The Council receives regular reports from management on the day-to-day operation of the university.

The Council meets regularly, as prescribed by the Statute, and has in place the necessary sub-committees to ensure sound governance, including an Executive Committee, a Remuneration Committee, an Audit Committee and a Nominations Committee.

#### **Executive Committee**

The Executive Committee acts for Council whenever instructed to do so by Council and it acts on behalf of the Council in an emergency in any matter other than those which, in terms of the Statute, Council may not delegate. The Chairperson of Council is the Chairperson of the Committee and the other members are the Vice-Chairperson of Council, the Vice-Chancellor, the Deputy Vice-Chancellors, two external members of Council and one member of Council elected to Council by Senate. The Registrar is in attendance.

#### **Remunerations Committee**

The Remuneration Committee's mandate includes recommending to Council remuneration practices and policies, reviewing and making recommendations on remuneration levels, determining the remuneration and benefits of executive and senior management, approving mandates for annual institutional remuneration increases and determining conditions of service. The Committee has five members, four of whom are external members and the Vice-Chancellor.

#### **Finance and General Purposes Committee**

The Finance and General Purposes Committee's mandate includes advising the Council on all matters involving the finances and property of the university, monitoring performance in relation to operating and capital budgets and acting on behalf of Council when instructed by Council to do so. It ensures that the accounting records of the institution are accurately maintained and that the university is in a sound financial position. The majority of members are external members of Council.

**Audit Committee**

The functions of the Audit Committee are set out in detail in its charter but its primary functions are to ensure good governance, proper procedures and control for the safeguarding of assets, good systems of internal control and effective financial management and control of the finances of the University. Four of the five members of the Audit Committee are external members of the Council and the fifth is an expert in the field who is also external but not a member of Council. Neither the chairperson of Council nor the Vice-Chancellor is a member. The Vice-Chancellor, the Registrar: Finance and Operations, the Director of Finance and the University Risk Manager and the external auditors are in attendance.

**Code of Ethics**

The University has written codes of ethics which relate to research protocols and student behaviour.

**JUDGE R J W JONES**  
**CHAIR OF COUNCIL**

18 June 2009

## **RHODES UNIVERSITY**

### **REPORT OF SENATE**

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It is a feature of the Rhodes University Senate that it is fully functional and well attended body that has wide representation. It gives strong academic leadership through strategic input on matters pertaining to teaching, learning and research and through close scrutiny of the academic processes and their implementation.

The Senate has an excellent relationship with the Vice-Chancellor and affords him much support and guidance. Every Senate agenda includes a Vice-Chancellor's report and these lead to informed and insightful discussion between the Vice-Chancellor and his senior academic colleagues.

During 2008 the Senate met on six occasions, the five meetings scheduled in terms of the Institutional Rules and for one special meeting in February to confirm the appointments of the Deputy Vice-Chancellors mentioned below.

### **COMPOSITION OF THE SENATE**

The composition of the Senate is as follows:

- (a) the Vice-Chancellor;
- (b) the Deputy Vice-Chancellors;
- (c) the Professors;
- (d) the Registrar;
- (e) the University Librarian;
- (f) two members of the council elected by the council;
- (g) six members of the academic staff elected by the academic staff;
- (h) the heads and acting heads of department;
- (i) six students elected by the SRC;
- (j) the heads of associated institutes who are not professors of the University, and
- (k) two members of the administrative and support staff elected by the administrative and support staff.

The composition of the Senate complies with the requirement set out in the Institutional Rules that the majority of Senate members must be academic staff.

### **ACADEMIC STRUCTURES**

The most significant development during the year under review was the dissolution of the single post of Vice-Principal and the creation of two new posts of Deputy Vice-Chancellor, one being a post of DVC: Academic and Student Affairs and the other that of DVC: Research Development. Dr Sizwe Mabizela was appointed to the former and Dr Peter Clayton to the latter. Dr Mabizela's portfolio includes *inter alia* student recruitment, admissions and financial aid, teaching and learning and quality assurance, student affairs and development and community engagement. Dr Clayton's portfolio includes *inter alia* research, and new academic-related development, internationalization and the library.

A further new post that was created and filled was that of Dean of Teaching and Learning. Professor Chrissie Boughey was appointed. This was linked to the creation of a new Centre for Higher Education Research, Teaching and Learning. The centre has responsibility for academic staff development, student academic development in conjunction with academic departments, the promotion and assurance of quality in teaching and learning, research on issues of learning and teaching and student development in higher education, research on education (including commissioned and contract research), postgraduate research and training programmes in the field of higher education, and professional and continuing education in relation to teaching and learning in higher education.

**SIGNIFICANT DEVELOPMENTS AND ACHIEVEMENTS**

Significant items of business during 2008 were recommendations for approval to Council for:

- A Centre for Child Forensic Studies
- The introduction of a Master's degree in Child Forensic Studies
- The introduction of a postgraduate diploma in Economics Journalism
- The renaming of the Student Union to the Bantu Stephen Biko Building.
- The establishment of an MTN Chair of Media and Mobile Communications
- The launch of a Confucius Institute
- The adoption of a Quality Improvement Plan
- The establishment of a Highway Africa Chair in Media and Information Society
- The establishment of a Biomedical Biotechnology Research Unit

**COMPOSITION AND SIZE OF THE STUDENT BODY**

The tables below illustrate the composition of the student body in 2008. They also indicate the very pleasing success rates and the significant progress in addressing student access and equity.

<b>Race</b>		<b>% of total</b>
African	2918	46
Coloured	222	4
Indian	304	5
White	2875	45
<b>Total</b>	<b>6319</b>	<b>100</b>

(The number of African students in 2008 was 372 higher than 2007 – an increase of 14.8%)

<b>Qualification Type</b>		<b>% of total</b>	<b>% Success Rate</b>
General 1st Bachelors	3317	52	84
Professional 1st Bachelors (4 years)	1058	17	90
PG Diploma	190	3	93
Honours	400	6	86
Masters	651	10	n/a
Doctoral	243	4	n/a
UG Diploma	323	5	89
Prof 1st Bachelors (3 years& less)	104	2	n/a
Occasional	33	1	n/a
<b>Total</b>	<b>6319</b>	<b>100</b>	<b>84</b>

## **RESEARCH**

Rhodes University showed a pleasing increase in accredited journal outputs in 2008, with a 4% improvement (from 248.52 units to 258.68 units<sup>1</sup>) as against a national drop in accredited journal outputs of -2.4% across the higher education system for the same period. Accredited books and conference proceedings saw a decline over the period, but from a much smaller base and in output categories known to be a lot more rate variable, so the decline is not seen as a pattern to be concerned about. Written research outputs overall increased by 4%. Numbers of Research Masters graduates were the same as the previous year (114 units) as against a national increase of 2.8%. Doctoral graduates were sharply up at Rhodes from 31 to 46 (an increase of 48% against a national decrease of -7.5%). This is another small base category, and subject to a lot of fluctuation year on year. Overall individual academic research output productivity rates kept Rhodes amongst the top research performers in the country using this measure (0.86 per individual at Rhodes as against the national average of 0.49). In addition, Rhodes continues to have one of the highest proportions of academic staff with doctoral degrees among South African universities.

Significant achievements included:

- The announcement in late 2008 of the honour of the 2009 UNESCO/L'Oreal Award for the most outstanding woman scientist in Africa and the Arab States to Prof. Tebello Nyokong of the Chemistry department. This is only the fourth time that a local scientist and the first time that a physical scientist has won this award. Prof. Nyokong is engaged in path-breaking cancer research and holds a prestigious Chair in Medicinal Chemistry.
- The award of a further prestigious Chair in Mathematics Education to Prof. Marc Schafer, to complement the two South African Research Chairs held by Prof. Nyokong and Prof. Christopher McQuaid in Marine Science.
- The award of the Gold Medal of the South African Zoological Society to Prof Alan Hodgson, and of the Silver Medal of the South African Association of Botanists to Prof. Ted Botha.
- The award of the American Chemical Society Young Investigator Award in Separation Sciences to Professor Nelson Torto, Professor of Analytical Chemistry.
- The 2008 MISA (Media Institute of Southern Africa) Press Freedom Award to Professor Fackson Banda of the Department of Journalism and Media Studies.

A number of decisions arising out of the lengthy academic planning exercise of 2007, relating to new niche teaching and research programmes, especially at postgraduate level, were pursued and launched in 2008.

- The creation of the Centre for the Study of Democracy under the directorship of the respected political analyst Prof. Steven Friedman as a joint initiative of Rhodes and the University of Johannesburg. A branch of the Centre is to be established at Rhodes with support of \$500 000 from the Ford Foundation.

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<sup>1</sup> 2008 audited outputs – as based upon 2007 HEMIS returns.

## RHODES UNIVERSITY

### REPORT OF SENATE (continued)

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#### RESEARCH (continued)

- The creation of the Centre for Higher Education Research, Teaching and Learning and the establishment of a post to develop a doctoral programme in higher education studies and enhance postgraduate research and academic supervision capabilities.
- The award to the Institute for Water Research of over \$800 000 by the Carnegie Corporation for water research in collaboration with universities in other parts of Africa.
- The award to the School of Languages of R7.5 million for postgraduate bursaries in African language studies and Linguistics, which complements additional Norwegian support for the exciting Multilingualism project of the School.
- The establishment of the Biomedical Biotechnology Research Unit to enhance promising research and postgraduate development in this field.
- The upgrading of the status of the Environmental Biotechnology Research Unit to that of an Institute in recognition of its quality and volume of outputs.
- Awards of \$250 000 from the Mellon Foundation and R900 000 from the Rand Merchant Bank to support the International Library of African Music to digitize and make available on-line the treasure trove of African music housed by ILAM
- New research and development chairs in the University's world-renowned School of Journalism and Media Studies in Media and Information Society sponsored by the Department of Communication, and in Media and Mobile Communication sponsored by MTN

The University continues to pursue a number of additional new research initiatives:

- An Astrophysics facility to support South Africa's astronomy and astrophysics programme, including the country's bid to win the international vote to construct the world's largest radio telescope.
- A programme in Social Policy that combines research, postgraduate education and policy dialogue and co-operation with universities in other African countries, Scandinavia and Oxford University.
- The extension of the programme in Mining Geology to further enhance Rhodes contributions in this field.
- A Masters programme in Integrated Development. Identified as a promising niche area, the University has been invited to bid for one of 15 world-wide \$1 million grants from the MacArthur Foundation.
- A cluster in Biotechnology to maintain Rhodes pioneering work in this field and to develop into new areas.
- A new post in Bioinformatics to link-up with related research in various disciplines.
- Building academic and scientific relationships with select universities in India, China and other parts of the world in areas of mutual interest and benefit.

Research income from sources other than the DoE for the period January to December 2008 (as compared to the same period in 2007), was as follows:

	2007	2008	% increase
National Research Foundation	R 12,439,955	R 20,760,951	67%
THRIP	R 3,067,841	R 2,686,539	-12%
Water Research Commission	R 2,176,128	R 2,819,230	30%
Medical Research Council	R 642,850	R 867,345	35%
Private Industry and Grants	R 7,871,030	R 16,234,088	106%
External Research Consulting	R 827,782	R 482,839	-42%
Research Institutes and Affiliates	R 32,507,316	R 40,775,874	25%
Research Contracts	R 4,099,311	R 19,129,409	367%
<b>TOTAL</b>	<b>R 63,632,213</b>	<b>R 103,756,275</b>	<b>63%</b>



## **RHODES UNIVERSITY**

### **REPORT OF SENATE (continued)**

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#### **TUITION FEES**

Tuition fees in 2008 were on average 8% higher than the previous year. The fees are set by way of an inclusive budget process which is characterised by active student participation.

#### **ACCESS TO FINANCIAL AID**

The table below illustrates the exponential growth in financial aid in the years since the University lost the East London campus to the University of Fort Hare in the restructuring of higher education in South Africa. Of particular note is the very large contribution from own funds which has been necessary to achieve a meaningful change in student demographics.

<b>Fund</b>	<b>Funding for undergraduate financial aid</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
NSFAS	7 569 584	7 239 415	7 090 235	8 195 601	9 569 375
RU Council	3 876 491	5 671 448	7 217 146	9 390 988	12 872 970
Total	<u>11 446 075</u>	<u>12 910 863</u>	<u>14 307 381</u>	<u>17 586 589</u>	<u>22 442 345</u>
Number of students	524	549	519	558	646

**DR MS BADAT**  
**VICE-CHANCELLOR**

18 June 2009

## RHODES UNIVERSITY

### REPORT OF THE INSTITUTIONAL FORUM OF THE COUNCIL

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#### Composition of the Institutional Forum:

##### **INSTITUTIONAL FORUM**

Judge RJW Jones *Council*  
Professor R Bernard *Council*  
Professor R Adendorff *Senate*  
Professor L Louw *Senate*  
Professor G Euvrard: *Alternate Senate*  
Dr S Badat *Management*  
Dr S Fourie *Management*  
Dr S Mabizela *Management alt (2009)*.  
Mr K Langley *SRC*  
Ms P Mdangayi *SRC*  
Mr A Seedat *SRC*  
Mr J Phamodi *SRC*  
Mr G Elzerman *SRC*  
Mr G Colarossi *SRC*  
Ms K Loni *SRC*  
Ms T Thabana *SRC Alternate*  
Mr S Mzangwa *NEHAWU*  
Mr T Tommy *NEHAWU*  
Mr G Nombewu *NTESU*  
Dr A Kirkaldy *NTESU*  
t.b.a. *Non-professorial staff rep.*  
t.b.a. *Non-professorial staff rep.*  
Dr P Naidoo *Community (Makana Municipality)*  
Clr M Fulani *Community (Makana Municipality)*

##### **SCHEDULED MEETINGS – 2008**

- 1 March 2008
- 3 May 2008
- 26 July 2008
- 30 August 2008
- 18 October 2008

The agreement among the stakeholders and members of the Institutional Forum is that it will meet if and when a stakeholder or member places an item on the agenda. A call is made for agenda items before every scheduled meeting but if no items are forthcoming for a particular meeting, that meeting of the Institutional Forum is cancelled.

##### **Meeting: 1 March 2008**

- ***III-Health Incapacity and Occupational Health Policy:***  
The Institutional Forum considered the policy which had been developed by the Human Resources Division, the union structures and the Employment Equity Committee. The Forum recommended the policy for approval to the Council.
- ***Report of the Task Team on Naming and Renaming of Buildings / Facilities and Academic Units and Structures at Rhodes University:***  
The Institutional Forum supported in principle the report and recommended that the Senate and Council include one representative of the Institutional Forum on the Naming Committee and that the nomenclature referring to “non-academic” staff be changed to “administrative support staff”.

## **RHODES UNIVERSITY**

### **REPORT OF THE INSTITUTIONAL FORUM OF THE COUNCIL (continued)**

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- ***Membership of the University Council:***

Members of Council who are appointed by the Council are nominated by the Chair of Council after consultation with the Institutional Forum. The Institutional Forum considered the Chair of Council's nominees for appointment to the University Council for the period 2008 – 2011 and supported them in principle.

**Meetings: 3 May 2008; 26 July 2008; 30 August 2008 and 18 October 2008**

Cancelled due to no constituency or members submitting any agenda items for the meeting.

**CHAIRPERSON OF THE INSTITUTIONAL FORUM:**

The Institutional Forum elects from among its members a chairperson who serves from the end of one ordinary meeting to the end of the next ordinary meeting. If a chairperson is absent, the first item of business at the meeting is the election of a chairperson.

**PROFESSOR F T HENDRICKS  
CHAIR (ROTATIONAL)**

18 June 2009

The University maintains systems of internal control over financial reporting (Generally Accepted Accounting Standards) in terms of the Higher Education Act 1997 and the safeguarding of assets against the unauthorised acquisition, use or disposal of such assets. Such systems are designed to provide reasonable assurance to the University and the Council regarding an operational environment that promotes the safeguarding of the University's assets and the preparation and communication of reliable financial and other information.

The systems of internal control include documented organisational structures setting out the division of responsibilities and procedures and the careful selection, training and development of the financial staff of the University.

The Council of the University has also appointed the Audit Committee to review the governance and oversight over the systems of internal control.

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. Generally accepted standards are applied to protect privacy and ensure control over all data, including disaster recovery and "back-up" procedures. Systems are under the control of competently trained staff.

In utilising electronic technology to conduct transactions with staff, students and third parties, control aspects receive close scrutiny and are audited regularly. There are procedures in place that are designed and implemented to minimise the risk of fraud or error.

The University embarked on a process of formal risk management. This process involves the identification of strategic and operational risks, the rating of these risks and the developing of mitigating strategies for these risks. The University embarked on this process to assist in the management of the institution, which includes the maintenance of effective systems of internal control.

Outsourced Internal Auditors who are independent of the External auditors monitor the operation of internal control systems on a continuous basis and report findings and recommendations to management and the Audit Committee of Council. Corrective actions are taken to address control deficiencies and systems are continuously assessed to identify opportunities for improvement.

As at 31 December 2008 Rhodes University believes that its systems of internal control over its operational environment, information reporting and safeguarding of assets against the authorised acquisition, use or disposal of assets are adequate to ensure proper financial governance.

**DR B S RAYNER**  
**CHAIR: AUDIT COMMITTEE**

18 June 2009

## **RHODES UNIVERSITY**

### **REPORT ON RISK MANAGEMENT**

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The Manager-Risk Control (M-RC) reports directly to the Vice Chancellor and is accountable to the Audit Committee. The Audit Committee adopted an objective driven process designed to extract strategic, operational and process risks. The process will give assurance to all stakeholders that all aspects of risk, within the context of the university, are covered and managed in a substantive, controlled and methodical manner.

The process of exposing risk actions or events (and possible opportunities) operates by individuals identifying and taking on the responsibility and accountability for managing such risk events, conditions and/or areas under their control. This process commenced with the directors of the different divisions, whereby certain strategic and operational risks, financial and non-financial, have been identified and scored as to the likelihood and impact they would have on the achievement of specific objectives of the institution.

Process risks have yet to be identified at this stage. This exercise will commence in 2009 by cascading the risk management process downwards via middle management to all levels of staff.

The identified risks are presented to the Risk Management Committee (RMC), scheduled on a quarterly basis and presided over by the Vice-Chancellor and includes the two Deputy Vice-Chancellors, the Registrar and the Registrar Finance and Operations. The M-RC presents the risks to the committee, which reviews the listing and identifies other strategic risks, not included in the listing that impact at this highest level of management.

From an institutional perspective all risk scoring, as to likelihood and impact, are re-assessed by the RMC and prioritised. Actions, as identified and instructed by the RMC are communicated, via the M-RC, to the appropriate management who are held responsible and accountable for managing the risks as directed by the RMC. Progress reports on the management of risks are submitted by the M-RC at subsequent RMC meetings.

The M-RC reports the outcomes from the RMC, as signed off by the chairperson of the RMC, to the Audit Committee, highlighting high priority items and the measures applied to control such items. The Audit Committee in turn reports to Council.

All risks, and progress reports, are recorded in a risk register which is maintained by the M-RC

The Risk Management process includes "Whistle Blowing" and the forwarding of relevant risk information to the appointed, outsourced, Internal Auditors. These steps facilitate early detection of risks and weaknesses, as well as maximum utilisation of the Internal Audit Resources.

**DR M S BADAT**  
**CHAIR: RISK MANAGEMENT COMMITTEE**

**DR B S RAYNER**  
**CHAIR: AUDIT COMMITTEE**

18 June 2009

## RHODES UNIVERSITY

### REPORT OF THE VICE-CHANCELLOR ON MANAGEMENT/ADMINISTRATION

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During the year under review Rhodes University has continued its strong commitment to the fundamental purposes of learning and teaching, research and community engagement. This is reflected in the fact that Rhodes has among the best undergraduate pass and graduation rates, it is highly successful in producing postgraduates, and it has the best research output per academic of any South African university. Community engagement efforts have shown continued advancement, especially in collaboration with the local municipality and schools.

The past year at Rhodes has been eventful in many respects and this Annual Report is an opportunity to reflect on recent developments and to also convey the emerging trajectory of Rhodes in the coming years.

Overall, the building blocks to reinvent ourselves in critical areas have begun to be put in place so as to ensure that in the decades to come Rhodes will not only remain a distinctive and pre-eminent university, but also one that discharges constitutional obligations and engages with socio-economic challenges. The changes that have occurred and are in train are a necessary condition of securing a dynamic and sustainable future for Rhodes.

#### **Institutional size and shape**

During the past year, the University finalised its trajectories with respect to growth, size and shape in terms of teaching and research programmes. This was the outcome of a long, deliberative and participatory process involving faculties, departments, academics and administrators and also extensive discussions with the Ministry of Education.

We reached agreement with the Ministry of Education that whereas in 2007 our student enrolment was some 6000 students, by 2010 Rhodes will

- Grow to 6 500 students, a growth rate of about 2.5% per annum
- Seek to increase enrolments in the natural sciences
- Seek to increase postgraduate enrolments
- Reduce its proportion of international students (though not the current numbers) and also diversify away from the current heavy reliance on Zimbabwean students.

During 2008, student enrolment was some 6 300 students and we are thus on track to meet our target enrolment of 6500 students by 2010.

In so far as teaching and research are concerned, the University seeks to pursue the following activities and goals:

- Law
  - ✓ Significantly increase, over the next ten years, the current intake of 150 LLB students to 240 students
  - ✓ Investigate the viability of a Centre for African Child Forensic Studies
- Commerce
  - ✓ Significantly expand the current enrolment of 40 students in the Economics Honours programme (annually there are applications from over one hundred students)
  - ✓ Seek to introduce new Honours, Masters and postgraduate diploma programmes in Commerce
- Pharmacy
  - ✓ Expand, if required, in accordance with current infrastructure and staff, the intake of undergraduate Pharmacy enrolments
  - ✓ Seek to expand postgraduate enrolments and especially the unique *Pharm.D* programme
- Science
  - ✓ Seek to expand undergraduate Natural Science enrolments through more focused funding, marketing and recruiting efforts recognising that enrolment will largely be dependent on the supply of secondary school students with maths and science
  - ✓ Expand postgraduate enrolments through new Honours programmes

- Education
  - ✓ Increase enrolment of the *Postgraduate Certificate in Education* to prepare teachers for both senior and primary school levels.
  - ✓ Expand postgraduate enrolments in the field of higher education through the *Postgraduate Diploma in Higher Education*, Masters and Doctoral degree studies in a new Centre for Higher Education Research, Teaching and Learning
  - ✓ Enhance the contribution to teacher development through additional Advanced Certificate in Education programmes in partnership with the Department of Education
  - ✓ Enhance continuing and professional development in education programmes. Donor funding of R1 million has been allocated to pilot a new Professional Development Centre.
- Arts, Humanities and Social Sciences
  - ✓ Investigate new masters programmes in integrated development and development studies
  - ✓ Establish a Confucius Institute supported by Chinese donor funding
  - ✓ Establish a Masters programme in Organisational Psychology
  - ✓ Establish a new Masters programme in Digital Arts
  - ✓ Establish a donor funded (South African Reserve Bank) chair in African Economics Journalism
  - ✓ Establishment of a donor funded (MTN) chair in new media
  - ✓ Investigate the establishment, in partnership with the University of Johannesburg, of a Centre for the Study of Democracy
  - ✓ Investigate the establishment of a unit and programme on pro-poor social policy within the Institute for Social and Economic Research

The challenge for Rhodes is to ensure that the necessary mechanisms, strategies and processes, as well as infrastructure, are in place and the requisite resources are mobilised to enable the realization of the enrolment targets and academic initiatives that have been agreed upon. 'Seed' funding is being provided to investigate the feasibility of some of the proposed initiatives noted above.

### **Institutional infrastructure**

The growth, size and shape goals of the University have necessitated attention being given to institutional infrastructure to support the achievement of goals. In this regard, the following developments can be noted.

- Planning is being finalised and fundraising is under way for the building of a new 4500 square metres library and the refurbishment of the current library. At an anticipated cost of R85 million, the new library building will be one of the largest undertakings in the history of Rhodes. Construction began in August 2008. Thus far, R50 million has been secured from the Department of Education (part of a three-year R80 million capital infrastructure grant), and the University is looking to local and overseas donors, the business sector and alumni to mobilise the remaining funds needed. Construction began in September 2008.
- Two new residences (Kimberley 7 and 8) have been completed, accommodating an additional 146 students in the 2008 academic year.
- Two further residences, with funding of R30 million from the Department of Education, are under construction and will accommodate 206 students as from the 2009 academic year.
- Some of the existing residences will be reconfigured to provide additional beds.
- An Alumni House has been built with donor funding to serve as the offices of the University's Communication and Development Division and also as the reception hub for visitors to Rhodes.

The growth of enrolments at Rhodes is strongly dependent on the availability of residence accommodation, and in coming years additional residences as well as new dining halls will be needed. Additional institutional infrastructure for teaching and research will also be required. These needs have been identified and consideration is being given to their costs and how they can be addressed. A further major challenge, in the light of property prices, is to assist with the provision of affordable accommodation in the vicinity of the University for academic and support staff. Welcome news in March 2007 from the Minister of Education was that Rhodes would receive R80 million over three years for capital infrastructure.

A key financial challenge remains the adequate remuneration of staff and, currently, especially academic and administrative support staff. This requires an increase in government subsidy, as there is limited scope for increasing income from tuition fee increases, and possibly securing greater income from sustainable third stream income (research contracts, professional and continuing education courses, donor funding). However, it also necessitates a close watch on the overall remuneration bill so that this is kept at manageable levels and does not adversely affect other key operational areas, and attention being given to productivity issues in some areas of Rhodes.

Academic salaries were the subject of a major review. Extensive research, which included using the services of a professional remuneration company, revealed that academic salaries at Rhodes were below the desired level of the 50<sup>th</sup> percentile of academic salaries across the higher education sector in South Africa. The Council approved the required additional R7million of recurring expenditure in order to rectify the situation. An undertaking was given to review support staff salaries during 2009.

On the whole, staffing levels are adequate but, as is the case throughout the sector, certain skills such as those needed in the fields of IT, Accounting and Economics remain a challenge.

### **Equity and institutional culture**

Key themes of recent years, articulated in numerous and diverse fora, have been

- That conduct, relationships and responsibilities at Rhodes must be guided by the values of the *Constitution and Bill of Rights* – respect for human dignity, human rights, equality, non-sexism and non-racialism.
- The need to build Rhodes as a ‘home for all’ which recognises, respects and affirms difference and diversity.
- That Rhodes must purposefully create and institutionalize a culture that embraces difference and diversity, and sees these as strengths and powerful wellsprings for personal, intellectual and institutional development.
- That everyone at Rhodes - students, academics, wardens, technicians, secretaries, messengers and ground staff – must be accorded respect and dignity.

Workshops on equity and gender identified issues and challenges that face Rhodes and possible mechanisms and strategies to address these. Unfortunately, Rhodes lags behind, sometimes significantly, other South African universities in so far as the representation of black South African students and academic and administrative staff are concerned. Moreover, in parts of Rhodes there exist discourses, attitudes and practices which are damaging and offensive to specific social groups and ultimately give rise to a negation of constitutional values. The issues of equity and institutional culture require, are being given, and will continue to be given, strong attention.

A number of initiatives are underway:

- The terms of reference of the Equity Committee have been redefined and the committee has been restructured and reconstituted as the Equity and Institutional Culture Committee under the chairpersonship of the Vice-Chancellor
- An equity and institutional culture action plan has been tabled for discussion within various University structures.
- Student recruitment, admissions and financial aid will come under scrutiny, led by the new Deputy Vice-Chancellor for Academic and Student Affairs, Dr. Sizwe Mabizela.
- The current Extended Studies Programme, which seeks to provide access and opportunity to eligible but under-prepared students, will be reviewed.



- A second phase of the Accelerated Development Programme that seeks to provide opportunities for prospective black and female academics will be instituted with a new \$600 000 grant from the Mellon Foundation. It is hoped that additional complementary funds will be provided by other donors.
- A programme of internships for potential administrative support staff directed at candidates from designated groups will continue and, if possible, be expanded.
- The Dean of Students Division has initiated a number of high profile programmes promoting respect for human rights and diversity on campus.
- Student services at Rhodes received further support during the year under review with the appointment of additional staff to the Dean of Student's office. New policies have been developed in this area, an example being a new policy for ensuring the equitable and fair allocation of students to rooms in residence.

As is reported elsewhere in these reports, equity targets for staff continue to be of concern and thus the subject of serious attention and remedial action. The procedures for selection committees, for instance, have been given a major equity focus.

### **Administrative Restructuring**

A process of institutional and senior administrative restructuring initiated in 2007 was finalised.

- A new Deputy Vice-Chancellor: Academic and Student Affairs, Dr. Sizwe Mabizela, formerly head of the Department of Mathematics, took office on 1 May 2008. This is an existing Vice-Principal post that was occupied by Dr. Colin Johnson, who took early retirement at the end of 2007. The post has, however, been redefined away from administrative operational issues to focus on academic and student affairs.
- A new Deputy Vice-Chancellor: Research and Development, Dr. Peter Clayton, a former head of the Department of Computer Science, took office on 1 April 2008. This is a new post that replaces the previous post of Dean of Research, and includes new development initiatives, internationalisation and the library. The current Dean of Research, Prof. John Duncan, who has ably served the University for many years, took early retirement at the end of 2008.
- The expansion of the previous post of Registrar: Finance into the post of Registrar: Finance and Operations under Mr. Tony Long. This post combines finance with the various administrative portfolios of Residential Operations, Human Resources, Estates and Information Technology that were previously the responsibility of the previous Vice-Principal.
- The appointment of Prof. Chrissie Boughey to a newly created post of Dean of Learning and Teaching, which is combined with the directorship of the new Centre for Higher Education Research, Teaching and Learning (CHERTL). CHERTL replaces the current Academic Development Centre, and will be the hub of the University's expanded initiatives in postgraduate programmes, training and research in the field of higher education
- The creation of the post of Director of Community Engagement, occupied since the beginning of the year by Dr Joyce Nduna, who brings valuable expertise in the area of community engagement and especially service learning.
- A new Institutional Planning Unit (IPU) with the responsibilities of supporting institutional (enrolment, academic and infrastructural) planning and undertaking institutional research has been created. The IPU will be guided by the new Institutional Planning Committee chaired by the Vice-Chancellor.
- It is also intended to streamline current committees to ensure more effective and efficient addressing of issues, more effective information flows and iterations through possible Faculty participation in key committees without undermining oversight and participation.

The quality of management information available to management is good. On-going enhancement of the reporting formats and indicators ensures that there is an ever improving source of information available to both management and the Council.

Since the beginning of the year, reviews have been under way of administrative divisions in order to ensure that they are effectively equipped and positioned to achieve their goals and support the overall trajectory of the University. Thus far, reviews have been completed of the International Office and the portfolio of Dean: Internationalisation, and the Communication and Development Division.

Regular meetings of all the statutory and key governance structures of the University were held during the year. The University continues to evince high levels of good and effective institutional, academic and financial governance and management. The Vice-Chancellor and his senior management continue to receive positive and constructive guidance and support from the governance structures, particularly from the external members of the University Council.

Rhodes University enjoys a deserved reputation for the quality of its academic programmes, pass and graduation rates, research output per academic staff member and the quality of its graduates. Students and scholars enjoy a physical, social and intellectual environment that is generally optimal for the core pursuits of a university: knowledge production and dissemination, contributing to human understanding and economic and social development through research, the development of high quality graduates, intellectuals and citizens, and community engagement.

At the same time, Rhodes must confront, mediate and overcome numerous challenges. Some of these challenges it faces in common with other South African universities. Other challenges are a consequence of being the smallest university in South Africa, and of Rhodes' particular history and geographical location.

During the past year, many of the building blocks for maintaining Rhodes as an outstanding university that also embraces its reinvention, renewal and transformation in important areas have been put into place. Others remain to be put into place for ensuring the effective pursuit of institutional goals and strategies.

An emerging institutional development plan seeks to delineate overall institutional and specific academic goals; link and align student enrolment planning, academic and administrative planning and reviews, physical infrastructure planning, and the institutional resource allocation process and budget; explicate strategies for the pursuit and progressive realization of specified goals; specify mechanisms for monitoring and reviewing progress and outcomes, and identify domains of responsibility and accountability. At the same time, the institutional development plan also seeks to respond to the audit of the Higher Education Quality Committee (HEQC) and meet our requirement to formulate and submit an 'improvement plan' to the HEQC in response to its critique and various recommendations.

If the challenges are numerous and varied, they are far from insurmountable. With the necessary will, and intelligent, reasoned and democratic deliberation that befits a university, they should also be treated as opportunities for institutional innovation and the reinvention, renewal and transformation of Rhodes.

**DR M S BADAT**  
**VICE-CHANCELLOR**

18 June 2009

## **RHODES UNIVERSITY**

### **COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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The Council is responsible for the preparation, integrity and fair presentation of the financial statements of Rhodes University. The financial statements, presented on pages 27 to 52 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act, 1997 (Act No. 101 of 1997), as amended, and include amounts based on judgements and estimates made by management. The Council also prepared the other information included in the 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 will not be a "going concern" in the foreseeable future based on forecasts and available cash resources. The viability of the institution is supported by the content of the financial statements.

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

### **APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements on pages 27 to 52 were approved by the Council on 18 June 2009, and signed on its behalf by:

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JUDGE R J W JONES  
Chair: Council

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DR M S BADAT  
Vice-Chancellor

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MR N E WOOLLGAR  
Chair: Finance & General Purposes Committee

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MR R W MARRINER  
Registrar (Finance and Operations)

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE COUNCIL OF RHODES UNIVERSITY**

We have audited the consolidated annual financial statements of Rhodes University which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 52.

*Council's Responsibility for the Financial Statements*

The University's Council is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, as prescribed by the Minister of Education in the regulations in terms of the Higher Education Act 1997 (Act No. 101 of 1997). 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 includes 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 principles used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall financial statement presentation.

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

*Opinion*

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the financial position of the University as at 31 December 2008, and of its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act 1997 (Act No. 101 of 1997).

**PricewaterhouseCoopers Inc**

Director : A F Puggia  
Registered Auditor  
Port Elizabeth  
18 June 2009

C Beggs	Chief Executive Officer
F Tonelli	Chief Operating Officer
H C Staple	Director – Managing Port Elizabeth office
Resident Directors	C J Booysen, C F Lane, I Olls, A F Puggia, L J Rossouw, M J Rudman, H C Staple

The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.  
PricewaterhouseCoopers Inc is an authorised financial services provider.  
VAT reg.no. 4950174682

**RHODES UNIVERSITY**

**CONSOLIDATED BALANCE SHEET  
at 31 December 2008**

	Notes	2008 R'000	2007 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		576 041	542 240
Property, plant and equipment	1	306 246	268 495
Investments	2	255 371	263 654
Loans and receivables	3	14 424	10 091
<b>Current assets</b>		54 556	41 546
Inventories	4	4 086	4 196
Receivables and prepayments	5	33 581	21 131
Cash and cash equivalents	6	16 889	16 219
<b>Total assets</b>		<u>630 597</u>	<u>583 786</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity funds</b>		429 060	456 708
Property plant and equipment funds reserves		290 972	260 902
Council Managed Earmarked Funds		78 813	8 237
Council Directed Funds		59 275	187 569
<b>Non-current liabilities</b>		138 676	65 589
Interest-bearing borrowings	7	1 797	1 192
Retirement benefit obligations	8	136 879	64 397
<b>Current liabilities</b>		62 861	61 489
Trade and other payables	9	56 564	50 514
Leave pay accrual	10	5 528	6 886
Current portion of interest-bearing borrowings	7	769	4 089
<b>Total equity and liabilities</b>		<u>630 597</u>	<u>583 786</u>

**RHODES UNIVERSITY**  
**CONSOLIDATED INCOME STATEMENT**  
**for the year ended 31 December 2008**

		2008						2007
		Council Directed Fund Activities				Council Managed Earmarked Fund Activities		
Notes		Central operations	Accommo- dation	Endowed funds	SUB- TOTAL	TOTAL	TOTAL	
		R'000	R'000	R'000	R'000	R'000	R'000	
	<b>TOTAL INCOME</b>	<b>298 285</b>	<b>86 717</b>	<b>31 707</b>	<b>416 709</b>	<b>186 097</b>	<b>602 806</b>	<b>491 556</b>
	RECURRENT ITEMS	295 405	86 704	26 634	408 743	167 940	576 683	459 955
	State appropriations – subsidies and grants	177 559	126	-	177 685	50 654	228 339	183 069
	Tuition and other fee income	114 633	78 153	-	192 786	18 842	211 628	185 309
	Income from contracts	-	-	-	-	23 392	23 392	10 962
	Sales of goods and services	648	8 425	-	9 073	24 946	34 019	20 701
	Private gifts and grants	38	-	6 309	6 347	43 711	50 058	40 677
	Interest and dividends	292 878	86 704	6 309	385 891	161 545	547 436	440 718
11	NON-RECURRENT ITEMS	2 527	-	20 325	22 852	6 395	29 247	19 237
	(Loss)/profit on disposal of assets	2 880	13	5 073	7 966	18 157	26 123	31 601
	Realised capital profits on investments	(236)	13	-	(223)	131	(92)	180
11	Impairment of investments	-	-	11 412	11 412	-	11 412	19 174
	Other non-recurrent income	-	-	(6 366)	(6 366)	-	(6 366)	-
		3 116	-	27	3 143	18 026	21 169	12 247
	<b>TOTAL EXPENDITURE</b>	<b>296 579</b>	<b>87 617</b>	<b>13 635</b>	<b>397 831</b>	<b>127 280</b>	<b>525 111</b>	<b>453 691</b>
	RECURRENT ITEMS	294 902	86 259	13 635	394 796	126 580	521 376	448 959
	Personnel costs	107 374	-	-	107 374	23 449	130 823	119 635
12	Academic professional	100 892	25 785	50	126 727	26 627	153 354	127 316
	Other personnel	(1 358)	-	-	(1 358)	-	(1 358)	2 788
	Leave liability increase/(decrease)	206 908	25 785	50	232 743	50 076	282 819	249 739
	Other current operating expenses	68 221	57 401	13 585	139 207	69 759	208 966	172 844
13	Depreciation	19 556	3 021	-	22 577	6 745	29 322	26 163
	Finance costs	294 685	86 207	13 635	394 527	126 580	521 107	448 746
14	NON-RECURRENT ITEMS	217	52	-	269	-	269	213
	Capital expenditure expensed	1 677	1 358	-	3 035	700	3 735	4 732
		1 677	1 358	-	3 035	700	3 735	4 732
	<b>Surplus/(deficit) prior to retirement funding costs and infrastructure funding allocation</b>	<b>1 706</b>	<b>(900)</b>	<b>18 072</b>	<b>18 878</b>	<b>58 817</b>	<b>77 695</b>	<b>37 865</b>
	Retirement funding costs				(72 482)	-	(72 482)	(28 193)
	Transfer from/(to) infrastructure funding reserve				-	7 800	7 800	(10 260)
	<b>NET SURPLUS/(DEFICIT)</b>				<b>(53 604)</b>	<b>66 617</b>	<b>13 013</b>	<b>(588)</b>

**RHODES UNIVERSITY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2008**

Description	Accumulated Fund	Endowment Fund	Sub-total Council Directed Funds	Contract Fund	Sub-total Council Managed Earmarked Funds	Property, plant and equipment Fund	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1.1.2008</b>	(75 553)	263 122	187 569	8 237	8 237	260 902	456 708
Investment fair value adjustment	-	(33 019)	(33 019)	-	-	-	(33 019)
Net income – surplus/(deficit)	(71 676)	18 072	(53 604)	66 617	66 617	-	13 013
Infrastructure funding utilised	-	-	-	-	-	(7 800)	(7 800)
Funds utilised/written off	158	-	158	-	-	-	158
Transfers							
- RU Foundation – cash withdrawals	1 521	(1 521)	-	-	-	-	-
- Depreciation charge	22 577	-	22 577	6 745	6 745	(29 322)	-
- Property, plant and equipment additions	(64 406)	-	(64 406)	(2 786)	(2 786)	67 192	-
<b>Balance at 31.12.2008</b>	<b>(187 379)</b>	<b>246 654</b>	<b>59 275</b>	<b>78 813</b>	<b>78 813</b>	<b>290 972</b>	<b>429 060</b>

The Endowment Funds include the revaluation reserve of R42 269 841 (2007: R 75 288 565).

**RHODES UNIVERSITY**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2008

	Notes	2008 R'000	2007 R'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	17	68 980	27 918
Interest and dividends received		29 247	19 237
Interest paid		(269)	(213)
<i>Net cash generated from operating activities</i>		<u>97 958</u>	<u>46 942</u>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(67 192)	(59 219)
Proceeds on disposal of property, plant and equipment		27	335
Net (increase)/decrease in non-current investments		(19 690)	3 421
Net advances of student, staff and other loans		(4 223)	(2 894)
<i>Net cash utilised in investing activities</i>		<u>(91 078)</u>	<u>(58 357)</u>
<b>Cash flow from financing activities</b>			
Payments on interest-bearing borrowings		(2 715)	(612)
<i>Net cash utilised in financing activities</i>		<u>(2 715)</u>	<u>(612)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		4 165	(12 027)
Cash and cash equivalents at beginning of year		12 724	24 751
Cash and cash equivalents at end of year	6	<u>16 889</u>	<u>12 724</u>



# RHODES UNIVERSITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2008

### 1. Property, plant and equipment

	Land and buildings R'000	Furniture and equipment R'000	Computer equipment R'000	Vehicles R'000	Library, museum and art collections R'000	Total R'000
<b>Year ended</b>						
<b>31 December 2008</b>						
Opening carrying amount	239 379	24 979	1 398	2 739	-	268 495
Additions	43 421	7 371	5 220	3 449	7 731	67 192
Disposals	-	(175)	(26)	82	-	(119)
Depreciation charge	(6 488)	(8 370)	(5 321)	(1 412)	(7 731)	(29 322)
Closing carrying amount	276 312	23 805	1 271	4 858	-	306 246
<b>At 31 December 2008</b>						
Cost or valuation	309 915	101 392	41 519	13 191	86 327	552 344
Accumulated depreciation	(33 603)	(77 587)	(40 248)	(8 333)	(86 327)	(246 098)
Carrying amount	276 312	23 805	1 271	4 858	-	306 246
<b>Year ended</b>						
<b>31 December 2007</b>						
Opening carrying amount	207 690	24 526	1 072	2 306	-	235 594
Additions	37 253	8 603	4 651	1 486	7 226	59 219
Disposals	-	22	(28)	(149)	-	(155)
Depreciation charge	(5 564)	(8 172)	(4 297)	(904)	(7 226)	(26 163)
Closing carrying amount	239 379	24 979	1 398	2 739	-	268 495
<b>At 31 December 2007</b>						
Cost or valuation	266 494	95 378	40 308	9 993	78 596	490 769
Accumulated depreciation	(27 115)	(70 399)	(38 910)	(7 254)	(78 596)	(222 274)
Carrying amount	239 379	24 979	1 398	2 739	-	268 495

Details of all fixed properties are available for inspection at the University.

The finance lease liability (included in interest-bearing borrowings in note 7) is secured by vehicles with a net book value of R1 489 198 (2007 : RNil).

The additions to property, plant and equipment in the current year were funded by internal funds, except for building additions, to the value of R28 898 772 which were funded through the Department of Education's Infrastructure Grant.

<b>2. Investments</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
At market value:		
Listed shares	145 525	158 163
International market unit trust	58 608	41 579
Short term deposits	46 630	37 091
Fixed deposits	4 608	6 789
Money market negotiable certificates of deposit	-	20 032
	<u>255 371</u>	<u>263 654</u>
At cost:		
Listed shares	104 918	84 944
International market unit trusts	56 946	40 541
Short term deposits	46 630	37 091
Fixed deposits	4 608	6 789
Money market negotiable certificates of deposit	-	19 000
	<u>213 102</u>	<u>188 365</u>

Fixed deposits of R607 551 (2007 : R555 000) have been ceded as collateral security in support of housing guarantees amounting to R548 748 (2007 : R548 748). The carrying amounts of the University's international market unit trust investments are denominated primarily in the US Dollar.

The market values of certain investments within the portfolio were less than original cost at year end. This reduction below cost is considered to be of a significant or prolonged nature and therefore an impairment loss of R6 366 469 (2007 : RNil) has been charged through the income statement.

<b>3. Loans and receivables</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Student loans	18 185	14 083
Loans to employees	488	367
Other loans	44	44
	<u>18 717</u>	<u>14 494</u>
Provision for impairment	<u>(4 293)</u>	<u>(4 403)</u>
	<u>14 424</u>	<u>10 091</u>

Student loans bear interest at 13% (2007 : 10.5%) and are repayable in terms of individual contracts with students. These loan contracts are on the same terms and conditions as applied to financial aid granted under the National Student Financial Aid Scheme (NSFAS).

Secured loans to employees bear interest at 13.5% (2007 : 13.5%) and are repayable in terms of individual contracts with the employees. These loans are secured by cession of the staff member's retirement fund interests. The loans are made available exclusively for housing purposes.

Other loans are interest free with no fixed terms of repayment.

The University's historical experience in collection of these loans falls within the recorded allowances. Due to these factors, university management believes that no additional credit risk beyond amounts provided for collection losses is inherent in these loans.

<b>4. Inventories</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Stationery	421	370
Technical inventories	1 211	1 456
Cleaning material and foodstuffs	1 877	1 868
Study materials	577	502
	<u>4 086</u>	<u>4 196</u>

<b>5. Receivables and prepayments</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Student debtors	10 067	6 056
Prepayments	5 427	4 392
NRF Control Account	4 255	3 106
Department of Education	4 533	168
Other receivables	7 815	7 443
Receiver of Revenue – Value Added Tax	5 683	3 200
	<u>37 780</u>	<u>24 365</u>
Provisions for impairment	(4 199)	(3 234)
	<u>33 581</u>	<u>21 131</u>

Overdue student debt bears interest at market related rates.

The University's historical experience in collection of student debt and other receivables falls within the recorded allowances. Due to these factors, university management believes that no additional credit risk beyond amounts provided for collection losses is inherent in these receivables.

At year-end student debtors represent 4.75% (2007 : 3.25%) of total fee income.

<b>6. Cash and cash equivalents</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Cash at bank and in hand	4 989	3 275
Short term bank deposits	11 900	12 944
	<u>16 889</u>	<u>16 219</u>

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

Cash and bank balances	16 889	16 219
Bank overdraft	-	(3 495)
	<u>16 889</u>	<u>12 724</u>

<b>7. Interest-bearing borrowings</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
<b>Current portion of borrowings</b>		
Bank overdraft	-	3 494
Lease liability	257	-
Current portion of interest-bearing borrowings	<u>512</u>	<u>595</u>
	<u>769</u>	<u>4 089</u>
<b>Non-current portion of borrowings</b>		
Lease liability	1 118	-
Interest-bearing borrowings	<u>679</u>	<u>1 192</u>
	<u>1 797</u>	<u>1 192</u>
<b>Total borrowings</b>	<u><u>2 566</u></u>	<u><u>5 281</u></u>

The bank borrowings and other current borrowings are unsecured. Redemption of loans is guaranteed by the Department of Education.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Refer to note 1 for details of assets held as security.

	<b>2008</b>	<b>2007</b>
<b>Interest rates:</b>		
- lease liability	12.00%	-
- borrowings	9.40%	8.69%
<b>Maturity of interest-bearing borrowings (excluding finance lease liabilities)</b>		
Not later than 1 year	477	4 075
Later than 1 year not later than 5 years	637	894
Later than 5 years	<u>77</u>	<u>312</u>
	<u>1 191</u>	<u>5 281</u>
<b>Finance lease liabilities – minimum lease payments:</b>		
Not later than 1 year	408	-
Later than 1 year not later than 5 year	1 363	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>1 771</u>	<u>-</u>
Future finance charges on finance lease	<u>(396)</u>	<u>-</u>
Present value of finance lease liabilities for vehicles	<u><u>1 375</u></u>	<u><u>-</u></u>

**8. Retirement benefit obligations**

The University operates a defined benefit pension fund as well as two defined contribution provident funds. These funds are separately administered and managed in terms of the Pension Funds Act.

The trustees of the Rhodes University Pension Fund manage the fund on the basis of the statutory valuation, performed in terms of the Pension Funds Act, and the recommendations made by the statutory actuary. This valuation reflected a 96% (2007 : 99%) funding level at year-end.

For the purposes of the preparation of these financial statements, the retirement obligations are required to be valued in terms of IAS 19 (AC116) Employee Benefits, which is consistent with prior years. In terms of IAS19 (AC116), a different actuarial valuation method and assumptions are used compared to the statutory valuation. These valuation methods and assumptions are by nature more conservative and hence result in differences in measurement.

The University also provides post-retirement healthcare benefits to retirees employed by the institution prior to 1991. The entitlement to this benefit is based on the employee remaining in service up to retirement age and the completion of a minimum service period. This obligation is also valued in terms of IAS19 (AC116) Employee Benefits, which is consistent with prior years.

	<b>2008 R'000</b>	<b>2007 R'000</b>
Balance sheet obligations for:		
- pension benefits	92 366	25 688
- post-employment medical benefits	44 513	38 709
	<u>136 879</u>	<u>64 397</u>
Income statement charge for:		
- pension benefits	66 678	25 688
- post-employment medical benefits	5 804	2 505
	<u>72 482</u>	<u>28 193</u>

Refer to note 19 for details of the actuarial valuations prepared in terms of IAS19 (AC116) Employee Benefits.

**9. Trade and other payables**

	<b>2008 R'000</b>	<b>2007 R'000</b>
Trade and other payables	28 801	21 287
Student deposits	27 763	29 227
	<u>56 564</u>	<u>50 514</u>

**10. Leave pay accrual**

	<b>2008 R'000</b>	<b>2007 R'000</b>
Leave pay accrual	<u>5 528</u>	<u>6 886</u>

<b>11. Income from investments</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Interest income	<u>16 741</u>	<u>12 312</u>
Marketable securities:		
Dividend income	12 506	6 925
Gains on sales of marketable securities	<u>11 412</u>	<u>19 174</u>
	<u>23 918</u>	<u>26 099</u>
	<u>40 659</u>	<u>38 411</u>
<b>12. Personnel costs</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Academic professional	130 823	119 635
Other personnel	153 354	127 316
Leave liability (decrease)/increase	<u>(1 358)</u>	<u>2 788</u>
	282 819	249 739
Post-retirement benefit provisions increase		
- medical aid benefits	5 804	2 505
- pension fund deficit	<u>66 678</u>	<u>25 688</u>
	<u>355 301</u>	<u>277 932</u>
<b>13. Other operating expenses</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
The following items have been included in recurrent expenditure:		
Repairs and maintenance expenditure	10 888	7 771
Expenditure on computer equipment written off	705	1 149
<b>14. Finance costs</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Interest expense	<u>269</u>	<u>213</u>

<b>15. Commitments</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Commitments for capital expenditure		
Library expansion project	46 857	-
Other	<u>2 955</u>	<u>2 378</u>
	<u>49 812</u>	<u>2 378</u>
Commitments for operating expenditure		
General	10 694	9 791
Library	<u>1 735</u>	<u>1 386</u>
	<u>12 429</u>	<u>11 177</u>

The capital commitments at 31 December 2008 primarily relate to the library expansion project which will be funded from internal resources as well as Department of Education Infrastructure Grant. Capital expenditure commitments will be financed through funds specifically designated for the projects.

General expenditure commitments will be financed through the internal central budget funds.

## **16. Contingent liabilities**

There is a contingent liability amounting to R404 853 (2007 : R548 748) for surety guarantees given by the University to various financial institutions to assist staff to obtain housing loans.

There is a contingent liability amounting to R6.7 million (2007 : R7.6 million) for surety guarantees given by the University to assist staff to obtain motor vehicle and other loans.

<b>17. Cash generated from operations</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
Reconciliation of net surplus/(deficit) to cash generated from operations:		
Net surplus/(deficit)	13 013	(588)
Adjustments for non-cash items:		
Transfer from/(to) infrastructure funding reserve	(7 800)	10 260
Depreciation	29 322	26 163
(Loss)/profit on disposal of fixed assets	92	(180)
Profit on disposal of non-current investments	(11 412)	(19 174)
Impairment of investments	6 366	-
Decrease in provision for non-current receivables	(110)	(621)
Non-cash movement in reserves	158	(321)
(Decrease)/increase in provision for leave pay	(1 358)	2 788
Increase in post-retirement medical obligation	5 804	2 505
Increase in pension fund deficit	66 678	25 688
Interest and dividends received	(29 247)	(19 237)
Interest paid	269	213
Changes in working capital		
Receivables and prepayments	(12 450)	(2 050)
Inventories	110	(470)
Trade and other payables	9 545	2 942
Cash generated from operations	<u>68 980</u>	<u>27 918</u>

**18. Compensation paid to Executive Personnel**

The following disclosures relate to compensation paid to senior management for the year ended 31 December 2008. The amounts reflected below are based on the total cost of employment to the University (annualised for appointments made during the year) and comprise flexible remuneration packages.

	<b>Office held</b>	<b>Basic salary R'000</b>	<b>Employment benefits R'000</b>	<b>Other allowances/ payments R'000</b>	<b>Total cost to Rhodes University R'000</b>
Dr S Badat	Vice-chancellor	859	310	120	1 289
Dr S Mabizela (appointed 1 May)	Deputy Vice- Chancellor : Academic & Student	732	201	62	995
Dr P Clayton (appointed 1 April)	Deputy Vice- Chancellor: Research & Development	763	88	144	995
Mr H A Long	Registrar : Finance	852	157	72	1 081
Prof J R Duncan	Dean of Research	732	128	123	983
Dr S Fourie	Registrar	602	158	26	786

**Exceptional payments amounts – each exceeding an annual aggregate of R249 999**

The only exceptional payment exceeding R249 999 made during 2008 was a Pension Fund top-up payment of R1.5 million made to the Dean of Research upon early retirement.

Members of Council are not paid for attendance at meetings of Council and its sub-committees.



**19. Retirement benefit obligations – detailed valuation disclosures*****Pension benefits***

The pension fund is valued by independent actuaries on an annual basis using the Projected Unit Credit method. The latest actuarial valuation of the pension fund was performed on 31 December 2008 using the accounting results as at 31 December 2007 and performing a roll-forward projection to 31 December 2008.

	<b>2008</b> <b>R'000</b>	<b>2007</b> <b>R'000</b>
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of funded obligations	507 123	458 263
Fair value of plan assets	(414 757)	(432 575)
Net liability	92 366	25 688
Unrecognised surplus due to surplus apportionment legislation	-	-
Liability at balance sheet date	<u>92 366</u>	<u>25 688</u>

*The movement in the defined benefit obligation over the year is as follows:*

Beginning of the year	458 263	328 074
Current service cost	13 045	8 799
Interest cost	40 075	28 609
Employee contributions	7 314	6 881
Actuarial loss	11 521	119 284
Benefits paid	(21 382)	(31 556)
Risk premium	(1 713)	(1 828)
End of the year	<u>507 123</u>	<u>458 263</u>

<b>19. Retirement benefit obligations – detailed valuation disclosures (continued)</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
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*The movement in the fair value of plan assets over the year is as follows:*

Beginning of the year	432 575	353 303
Expected return on plan assets	42 643	33 911
Employer contributions	16 128	13 762
Employee contributions	7 314	6 881
Benefits paid	(21 382)	(31 556)
Risk premium	(1 713)	(1 828)
Actuarial (loss)/gain	(60 808)	58 102
End of the year	<u>414 757</u>	<u>432 575</u>

*Net effect of the valuation in the income statement:*

Current service costs	13 045	8 799
Employer contributions	(16 128)	(13 762)
Net actuarial loss	72 329	61 182
Interest costs	40 075	28 609
Expected return on plan assets	(42 643)	(33 911)
	<u>66 678</u>	<u>50 917</u>
Net decrease in unrecognised surplus	-	(25 229)
	<u>66 678</u>	<u>25 688</u>

The actual return on the plan assets was R18 690 269 (2007 : R92 013 000) which includes fair value adjustments of R36 881 834 (2007 : R37 505 887).

*Plan assets comprise the following:*

Equities	28%	63%
Collective investment schemes	71%	25%
Other	1%	12%
	<u>100%</u>	<u>100%</u>

The fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions, use was made of the asset split as at 31 December 2008. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implied a yield on government bonds of 7.50% per annum as at 31 December 2008. The expected long-term rate of return on equities was set at a level of 3% above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2% below the bond rate.

<b>19. Retirement benefit obligations – detailed valuation disclosures (continued)</b>	<b>2008 R'000</b>	<b>2007 R'000</b>
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***Pension benefits (continued)***

*The principal actuarial assumptions used were as follows:*

Discount rate	7.50%	8.50%
Expected return on plan assets	8.50%	9.75%
Future salary increases	5.00%	6.25%
Future pension increases	0.70%	1.64%

***Mortality rate:***

The standard mortality tables utilised to perform the valuation were SA 1956/62 (2007 : SA 1956/62) for employees during their employment and PA 90 (2007 : a(f) and m(f)) post-employment.

***History of post-retirement pension obligations***

<b>As at 31 December</b>	<b>2008 R</b>	<b>2007 R</b>	<b>2006 R</b>	<b>2005 R</b>
Fair value of plan assets	414 757	432 575	353 303	316 427
Present value of defined benefit obligation	(507 123)	(458 263)	(328 074)	(298 377)
(Surplus)/deficit	(92 366)	(25 688)	25 229	18 050
Experience adjustment gain on plan assets	(60 808)	58 102	-	30 508
Experience adjustment loss on plan liabilities	(11 521)	(119 284)	-	(28 944)

Expected employer and employee contributions to the defined benefit pension fund for the year ended 31 December 2009 are R23.039 million.

# 19. Retirement benefit obligations – detailed valuation disclosures (continued)

## *Post-employment medical benefits*

The University provides post-retirement medical benefits to certain qualifying employees in the form of continued medical aid contributions. Entitlement to this benefit is based on the employee being employed by the University prior to 1991, remaining in service up to retirement age and completing a minimum service period. This unfunded defined benefit liability in respect of this obligation is valued by independent actuaries annually using the Projected Unit Credit method. This liability was valued at 31 December 2008.

	2008 R'000	2007 R'000
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of unfunded medical benefit obligations	44 513	38 709

*The movement in the liability over the year is as follows:*

Beginning of the year	38 709	36 204
Current service cost	555	580
Interest cost	3 384	3 172
Benefits paid	(2 277)	(1 959)
Actuarial loss	4 142	712
End of the year	44 513	38 709

*The amounts recognised in the income statement are as follows:*

Current service cost	555	580
Interest cost	3 384	3 172
Benefits paid	(2 277)	(1 959)
Actuarial loss	4 142	712
Total included in personnel costs	5 804	2 505

*Membership data:*

Employed members (in service)	127	133
Retired members	247	247

*The principal actuarial assumptions used were as follows:*

Interest rate	9.00%	9.00%
Subsidy inflation rate (medical cost trend rate)	6.86%	6.34%
Net discount rate as prescribed	2.00%	2.00%

*Mortality rate:*

The standard mortality tables utilised to perform the valuation were SA 1956/62 (2007 : SA 1956/62) for employees during their employment and PA90 (2007 : PA 90) post-employment.

# 19. Retirement benefit obligations – detailed valuation disclosures (continued)

## *Post-employment medical benefits (continued)*

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	1% Increase R'000	1% Decrease R'000
Effect on the aggregate of the current service cost and interest cost	505	426
Effect on the defined benefit obligation	5 145	4 364

## *History of post-retirement medical obligation*

Present value of defined benefit obligation as at 31 December:

2008	44 513
2007	38 709
2006	36 204
2005	33 765

Experience adjustment gain/(loss) on plan liabilities:

2008	4 142
2007	712
2006	561
2005	245

The experience adjustment for 2008 is attributable to the following factors:

- lower than assumed deaths of retired members;
- lower than assumed exits of employed members; and
- higher than assumed medical subsidy inflation

Expected contributions to the defined benefit medical fund for the year ended 31 December 2009 are R2,563 million.

**20. Financial instruments by category**

The financial assets and liabilities of the University are classified as follows:

	Category	2008 R	2007 R
<b>Assets</b>			
Non-current investments	Available for sale	255 371	263 654
Non-current receivables	Loans and receivables	14 424	10 091
Receivables and prepayments	Loans and receivables	33 581	21 131
Cash and cash equivalent	Loans and receivables	16 889	16 219
		<u>320 265</u>	<u>311 095</u>
<b>Liabilities</b>			
Interest bearing borrowings	Other financial liabilities	2 566	5 281
Trade and other payables	Other financial liabilities	56 564	50 514
		<u>59 130</u>	<u>55 795</u>

The appropriate accounting policies for these financial instruments have been applied according to the categories set out above.

The fair values of the financial instruments are approximately equal to their carrying values.

**21. Financial risk management****1. Financial risk factors**

The University's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The University's overall risk management processes focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University's financial performance.

Day to day risk management is the responsibility of all the management and staff of the University and is achieved through compliance with the documented policies and procedures of the University. All such policies and procedures are approved by Council or an appropriately mandated sub-committee of council.

**(a) Market risk****(i) Foreign exchange risk**

Foreign exchange risk arises from transactions which are denominated in a currency which is not the University's functional currency. The University has no significant foreign exchange exposure and therefore no formal policy is in place to manage foreign currency risk.

The only area where the University is exposed to foreign exchange risk at balance sheet date is in the non-current investments which includes international asset swaps which are exposed to the US dollar.

**21. Financial risk management (continued)**

**ii) Price risk**

The University is exposed to equity securities price risk because of investments held by the University and classified as available-for-sale investments. The University is not exposed to commodity price risk. To manage its price risk arising from investments in equity shares, the University diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Investment Committee of the Rhodes University Foundation Trust.

At 31 December 2008, if the FTSW/JSE CPI index increases/decreases by 10% with all other variables held constant and all the University's equity instruments moved according to the historical correlation with the index, the market value of the listed equities would have been R14.552 million (2007 : R15.816 million) higher/lower. Due to the unpredictability of equity market returns, a general indicative percentage of 10% is used to highlight the changes in market value on equity investments.

**(iii) Interest rate risk**

The University is exposed to interest rate risk due to financial assets and liabilities bearing variable interest rates. Interest rate risk is managed by ensuring that the University's assets are invested in accounts which earn the best possible interest rates.

If interest rates on cash and cash equivalents had been 1.0% higher/lower during 2008, with all other variables held constant, the surplus for the year would have been R1.432 million (2007: R1.094 million) higher/lower.

**(b) Credit risk**

Potential concentrations of credit risk consist mainly of short term cash, cash equivalent investments, trade receivables and other receivables. The University places cash and cash equivalents with reputable financial institutions.

Receivables comprise outstanding student fees, student loans and a number of customers, dispersed across different industries and geographical areas. The University is exposed to credit risk arising from student receivables relating to outstanding fees. This risk is mitigated by requiring students to pay an initial instalment in respect of tuition and accommodation fees at or prior to registration, the regular monitoring of outstanding fees and the institution of debt collection action in cases of long outstanding amounts. In addition, students with outstanding balances from previous years of study are only permitted to renew their registration after either the settling of the outstanding amount or the conclusion of a formal payment arrangement. The student loans outstanding at year-end have been appropriately assessed.

Where considered appropriate, credit evaluations are performed on the financial condition of customers other than students.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability through an adequate amount of committed credit facilities and the ability to close out market positions. Council, through the Finance and General Purposes Committee, and management of the University monitor the University's liquidity on an ongoing basis.

**21. Financial risk management (continued)****(c) Liquidity risk (continued)**

The table below analyses the University's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year R</b>	<b>Between 1 and 5 years R</b>	<b>Later than 5 years R</b>
<b>At 31 December 2008</b>			
Interest-bearing borrowings	885	2 000	77
Trade and other payables	56 564	-	-
	<u>57 449</u>	<u>2 000</u>	<u>77</u>
<b>At 31 December 2007</b>			
Interest-bearing borrowings	4 075	894	312
Trade and other payables	50 514	-	-
	<u>54 589</u>	<u>894</u>	<u>312</u>

**(d) Capital risk management**

The University's objectives when managing capital are to safeguard the ability of the University to continue as a going concern and meet its stated objectives. This objective is met through careful consideration by the Council each year of the critical strategic objectives of the University.



## 1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of Preparation

The consolidated financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). They are presented in the manner required by the Minister of Education in terms of S41 of Act 101 of 1997 (as amended). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities.

The preparation of financial statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are employee benefits and impairment of receivables.

#### *a) Interpretations to existing standards effective in 2008 but that are not relevant*

The following interpretations to published standards were mandatory for the University's accounting period beginning 1 January 2008 but were not relevant to its operations:

- IFRIC 11 (AC 444) – IFRS 2(AC 139) – Group and Treasury Share Transactions; IFRIC 12 (AC 445) - Service Concession Arrangements; and
- IFRIC 14 (AC 447) - IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

#### *b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the University*

The following standards, amendments and interpretations to published standards have been published and are mandatory for the University's accounting periods beginning on or after 1 January 2009. These standards have not been early adopted.

- IAS 23 (AC 114) - 'Borrowing costs - Revised'. This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This standard is currently not applicable as the University does not have any qualifying assets.
- IAS 1 (AC 101) - 'Presentation of financial statements - Revised'. The revised IAS 1 (AC 101) requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a university's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

#### *c) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the University's operations*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the University's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the University's operations:

- IFRS 8 (AC 145) - Operating Segments (effective 1 January 2009);
- IAS 27 (AC 132) - Consolidated and Separate Financial Statements – Revised (effective 1 July 2009);

## 1. Accounting policies (continued)

### 1.1 Basis of preparation (continued)

*c) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the University's operations (continued)*

- IFRS 3 (AC 140) - Business combinations – Revised (effective 1 July 2009)
- IFRS 2 (AC 139) (Amendment) - Share-Based Payment: Vesting Conditions and Cancellations (effective 1 January 2009);
- Amendment to IAS 32 (AC 125) - Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009);
- Amendments to IFRS 1 (AC 138) and IAS 27 (AC 132) - Amendments to IFRS 1 (AC 138) First-Time Adoption of International Financial Reporting Standards and
- IAS 27 (AC 132) Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009);
- IFRIC 13 (AC 446) - Customer Loyalty Programmes (effective 1 July 2009);
- IFRIC 15 (AC 448) - Agreements for the construction of real estate (effective 1 January 2009); and
- IFRIC 16 (AC 449) - Hedges of a net investment in a foreign operation (effective 1 October 2008).

### 1.2 Consolidation

Subsidiary entities are those entities over which Rhodes University has the power, directly or indirectly, to exercise control. All subsidiaries are consolidated, except if control is expected to be temporary, or if there are long term restrictions on the transferability of funds. Subsidiaries are consolidated from the date on which effective control is transferred to Rhodes University and they are de-consolidated from the date that control ceases. All inter-entity transactions, balances and unrealised surpluses and deficits are eliminated.

The following entities are included in the consolidated financial statements of Rhodes University:

- Rhodes University Foundation.
- David Rabkin Project for Experiential Journalism Training (Pty) Ltd (trading as Grocotts Mail)

### 1.3 Income recognition

State subsidy for general purposes is recognised as income in the financial year to which the subsidy relates. Subsidies for specific purposes, such as capital expenditure, are brought into the appropriate fund at the time they are available to finance the expenditure for the purpose provided.

Income received for designated specific purposes will arise from contracts, grants, donations and income on specifically purposed endowments. In all cases any such income is recognised in the financial period in which the institution becomes entitled to the use of those funds.

Funds in the possession of the University that it cannot use until some specified future period or occurrence, are held in an appropriate fund until the financial period in which the funds can be used, at which time the amount is recognised as income. Until that time the amount is appropriately grouped in one of the funds comprising equity.

Tuition fees are brought into income in the period to which they relate. To the extent that this income may not be realised, provision is made for the estimated unrealisable amount. Deposits provided by prospective students are treated as current liabilities until the amount is billed as due to the institution.

### **1.3 *Income recognition (continued)***

Income is shown net of value-added taxes, returns, rebates and discounts.

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

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

Interest, dividends and other income on assets representing endowment and trust funds are credited directly to the respective funds and are transferred to income only in terms of legal and other appropriate conditions relating to the respective funds.

### **1.4 *Foreign currencies***

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement in the year in which they arise. Such balances are translated at year-end exchange rates.

### **1.5 *Financial Instruments***

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

The carrying amounts for the following financial instruments approximate their fair value: cash and bank balances, investments, receivables, trade creditors and borrowings.

### **1.6 *Investments***

Investments are initially recognised at cost. Investments are revalued annually at the close of business on 31 December by reference to Stock Exchange or similar quoted prices. The market value approximates fair value. Revaluation surpluses and deficits are taken to a revaluation reserve.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other financial instrument categories. They are classified as non-current unless management intends to dispose of the investment within 12 months of balance sheet date. Adjustments to the fair value of available-for-sale investments are recognised in a revaluation reserve until such time as an investment is sold, in which case the resultant gains and losses are recognised in the income statement.

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the University commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs and they are derecognised when the rights to receive cash flows from investments have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership. Investments are subsequently carried at fair value.

### **1.6 Investments (continued)**

The University assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulated loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### **1.7 Property, plant and equipment**

All property, plant and equipment is stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Donated property, plant and equipment is recorded at fair value at the date of the donation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. The carrying amount of the related asset is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The estimated useful lives are:

Buildings	50 years
Furniture and equipment	6 to 10 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Library books and periodicals are written off in the year of acquisition.

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

Assets which individually cost less than R5 000 are not capitalised, but are expensed in the year of acquisition. Assets which individually cost between R5 000 and R15 000 are capitalised and written off in full in the year of acquisition.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

### **1.8 Impairment of non-financial assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **1.9 Accounting for leases**

Leases of property, plant and equipment where the University assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated fair value of the leased assets, or, if lower, the present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the assets.

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### **1.10 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method.

### **1.11 Loans and receivables**

Loans and receivables comprise student loans, staff loans and other loans. They are included in current assets, except for maturities greater than 12 months after balance sheet date. These are classified as non-current assets.

Receivables and prepayments comprise student debtors, prepayments, other receivables and VAT receivable.

Trade and student receivables are carried at anticipated realisable value. An estimate is made and is provided for any receivables that are likely to be irrecoverable, based on a review of all outstanding amounts at the year-end. Actual bad debts are written off during the year in which they are identified.

### **1.12 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in short-term money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

### **1.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **1.14 Trade and other payables**

Trade and other payables are carried at the fair value of the consideration to be paid for goods and services that have been received or supplied and invoiced or formally agreed with the supplier.

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Other liabilities are stated at original debt, less principal repayments and amortisations. Other liabilities are classified as current unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **1.15 Provisions**

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

#### **1.16 Pension obligations**

The University operates a defined benefit pension plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the University.

The pension obligation is measured, as required by IAS19 (AC116) Employee Benefits, as the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised immediately in the year in which they arise.

The University also operates two defined contribution provident plans. The University's contributions to these plans are charged to income as incurred.

#### **1.17 Other post-retirement benefit obligations**

The University provides post-retirement healthcare benefits to retirees employed by the institution prior to 1991. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out annually by independent actuaries. All actuarial gains and losses are recognised immediately in the year in which they arise.

#### **1.18 Research costs**

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