

RHODES UNIVERSITY

**ANNUAL REPORTS
AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2010**

RHODES UNIVERSITY

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RHODES UNIVERSITY

DETAILS OF OFFICERS AND MEMBERS OF COUNCIL as at 31 December 2010

Officers of the University

Chancellor: Professor G Jakes Gerwel
Principal and Vice-Chancellor: Dr M Saleem Badat
Deputy Vice-Chancellor – Academic and Student Affairs: Dr Sizwe Mabizela
Deputy Vice-Chancellor – Research and Development: Dr Peter Clayton
Chairman of Council: The Hon Mr Justice R J W Jones
Registrar: Dr Stephen Fourie

Council

The Vice-Chancellor – Dr M S Badat (1,3)
Chairman of Council: The Hon Mr Justice R J W Jones (1,3)
The Deputy Vice-Chancellor – Academic and Student Affairs: Dr S Mabizela (1)
The Deputy Vice-Chancellor – Research and Development: Dr P Clayton (1)

Appointed by the Minister of Education

Ms N Pityana
The Hon Mr Judge President C M Somyalo
Dr T R Terblanche (3)
Mr A Zinn
(Vacant)

Elected by Senate

Professor R T F Bernard (1)
Professor F T Hendricks
Professor D A Sewry
Professor A C M Webb (1)

Elected by the academic staff

Mr TL Amos

Elected by the administrative/support staff

Mr S Mzangwa
Ms N Ripley

Appointed by the Makana Municipality

Clr N Gaga
Clr R Madinda

Elected by the Board of Governors

Dr B S Rayner (1,2,3)

Appointed by Council

Ms W Bischoff
The Hon Mr Justice RJW Jones (1,3)
Mr C Meyer (1,2)
Ms M Schoeman
Dr N Stubbs
Mr N E Woollgar (1,3)

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DETAILS OF OFFICERS AND MEMBERS OF COUNCIL as at 31 December 2010 (continued)

Co-opted Members

The Hon Mr Judge C Plasket (1)
Mr A B Steele-Gray
Mr T S Tagg (1,2)
Bishop EM Ntlali

Appointed by the Students' Representative Council

Mr E Ofei (to end of third term)
Mr A Magubane (from fourth term)
Ms C du Preez

Secretary (in attendance)

Dr S Fourie

- 1 Member of the Finance and General Purposes Committee
- 2 Member of the Audit Committee
- 3 Member of the Remuneration Committee

RHODES UNIVERSITY

REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2010

This report addresses matters of governance, and it records the developments and achievements which constitute progress by the University towards the attainment of the goals articulated in its Vision and Mission Statements. Council is confident that the University is well managed, that it offers its students a high quality educational experience and that it contributes to the country's research output in a way which is positively disproportionate to its position as the smallest of all South African higher education institutions.

The Council

The Council met four times during the course of 2010. Apart from the changes in student membership due to the annual Student Representative Council elections, the membership of Council was stable in 2010.

The composition of the Council at the end of 2010 is appended to this report. Attendance at Council meetings was generally good, the overall attendance of 74% was up from 69% in previous years.

Summary of attendance:

Attended 4 out of 4 meetings: Dr S Badat, Mr A Zinn, Professor R Bernard, Professor A Webb, Professor F Hendricks, Mr T Amos, Ms C du Preez, Ms M Schoeman and Mr B Steele-Gray.
Attended 3 out of 4: Dr S Mabizela, Dr T Terblanche, Professor D Sewry, Dr B Rayner, Judge J Jones, Mr C Meyer and Mr T Tagg.

Attended 2 out of 4: Ms N Pityana Judge C Somyalo, Ms N Ripley, Dr N Stubbs and Judge C Plasket.

Attended 1 out of 4: Mr S Mzangwa, Clr N Gaga, Clr R Madinga, Ms W Bischoff and Bishop E Ntlatli.

Attended 2 out of 3: Mr E Ofei.

Attended 1 out of 1: Mr A Magubane.

Council sub-committees

The Council sub-committees are mandated to attend to issues 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 issue of succession planning in relation to Council appointments has been prioritised. There were no matters on the agendas of these committees that were not resolved at the year end.

The Executive Committee seldom meets unless mandated to act on behalf of Council. In these instances all members of the committee are consulted. Attendance at the Finance & General Purposes Committee, the largest of the sub-committees, is good (overall 77% down from 82% in 2009) as is attendance at the Audit and Remuneration committees. The roles played by these committees are dealt with in greater detail by the Council's Report on Governance.

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REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2010 (continued)

Matters of significance considered by the Council

- Council approved the allocation of the net surplus for 2009 of R5.742 million to the infrastructure reserve funds;
- Council approved the award of a tender for the upgrade of the Kimberly Dining Hall to the value of R13.3 million;
- Supported the establishment of a Rhodes University Green Fund;
- Supported the Senate decision to remove portraits from the Council Chamber in a move to address issues of institutional culture;
- Noted the analysis of short courses offered by Rhodes University;
- Approved the replacement of the telephony infrastructure at the institution;
- Approved a policy for the Leave of Absence of students;
- Approved a Student Admissions Policy;
- Dissolved the Rhodes University 1970 Foundation Trust;
- Approved the resurfacing of the hockey Astroturf surface with funding of R4.5 million from the Lotteries Distribution Trust Fund;
- Approved a Staff Disability Policy;
- Approved a Staff Development Policy;
- Approved a balanced budget for 2011;
- Approved a new programme in Higher Education Studies;
- Amended the Rhodes University Institutional HIV and Aids Policy; and
- Approved revised Institutional Rules.

Significant awards to staff and students

- Professor Tebello Nyokong was awarded an Honorary Doctorate from UNISA and received the Lifetime Achievement Award in the first ever Vodacom-Lesotho Hall of Fame awards;
- Professor Fred Ellery was awarded life-long membership of International Mire Conservation Group;
- Dr Lee-Ann McKinnell was appointed to the inaugural Board of the SA National Space Agency (SANSA);
- Dr Chris Kelly received the Joseph B Slowinski Award for excellence in snake systematics for 2010;
- Professor Pat Terry received the 2010 Pioneer in Computer Science and Information Technology Award, presented by the South African Institute for Computer Scientists and Information Technologists (SAICSIT);
- Dr Kenneth Ngcoza received the Rotary Grahamstown Citizen of the Year award;
- Rhodes Scholarships to Oxford were awarded to Christopher McConnachie and Clive Eley;
- The Vice-Chancellor's Senior Distinguished Research Award for 2010 was awarded to Professor Alan Hodgson in the Department of Zoology and Entomology;
- The Vice-Chancellor's Distinguished Research Award for 2010 was awarded to Professor Janice Limson in the Department of Biochemistry, Microbiology and Biotechnology;
- The Vice-Chancellor's Book Award for 2010 was awarded to Dr Anton Krueger in the Drama Department for *Experiments in Freedom: Explorations of Identity in New South African Drama* (Cambridge, 2010);
- The Vice-Chancellor's Senior Teaching Award for 2010 was awarded to Dr James Gambiza in the Department of Environmental Science;
- The Vice-Chancellor's Teaching Award for 2010 was awarded to Ms Juanita Finestone Praeg in the Drama Department;
- The Vice-Chancellor's Community Engagement Award for 2010 was awarded to Mr Mandla Gagayi in the Sports Administration Department;
- Membership of the Academy of Science of South Africa was awarded to Professors Catriona Macleod of Psychology and Charlie Shackleton of Environmental Science.

RHODES UNIVERSITY

REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2010 (continued)

Financial viability

As indicated in the Annual Financial Review, 2010 was a successful financial year for the institution, contributing to a further increase in the already viable financial state of the University.

Staff development and equity in 2010.

During the course of 2010, a total of 50 Rhodes staff acquired further qualifications, five of these PhDs and eight Masters degrees. Twenty four staff acquired certificates in student assessment, a professional development course run by the Centre for Higher Education Teaching and Learning that is aimed at improving the assessment of learners. Assisting staff to complete their PhDs remains a priority focus and an additional leave facility is provided as a result of Mellon Foundation funds (for those in the Humanities Faculty) and Claude Leon Foundation funds (for those in the Science Faculty).

The accelerated development programme for academics, aimed at developing talented young academics from designated groups, has continued. Funding from the Kresge Foundation of USD 932 000 has provided for a further eight three-year posts in the programme and to date staff have been placed in History, Information Systems, English, Computer Science and Organisational Psychology. Further placement possibilities are also being explored in Mathematics, Biochemistry, HKE and Botany. A past investment by the Mellon Foundation will yield a further three posts during 2011 due to savings and money earned on this investment. Discussions with HoDs are currently underway to explore possible placements. Two staff currently completing the programme will be permanently employed in the near future, an indian female in Law and black male in Entomology.

The Human Resources Division continues to run in-house office administration and computer literacy courses, an ABET literacy and numeracy course, and a grade 12 school course, which is also open to the Grahamstown community. In 2010, four Rhodes staff completed their NQF level 1 qualification which is equivalent to grade 9. A further three completed their grade 12 studies. Funding continues to be provided for staff wanting to study qualifications at other institutions and remission of fees is available for those studying at Rhodes University.

An expanded support staff internship programme continued in 2010. This programme aims to provide young graduates or grade 12 learners with the necessary work experience to secure employment. Placements have taken place in areas such as Food Services, Marketing and Communications, Finances, Human Resources, Research Office, and a range of academic departments such as Journalism. Approximately 70% of these individuals go on to be employed at Rhodes. Some departments are starting to integrate this programme with their employment equity plans in order to provide a necessary pipeline of future staff from designated groups. The graduate internship programme started in 2010 has already been expanded in 2011.

A focus on employment equity in 2010 resulted in a variety of initiatives. Firstly, each department and division was required to devise its own employment equity plan. These were collated into Faculty and Divisional profiles and ultimately an institutional profile for the next five years. This has allowed the institution to be fully compliant with the requirements of the Department of Labour. Secondly, a variety of recruitment and selection policies were approved (academic, support, wardens and sub-wardens, temporary support staff) to ensure a more focused drive on achieving employment equity targets. Training took place in 2010 for Chairs of the variety of Selection Committees. Thirdly, the investment in a new human resource information system, which was implemented from 1 November 2010, has resulted in better tracking and reporting of employment equity statistics. Lastly, the Staffing Committee agreed to the creation of the post of Director: Equity and Institutional Culture, which has been filled since 1 May 2011. The institutional imbizo in 2011 will also include a focus on equity issues. The issue of institutional culture is dealt with in greater detail in the Vice-Chancellor's Report.

RHODES UNIVERSITY

REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2010 (continued)

As per the employment equity report of September 2010, the institutional profile is 24% black and 41% women at the top and senior management levels, 13% black and 42% women at the professionally qualified and mid management level, 37% black and 60% women at the skilled technical, junior management and supervisory levels. The low number of black academics remains an issue of great concern to the institution.

Composition of the student body

Student numbers totalled 7 222 in 2010 (up from 6 967 in 2009). The details thereof are contained in the report of the Chairperson of Senate. The growth in numbers, particularly in first time entering undergraduate students, was greater than anticipated or planned. Part of the reason for this was the increase in the number of students qualifying to take degree studies in this first cohort of students who left the schooling system with a National Senior Certificate. Steps taken in 2010 and subsequent years are intended to re-align student numbers with those outlined by the enrolment plan established in consultation with the Department of Education. The growth in the number of black South African students has continued and the University continues to achieve graduation success rates which are among the highest in South Africa. These achievements are further detailed in the Senate and the Vice-Chancellor's Reports.

Research

The research activities are dealt with in detail in the report of the Chairperson of Senate. The University continues to function as a research-intensive institution with an enviable research publication record for the smallest public university in South Africa.

Campus infrastructure

Three new student residences were completed at the end of 2010. The completion of these residences marks the end of the "catch-up" phase of the development of student accommodation for undergraduates in that sufficient accommodation is now available on campus for undergraduate students. In future, attention will be focussed on the provision of suitable and appropriate postgraduate accommodation.

The new library was completed towards the end of 2010. This state-of-the-art academic library is a much needed addition which has been accepted enthusiastically by staff and students alike.

An Environmental Education Learning Centre was built with external funding and opened during the year under review. Infrastructural and campus development plans are further outlined in the Vice-Chancellor's Report.

Prominent events on campus

- Graduation: Five graduation ceremonies took place at which honorary doctorates were awarded to Gordon Cragg, Marlene Dumas, Abdullah Ibrahim and Kathleen Satchwell.
- Convocation and Founders' Day: Convocation was well supported by alumni and prestigious Old Rhodian Awards were presented to Prof Jennifer Thomson, Adrian Arnott and Pearce Rood.
- The opening of the new library building by the Minister of Higher Education and Training, Dr Blade Nzimande, was well attended and widely reported in the press.

Student services

The Dean of Students Division offers a wide variety of services to students in order to provide non-academic support, enhance overall student wellbeing, and to provide students with opportunities to participate in sporting and cultural activities. The Office is also responsible for ensuring that the Residence system functions well and provides a pleasant environment conducive to learning.

Awareness-raising & transformation

The Dean of Students Division also promoted transformation through policy development and implementation as well as practical initiatives focussing on education and advocacy. The office offered support to victims of harassment and discrimination and maintained a critical incidents database. Among these initiatives were a number of successful awareness-raising weeks, including House Committee Leadership Training (Jan/Feb), Orientation Week (Feb), Anti Alcohol Abuse Week (Feb), Human Rights Week (March), Anti Sex & Gender based violence Week (April/May), LGBTi Pride Week (May), Africa Week (May), Women's Week (Aug), HIV/AIDS Awareness Week (Aug) and Constitution Week (Sept). The campaign against Sexual Violence was a huge success, with over 1 000 students participating for the full day. The Dean of Students' Alcohol-free challenge was enhanced through a successful Dean of Students Variety Show, and an on-line usage survey, in which students were supplied with personalised feedback on their own drinking habits. An attractive centre on campus for students to relax after hours, as an alternative to going to bars in town, is now being considered by the University's Infrastructure Committee,

Owing to the growing difficulties experienced by many of our indigent students who are on financial aid but have no spare money at all, The Dean of Students Pocket Money Fund was launched, and the Division was able to use the money (from monthly staff donations) to assist 85 very needy students with R100 pocket money for 10 months of the year.

Students with disabilities

The Division continues to act as a champion for the rights and needs of students with Disabilities within the institution. A grant from the Ford Foundation has enabled the purchase of technically advanced computers and software to assist sight- and hearing-disabled students. These are housed in the Library. Part-time staff assistance has been secured, to ensure a rapid response to the needs and requests of disabled students.

Health Care Centre

The Health Care Centre introduced several new strategies in order to improve service delivery. These include an appointment system, having a sister on call during the lunch hour, and improved after-hours crisis support. During 2010 the Centre helped 8 338 students (61% in residence) and 2 156 staff. VCT testing and counselling was provided to 382 individuals, and the provision on campus of HRTs and other HIV-AIDS related services was streamlined.

Counselling Centre

The Counselling Centre continued to provide individual student counselling and crisis intervention. A total of 3 281 individual counselling sessions were held in 2010 to 1 311 students. In addition, 36 career assessments were provided. Five new interns were trained in 173 supervision sessions, and the 24-hour crisis line available for students was utilised 69 times. In keeping with the move toward operating on a wellness based model, the Centre also developed its programme of training and placing wellness leaders in the residences. Various group sessions were held in order to deal with the common problems faced by students and in an effort to give students support and coping skills to deal with a variety of challenges, such as study skills, stress management, bereavement, depression, and rape.

RHODES UNIVERSITY

REPORT OF CHAIR OF COUNCIL FOR THE YEAR ENDED 31 December 2010 (continued)

Sport

Inter-residence sport saw an increase in participation levels when Rhodes participated in an enjoyable intervarsity weekend at NMMU, where our students came second overall, benefitting hugely from the competitive experience. Student leadership is to be commended on their successful efforts to counteract the growing tendency for instances of misconduct at Intervarsity. Rhodes also participated in various national USSA tournaments and hosted the annual soccer tournament. A bid to secure Lotto funding was successful and R4.5 million was secured in order to upgrade various sporting facilities at Rhodes. Sports Administration has begun engaging in long-term plans to secure shared usage of the Albany Sports Fields in anticipation of the growth of the University. An Indoor Sports Centre is also being investigated by the Infrastructure Planning Committee.

Careers

The Career Centre hosted a successful Graduate Recruitment Programme in 2010 which saw new companies signing up to do recruitment activities at Rhodes. The Centre collaborated again with the Law Faculty in hosting a Law Market Day. Individual career counselling sessions are also offered at the Centre, and there is close collaboration with the Counselling Centre when career assessments are needed.

Student leadership development

The Rhodes slogan of 'Where leaders learn' becomes a lived reality through the initiatives and operations of the Dean of Students Division. The Division organised several training programmes to support student leadership, including the training of all subwardens and House Committees, prior to Orientation Week, and mandatory training for all committees of Sports Clubs and Societies. In addition, the "Top 100" Awards Ceremony was held in collaboration with the Oppidan Press, and serve to recognise inspiring student role-models in a range of fields.

Residential system

The results of the annual Residence "Quality of Life Survey" were widely disseminated and discussed. Several Wardens Discussions on a range of relevant topics were well attended. The nine Hall Administrators positions were upgraded so that Hall Wardens could be provided with more support, and all incumbents underwent rigorous training over three months. A new project to provide mentoring support to Oppidan students was agreed on, and mentors for 2011 were recruited and trained in 2010.

Conclusion

Good student success rates, a highly productive research capability, ongoing attention to institutional culture, infrastructure development, inter alia, have all contributed to realising the goals of the University as set out in its vision and mission statements.



JUDGE R J W JONES
CHAIR OF COUNCIL

23 June 2011

Introduction

2010 began with students returning from the summer holidays and the campus once again abuzz with their energy, chatter and laughter. Our returning students were joined by some 1 442 new undergraduate students, excited and impressed by what they saw around them – welcoming and friendly staff, lovely old buildings, impressive facilities, comfortable residences, picturesque gardens and lawns, and a quaint town.

The 1 442 first years were selected from almost 5 900 students who applied to attend Rhodes - 4 600 local students and 1 300 international students. In total some 7 222 students made up the Rhodes 2010 student body; 1 903 students or 26% were postgraduate students. As our postgraduates are outstanding students this means our undergraduates have excellent tutors and role-models who can inspire them to also undertake postgraduate studies. 59% of students were women. 58% were black and 40% were black South African. Whereas black South Africans constituted 31% (1 854) of total enrolments in 2006 (5 914), in 2010 they constituted 40% (2900) of total enrolments. Black South Africans made up 31% of new entrants in 2006 and 41% of new entrants in 2010. Tables simplifying this information and demonstrating current trends appear in the Report of Senate.

1 in 5 of our students (21%) was an international student, from over 40 countries around the world. The concomitant national, linguistic and cultural diversity makes Rhodes an exciting and cosmopolitan place, and enriches its institutional culture and life. Local students rub shoulders with Zimbabwean, Namibian, Zambian, Ugandan, Kenyan, Mauritian, Ghanaian, Cameroonian, Canadian, American, British, Irish, French, Dutch, German, Turkish, Chinese and Indian students, and many others.

First year students spent an exciting and illuminating Orientation Week, which is a key mechanism of their induction into Rhodes University. While they begin to get a feel for Rhodes and know that they will spend a wonderful three or more years with us, initially they have little understanding of what a *university* is and the full meaning of *Rhodes University*, the institution that they have chosen to attend.

Purposes

The Vice-Chancellor's welcome of new students and parents at the Monument seeks to clarify that Rhodes University exists to serve three fundamental purposes. The first is to *produce knowledge*, so that we can advance the understanding of our natural and social worlds and enrich our accumulated scientific and cultural heritage. This means that we "test the inherited knowledge of earlier generations", we dismantle the mumbo jumbo that masquerades for knowledge, we "reinvigorate" knowledge and we share our findings with others. We undertake research into the most arcane and abstract issues and the "most theoretical and intractable uncertainties of knowledge". At the same time we also strive to apply our discoveries for the benefit of humankind. We "operate on both the short and the long horizon". On the one hand, we grapple with urgent and "contemporary problems" and seek solutions to these. On the other hand, we "forage" into issues and undertake enquiries "that may not appear immediately relevant to others, but have the proven potential to yield great future benefit".

Above all, we ask *questions*. We don't immediately worry about the right answer or solution. Instead, we worry *first* about the right *question* or the better question. It is as Einstein has said: "If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the proper question to ask, for once I know the proper question, I could solve the problem in less than five minutes." Well maybe not always in 5 minutes. But what is true is that it is the right questions, the proper questions, that lead to the great leaps in knowledge and science, to the great discoveries and innovations.

As a university our second purpose is to *disseminate knowledge* and to cultivate minds. Our goal is to ensure that our students can think imaginatively, “effectively and critically”; that they “achieve depth in some field of knowledge”; that they can critique and construct alternatives, that they can communicate cogently, orally and in writing, and that they have a “critical appreciation of the ways in which we gain knowledge and understanding of the universe, of society, and of ourselves”. At the same time, we also seek that our students should have “a broad knowledge of other cultures and other times”; should be “able to make decisions based on reference to the wider world and to the historical forces that have shaped it”, and that they should have “some understanding of and experience in thinking systematically about moral and ethical problems”.

Our final purpose as a university is to undertake *community engagement*. On the one hand this involves our students' voluntary participation in community projects undertaken through our Community Engagement office. On the other hand, it involves service-learning, in which through academic courses our students and academics take part “in activities where both the community” and we benefit, “and where the goals are to provide a *service* to the community and, equally, to enhance our *learning* through rendering this service”.

In short, students come to Rhodes University to embark on a voyage centred on the pursuit, making and sharing of knowledge. This is why we refer to Rhodes as *indawo yolwazi* - a place of knowledge. This journey is at the same time also a voyage of self-discovery. The time our students spend at Rhodes is an opportunity for them to discover who they are. It is said that ‘you are who you are’. That’s not true. You are who you *learn* to become. At Rhodes University we seek to support our students to learn, and to learn to become.

William Butler Yeats, the great Irish poet and winner in 1923 of the Nobel Prize for literature has written: “Education is not the filling of a pail, but the lighting of a fire”. The idea of education as the igniting of the intellect and of the desire to question, to learn, and to discover is one that we at Rhodes strongly embrace.

However, the fire that higher education must light cannot be satisfied with imparting only technical and vocational skills or simply preparing students for the labour market and the economy. To reduce higher education to simply producing competent accountants, pharmacists, scientists, lawyers and educators is to devalue and strip it of its considerably wider social value and functions. Higher education is also intimately connected to the idea of democratic and critical citizenship, the assertion and pursuit of social and human rights and the cultivation of humanity. We seek our graduates to be not just capable professionals, but also thoughtful, sensitive and critical intellectuals and citizens – people who think about ethical issues, and questions of justice, equity, human rights, and the common good. Our teaching, research, and community engagement therefore seek to be alive to the social, economic as well as moral challenges of our local, national, African and international contexts.

As students begin their higher education at Rhodes they are reminded that South Africa continues to be one of the most unequal societies on earth in terms of disparities in wealth, income, opportunities, and living conditions. The divisions of race, class, gender and geography and the privileges and disadvantage associated with these are still all too evident – not least in the town in which Rhodes is located. Hunger and disease, poverty and unemployment, continue to blight our democracy. Millions of South Africans are mired in desperate daily routines of survival on less than R10 a day. Patriarchy and sexism stifle the realisation of the talent of girls and women and the contribution they can make to the development of our society. Crime, rape and abuse of women are pervasive, morbid ills that wreak havoc in our country.

It is for good reason that the Rhodes University slogan is ‘Where Leaders Learn’. This expresses our commitment to produce outstanding people and leaders, who are not only knowledgeable, wise and visionary, but also ethical and compassionate. As the Indian Nobel laureate Rabindranath Tagore has put it: “We may become powerful by knowledge, but we attain fullness by sympathy”.

Developments

Academic qualities

With 7 222 students in 2010, Rhodes continues to be the smallest university in South Africa. It takes great pride in its academic reputation and is well-known for its academic excellence and producing high-quality graduates. Among South African universities, Rhodes has a very favourable academic staff to student ratio, which means that students are guaranteed easy access to academics and close supervision. It enjoys the distinction of having among the best undergraduate pass rates and graduation rates in South Africa, and outstanding postgraduate success rates. This is testimony to the quality of academic provision, and to the commitment of Rhodes staff to student learning, development and success.

Fifty percent of Rhodes academics have doctoral degrees, the highest proportion among South African universities. It also enjoys among the best research output per academic staff member of any university in South Africa, which means that students learn among and with academics who are leaders in their fields and disciplines.

Rhodes remains one of the very few universities that permit students a wide choice of combinations of courses and majors. It is not unheard of that students major in English and Physics, Music and Computer Science, and Chemistry and Accounting. It is also not unknown that some students who proceed to Honours face the dilemma of deciding whether to do Honours in English or Physics. While some may think these are outlandish combinations, we at Rhodes are proud to be able to offer students the opportunity combine such courses. Increasingly, great discoveries and innovations are at the boundaries of disciplines and fields.

Recruitment and access

We remain an institution of first choice for many students and can be highly satisfied with our recruitment in recent years, especially the expansion of access to black South Africans.

We have reviewed our Extended Studies Programme and have agreed the Programme expresses our commitment to further enhancing access for students from rural poor and working class social backgrounds.

Support and success

We have maintained our status of possessing among the best pass rates and graduations rates among South African universities. However, our pass rates have declined marginally, an issue to which we will give attention. We also have to address whether we are providing effective support to all our students, and especially black South African students who are from schools other than private and ex-Model C schools.

Even though the study conducted a few years ago by the Department of Education indicates that we have the lowest drop-out rate among South African universities, we are still to pinpoint the reasons for drop-outs. Furthermore, we may also need to look at time to completion of Masters and Doctoral students and interrogate whether we have the appropriate institutional arrangements in place to cater for and enhance the experiences of and effectively support Masters and Doctoral students.

Three years in succession and in seven out of the past nine years, the prestigious Flanagan scholarship that is awarded to a South African woman, and which allows her to undertake postgraduate study anywhere in the world, has gone to a Rhodes student. Two students won Rhodes scholarships to study at Oxford University in 2010 and Rhodes continues to have one of the best track records for the winning of Rhodes scholarships.

We have also begun to exercise our dominance over the prestigious new Mandela Rhodes scholarships awarded for postgraduate study at South African universities. In 2009, four out of the 28 Mandela Rhodes scholarships were awarded to Rhodes University students, the largest number awarded to a single university. Thus, although we made up only 0.8% of the total national student body, we won 14% of all Mandela Rhodes scholarships. All four chose to continue their postgraduate studies at Rhodes. In 2010 we had three of our own Mandela Rhodes scholars with us.

RHODES UNIVERSITY

REPORT OF THE VICE-CHANCELLOR (continued)

In 2010 Rhodes received a fourth prestigious Chair in Astronomy to complement its existing three South African Research Chairs in Medicinal Chemistry, Marine Science and Mathematics Education. The University will continue to pursue the establishment of further chairs and niche research groups in areas of academic excellence.

We continue to energetically pursue academic and scientific relationships with select universities in various parts of the world and have begun to do so especially in India and China in areas of mutual interest and benefit.

Community engagement

The purposes, goals and role of Community Engagement (including service-learning) have been usefully clarified, additional staff, funds and space have been devoted to CE, and by and large CE has grown from strength to strength. We were unfortunate to lose a very capable first CE Director (a new upgraded post) and the current director has indicated her wish to pursue more academic interests. This could provide the opportunity to consider again our needs and the kind of post/person we require.

Institutional environment and culture

Rhodes is committed to becoming a home for all, and to respecting Constitutional values and ideals, including respect for difference and diversity. We have agreed to create the post of Director: Equity and Institutional Culture. A decision was taken to remove the current portraits in the University Council chamber and to establish a working group to advise on visual representation at Rhodes. There is still much work to be done to improve the equity profile of academic and administrative staff bodies, and to continue to develop and implement strategies in this regard.

New and revised policies

The following policies were developed (either newly introduced or updated) in 2010:

NEW POLICIES/Frameworks	DATE	REVISED POLICIES/Frameworks	DATE
Employment of Temporary Support Staff Policy	2010	Community Engagement Policy	2010
Staff Disability Policy	2010	Recruitment & Selection Policy for Hall & House Wardens	2010
Student Admissions Policy	2010	Recruitment & Selection Policy for Sub-wardens	2010
		Short Courses Policy	May 2010
		Staff Development Policy	2010

Infrastructure

In 2010 our students and academics and, indeed, the residents of Grahamstown, became the beneficiaries of a spectacular new four-storey library. Opened by the Minister of Higher Education and Training, Dr Blade Nzimande, in November 2010, the new library possesses every facility essential for cutting-edge academic and research endeavours. The new and refurbished library is a R75 million investment, the biggest single project in the history of Rhodes University and Grahamstown. R50 million came from the Department of Higher Education and Training ("DHET") Infrastructure and Efficiency Fund and R25 million was raised from donors and alumni.

In 2010 we also opened, with a grant of R12 million from the Department of Environmental Affairs, a new building for environmental education, an area in which Rhodes is an international centre of excellence. There have been ongoing discussions, with the support of the DHET, with the Chinese Embassy to fund the construction of a new School of Languages building that will also accommodate Rhodes' new Hanban-supported Confucius Institute.

Infrastructure (continued)

During 2010 construction was undertaken of three new residences, which opened in 2011. 3 266 students - almost 61% of undergraduate students and the vast majority of new students - live in the University's 48 residences and are associated with its 11 halls, in which almost 10 000 meals are served daily. Rhodes is deeply committed to ensuring that at least every first year student can be accommodated in our residences, and will continue to energetically explore ways of increasing the availability of residential accommodation.

We continue to give attention to the academic and related infrastructure needs of Rhodes University, to establishing priorities in this regard and to mobilising the necessary funds to support new buildings and facilities. In due course, our infrastructure and overall campus development plans will be consolidated in a Rhodes 20:20 Vision statement.

Finally, we are all too aware that there is a significant looming environmental challenge. The University must serve as an exemplar and catalyst for innovations to reduce carbon emissions and institute environmentally-friendly practices. Under discussion is the creation of a Green Fund and Green Challenge, through which all the constituencies and stakeholders of Rhodes can be mobilised behind the Green Fund and Green Challenge.

Finances

As far as finances are concerned we:

- Are committed to a zero-deficit budget;
- Balanced income and expenditure, generating a modest surplus that has been allocated to an Infrastructure and Strategic Developments Fund;
- Created a VC's Budget Committee to ensure more effective oversight of expenditure, to approve any expenditure beyond the amount budgeted, and to make recommendations to the Finance and General Purposes Committee of Council and Council on deployment of available funds in the Infrastructure and Strategic Developments Fund; and
- Instituted a process to plan on a three-year basis and generate three-year budgets.

Challenges

Enrolment Planning

In our submission to the DHET in late 2010 we indicated the following with respect to our proposed 2011-2013 plan:

- A target of 7 071 students in 2010 (although we are already 7 135) with increases to totals of 7 147 (2011), 7 227 (2012) and 7 283 in 2013 – an average annual increase of 1%;
- Undergraduate targets of 5 436 (2011), 5 480 (2012) and 5 502 in 2013 – steady at 76%;
- Postgraduate targets of 1 679 (2011), 1 712 (2012) and 1 747 in 2013 – an increase from 23% to 24%;
- To consolidate undergraduate growth while investigating longer-term growth capacity institutionally and within the Grahamstown context. This includes exploring new technologies and time-tabling options to enhance delivery, make more efficient use of existing space, and increase student access to teaching materials and programme choices. Discussions between the University and the Makana Municipality are ongoing regarding the infrastructural conditions necessary for further growth;
- To continue the trajectory of slow but steady growth at the postgraduate level, increasing the proportion of postgraduate enrolments to 24% by 2013;
- Maintain the current major field of study proportions at 24% SET, 15% business, 10% education and 51% other humanities;
- Retain the increased proportion of African students above 50%;

Challenges (continued)

Enrolment Planning (continued)

- Maintain the proportion of female students at 59%;
- Reverse the trend of decreasing graduation and throughput rates in order to stabilise success rates at approximately 85%, recognising that enrolling increasing numbers of under-prepared students requires additional resources and time; and
- Maintain research output levels as far as possible.

Academic Planning

Our key challenges include:

- Maintaining our status of possessing the best undergraduate pass rates and graduations rates among South African universities;
- Ensuring that we provide effective support to all our students, and especially black South African students who are from schools other than private and ex-model C schools;
- Deciding on the appropriate balance between face-to-face teaching-learning and other forms of teaching-learning;
- Finalising an appropriate model for providing extended studies;
- Identifying and effectively supporting postgraduate and research niche areas;
- Proactively identifying possible new postgraduate and research programmes, effectively and efficiently deciding on these and ensuring there is effective planning and implementation;
- Ensuring that there begins to be a greater contribution by the Humanities Faculty to research and postgraduate outputs; and
- Developing the appropriate institutional arrangements to enhance the experiences of and effectively support Masters and Doctoral students.

Staffing

Key challenges here include:

- Improving the equity profile of academic and support staff;
- Continuing to build the next generation of academics, and especially black and women academics;
- Effectively supporting new academics;
- Finalising a remuneration policy;
- Systematically moving to remunerate all staff on the 50th percentile; and
- Improving teacher: student ratios overall and in specific areas.

Finance

A tremendous challenge, as part of our effort to become more postgraduate and research-intensive, is to mobilise the necessary funding to support outstanding postgraduate Honours, Masters and Doctoral students. Having committed in 2010 support to 100 postgraduates through donor-funded prestigious scholarships and to 50 postgraduates through the University's own funds, we continue to desperately seek financial support for additional deserving postgraduates.

Given government's multi-term expenditure framework, it should be possible to calculate public subsidies with a measure of certainty and to also project tuition fee income and other income with some certainty, and on this basis to develop three-year budgets.

Financial planning on a single year basis provides neither an adequate sense of future existing commitments and new financial expenditure, nor sufficient space to allocate resources on a sustained basis to new programmes and initiatives.

Institutional Development Plan (IDP)

A process has been underway for some time to produce an Institutional Development Plan, which synthesises decisions that have thus far been taken, commitments that have been made to the Council on Higher Education in terms of Rhodes' Quality Improvement Plan, and agreements that have been reached on size and shape, equity, infrastructure and a host of other issues.

A process has also been underway to produce an overall Campus Development Plan that can provide a framework for and guide the effective and responsible use of available land and where we site new buildings and facilities.

An IDP which collates, consolidates and expresses our choices, decisions and goals and strategies with respect to academic programmes, enrolments, staffing, infrastructure and finances over the next decade (two five-year terms) is being constructed. The IDP is intended to be a compass that guides developments, prioritisation, decision-making and implementation at Rhodes while leaving room for pursuing new imperatives and exploiting possible new opportunities.

Campus Development Plan (CDP)

Informed by the IDP, the CDP would need to be also finalised as a guide to the considered overall physical maintenance and development of the Rhodes University campus.

Planning and implementation

Overall, there continue to be many positive developments at Rhodes. Furthermore, there are many creative ideas within Rhodes that seek to exploit external and internal opportunities for new academic programmes (as a matter of choice, primarily research and postgraduate), to expand or consolidate areas of academic strength at Rhodes, to enhance student learning through curriculum and pedagogic innovations, to innovate institutional arrangements that enhance the achievement of goals, and in general to better position Rhodes to realise its goals.

There are, however, also shortcomings, which have adverse implications for effectiveness, efficiency and inclusive participation and for ensuring that Rhodes remains at the cutting-edge of knowledge production and the production of high quality graduates. These shortcomings, to varying degrees, include:

- The inordinately lengthy time period from ideas to concept documents to full proposals, resulting in possible missed opportunities;
- Lack of timeous responses by structures/offices to whom issues are delegated, which result in delays that compromise inclusive processes of policy- and decision-making and, ultimately, policy- and decision-making and implementation;
- Ineffectual and/or tardy implementation, even when funding has been approved, which can compromise the effective implementation of strategies and policies, and achievement of goals;
- Possible insufficient attention to the planning of implementation; and
- An inadequate clear specification of roles, responsibilities and time frames with respect to new programmes, projects and initiatives.

The reasons for these shortcomings will be identified as will be the measures that need to be taken to overcome them.

RHODES UNIVERSITY

REPORT OF THE VICE-CHANCELLOR (continued)

Conclusion

Rhodes seeks to jealously guard its standing and reputation as one of South Africa's and Africa's outstanding universities. To this effect we are constantly thinking and acting to ensure that we remain an outstanding university, respected for its commitment to knowledge, to academic freedom, the pursuit of truth and the flowering of the intellect, and to the production of graduates equipped to exercise leadership in our society.



**DR M S BADAT
VICE-CHANCELLOR**

23 June 2011

RHODES UNIVERSITY

REPORT OF THE CHAIR OF THE FINANCE COMMITTEE OF COUNCIL

Prudent financial management and tight budgetary controls enabled Rhodes University to achieve an operating surplus of R6,6 million for 2010. This was achieved largely as a result of an increased number of students and productivity savings in various areas of the University.

Income received in the form of government subsidies and grants represents 41% of total recurrent Council Directed and Council Managed income (2009: 37%). Income associated with research activities increased significantly over the period. Tuition, accommodation and meal fee income increased by 10% over the previous year, representing 41% of total income (2009: 42%). Other income items comprised mainly of investment income, income from research grants and contracts, donations and gifts and from services rendered increased by 10% over the period.

Recurrent expenditure in respect of Council Directed activities increased by 11% over the period, with Human Resources costs accounting for 61% of this expenditure. In addition to making progress in addressing staff salaries to achieve greater competitiveness in the marketplace, the University was able to increase its contribution towards student financial aid over and above the funds provided through NSFAS. Further increases in financial aid over and above current levels are unlikely to be sustainable in future years without additional support from external sources.

A number of capital projects were completed during the year, most notably a significant enhancement to the library and the construction of new residences which were completed on time and within budget. These were partly funded from Infrastructure and Efficiency funds received from Government. The University has continued to commit internal funds to financing the construction of residences and this is clearly evident in the working capital ratio. This is not sustainable going forward and additional funding support from Government and other external sources in the form of subsidies and grants will be essential for the University to maintain its existing facilities and provide the environment required to support infrastructure and student costs necessary to achieve the Enrolment Plan.

The unqualified auditor's report is a testament to the University's sound financial structures and its long-term financial stability, essential to supporting the aspirations of providing an educative experience in an environment conducive to knowledge and learning.



N E WOOLLGAR
CHAIR: FINANCE & GENERAL PURPOSES
COMMITTEE



R W MARRINER
REGISTRAR: FINANCE AND OPERATIONS

23 June 2011

RHODES UNIVERSITY

COUNCIL'S REPORT ON GOVERNANCE

The purpose of this statement is to provide readers with 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 principals of discipline, transparency, independence, accountability, responsibility, fairness and social responsibility, as advocated in the King Report on Corporate Governance. The Council is aware of its role and responsibilities in governing the institution in a responsible manner, with integrity and in accordance with generally accepted practices.

Council

The Council comprises 30 members who are elected in the manner prescribed by the Institutional Rules, the Rhodes University Statute and the Higher Education Act, No 101 of 1997. At the end of 2010 one vacancy existed for a nominee of the Minister of Higher Education and Training. Sixty percent of the members of Council are external members, i.e. neither staff nor students of the University. No Council members 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. These include an Executive Committee, a Finance and General Purposes Committee, a Remuneration Committee, an Audit Committee and a Nominations Committee.

Executive Committee

The Executive Committee acts for Council whenever instructed by the members to do so and it acts on behalf of Council in emergency matters 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 by Senate. The Registrar, who is the secretary, is in attendance.

Remuneration 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

In terms of its mandate, the Finance and General Purposes Committee advises Council on all matters involving the finances and property of the University, monitors performance in relation to operating and capital budgets and acts 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, including the chairperson, 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, 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. Procurement policies commit the institution to the highest standards of integrity, behaviours and ethics. Members of Council are not permitted to have a conflict of interest with the University.

Council Nominations Committee

This membership committee, comprising the Chairperson of Council and the Registrar, makes recommendations to the Council for vacancies in the Council membership and for the appointment of Council members to the committees of Council.



JUDGE R J W JONES
CHAIR OF COUNCIL

23 June 2011

It is a feature of the Rhodes University Senate that it is a 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. An example of this sort of discussion is the debate which the Vice-Chancellor introduced towards the end of the year on the University's postgraduate and research trajectory.

During 2010 the Senate met on five occasions:

26 March, resumed on 31 March

4 June

27 August

29 October

26 November

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 Director of Library Services
- (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) Five students elected by the SRC
- (j) The Heads of Associated Institutes who are not Professors of the University
- (k) Two members of the administrative and support staff elected by the administrative and support staff
- (l) The Dean of Students

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

No new academic structures were created during the year under review. However, the creation of a new post of Doctoral Programme Co-ordinator in the Centre for Higher Education Research, Teaching and Learning (CHERTL) will enhance the University's capacity to produce doctorates in the important field of Higher Education.

Significant developments

- Noted a report on the Review of the Department of Sociology.
- Established a Working Group to consider the replacement of the Council Chamber portraits with art work that is sensitive to the University's aim to assert an African identity.
- Approved the terms of reference for the Community Engagement Committee.
- Agreed to change the parchments of honorary graduates from Latin to English.
- Approved the reintroduction of the MSc Bioinformatics programme.
- Approved the terms of reference for the Teaching & Learning Committee.
- Set stringent conditions regarding student behaviour for the University's continued participation in the triversity.
- Revised the University's External Funds Levy Framework.
- Approved amendments to the Institutional Rules.
- Created three new Humanities Research Focus Areas: "Southern African Literature", headed by Professor Klopper of English; "Critical Sexual and Reproductive Health Studies", headed by Professors Macleod of Psychology and Vincent of Politics; and "Visual and Performing Arts of Africa", headed by Professor Simbao of Fine Art. Each Focus Area would receive R500 000 of support funding for three years to cover research and scholarships at Master's, Doctoral and Postdoctoral level.
- The University was awarded seven new SANPAD grants: to Professors van Niekerk, Macleod, Lotz-Sisitka, Duncan and Shackleton, and Dr Weyl.
- Four Mandela Rhodes scholarships were awarded to Rhodes students.
- Established a Strategic Initiatives Fund, the Sandisa Imbewu Fund.

Composition and size of the student body

The tables below illustrate the composition of the student body in 2010. They also indicate the very pleasing success rates and the significant progress in addressing student access and equity.

RACE	2009	2010
African	3 487	3 657
Indian	299	278
Coloured	241	255
White	2 978	3 032
Total	7 005	7 222

	Registered	Completed	Success Rate
UG Diploma	122	111	91%
Bachelors	4 544	3 821	84%
4 year Bachelors	242	221	91%
PG Diploma	187	174	93%
Honours	495	415	83%

Research

Rhodes University maintained and improved its track record of research performance in 2010, a very pleasing trend given that it came directly after a 20.3% increase of accredited publication outputs the previous year, and a flattening of the growth curve was expected. The increase in accredited publication units in the DHET audited return¹ from 2008 to 2009 of 6.4% (from 330.02 units to 350.99 units) is closer to the growth rate for the sector as a whole. Overall individual academic research output productivity rates kept Rhodes amongst the top research performers in the country using this measure (1.75 weighted accredited research outputs per individual at Rhodes as against the national average of 1.0). In addition, Rhodes continues to have one of the highest proportions of academic staff with doctoral degrees among South African universities (52%).

The range of research activities was maintained and has grown across the six faculties of Humanities, Science, Commerce, Pharmacy, Law, and Education, and within the research entities hosted on the Rhodes campus (please refer to <http://www.ru.ac.za/research> for details).

Our journal output, (which accounts for 86% of our total accredited publishing output for higher education subsidy purposes) grew by 5.1% from 2008 to 2009 (from 287.82 units to 302.64 units). The previous year's growth was 11.3% in this category. Coupled with Rhodes's high volume of accredited journal outputs in relation to its size, a very pleasing quality measure was that 81.6% of Journal outputs (amongst the highest proportions in the sector) appeared in internationally accredited journals.

Our output from accredited conference proceedings (which in 2009 amounted to 7% of our total accredited publishing output) shrunk by 27.5% (from 33.22 units down to 24.07 units) from 2008 to 2009 – but from a small base where more year-on-year variance can be expected. This category had grown by 202% in the preceding year, so the 2009 reduction cannot be taken to represent a trend.

The book outputs (which in 2009 amounted to 7% of our total accredited publishing output) increased by 170% – again from a very small base (from 8.89 units up to 24.28 units) where year-on-year variance is expected. This category had grown by 91% in the previous year, but had seen a negative growth of 83% in the year before that. The 2009 growth in this category is a combination of increased submissions, and an improved rejection rate. The staff responsible for this process in the Research Office, and the researchers who made the submissions, are to be warmly congratulated.

In the area of research student output, the number of graduating PhD students increased by 18% from 2008 to 2009 (to 32 graduates, or 96 weighted PhD subsidy units) whereas the number of Masters graduations declined marginally for the same period to 117.5 graduates, yielding an overall research output subsidy increase in this category.

¹ 2010 audited outputs – as based upon 2009 HEMIS returns.

RHODES UNIVERSITY

REPORT OF SENATE (continued)

External Research Income (*new grants in the financial report*) from sources other than the DHET for the period January to December 2010 (as compared to the same periods in 2008 and 2009), was as follows:

	2008 R'000	2009 R'000	2010 R'000	% Increase 2009-10	% increase 2008-10
National Research Foundation	20 761	18 029	42 434	135%	104%
THRIP	2 687	1 493	4 367	192%	63"%
Water Research Commission	2 819	1 607	2 557	59%	-9%
Medical Research Council	867	731	812	11%	-6%
Private Industry and Grants	14 684	23 277	21 157	-9%	44%
External Research Consulting	1 131	2 612	2 295	-12%	103%
Research Institutes and Affiliates	39 307	46 519	40 683	-13%	4%
Research Contracts	19 132	14 227	13 570	-5%	-29%
TOTAL	101 388	108 496	127 875	18%	26%

These figures show an outstanding increase in the overall value of new external research grants in 2010 after a fairly steep growth in 2008, and a tailing off in 2009. An area of particular satisfaction is the huge growth in income from the National Research Foundation (NRF), a principal research funder. A decline in NRF funding in 2009 was felt by all research universities in South Africa, during a period in which the NRF encountered substantial financial constraints and changes in the funding programmes over the period. 2010 saw a real turnaround in this source of funding, with Rhodes University doing exceptionally well. The steep increases in funding from NRF sources can be attributed to three primary areas: the university won additional research chairs, did exceptionally well in the equipment programme with the use of DHET infrastructure funds as co-funding, and increased its income significantly in the incentive funding programme for rated researchers. It should be noted that this increase in funding has put considerable pressure on the Research Office and Research Finance Office support structures.

Income from THRIP funding recovered well after a decline in 2009 due to new NRF and DTI (Department of Trade and Industry) policies for this fund. Declines in external research consulting and in institute and affiliate income from private sources can be directly attributed to industry recessionary trends.

Tuition fees

Tuition fees in 2010 increased by 9% and the residence fee increased by 11%. The fees are set by way of an inclusive budget process which is characterised by active student participation.

Access to financial aid

Funding for undergraduate financial aid in 2010:

	2009 R'000	2010 R'000
NSFAS	11 445	13 302
RU Council	20 423	27 480
Total	31 868	40 782
Number of students supported	790	910

RHODES UNIVERSITY

REPORT OF SENATE (continued)

Rhodes awards NSFAS funds and RU Council funds on exactly the same basis. In other words, the students who qualified for RU Council funding also qualified for NSFAS funding but did not receive it because the NSFAS allocation to Rhodes is inadequate. Consequently the RU Council funding increased significantly. As reported in previous years, such increases are not sustainable.



DR M S BADAT
VICE-CHANCELLOR
23 June 2011

RHODES UNIVERSITY

REPORT OF THE INSTITUTIONAL FORUM OF THE COUNCIL

Composition of the Institutional Forum

Governance sector

Judge RJW Jones *Council*
Professor R Bernard *Council*
Professor L Steenveld *Senate*
Professor L Louw *Senate*
Dr S Badat *Management*
Dr S Mabizela *Management*
Mr G Mtukela *Management alt (2010).*

Student sector

Mr E Ofei *SRC*
Mr G Elzerman *SRC*
Mr G Kahn *SRC*
Mr J Bata *SRC*
Mr E Bouwer *SRC*
Ms I Hlapolosa *SRC*
Ms L Reddy *SRC*
Mr D Knowles *SRC*
Ms M Mphahlele *SRC*
Ms N Hamukoma *SRC*

Staff sector

Mr S Mzangwa *NEHAWU*
Mr T Tommy *NEHAWU*
Mr G Nombewu *NTEU*
Dr A Kirkaldy *NTEU*
t.b.a. *Non-professorial staff rep.*
t.b.a. *Non-professorial staff rep.*

Community sector

Mr N Fulani. *Community (Makana Municipality)*
t.b.a. *Community (Makana Municipality)*

Scheduled meetings for 2010

7 March
9 May
1 August
21 September
23 October

The agreement among the stakeholders and members of the Institutional Forum is that meetings will only be held 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 that particular meeting, that meeting of the Institutional Forum is cancelled.

RHODES UNIVERSITY

REPORT OF THE INSTITUTIONAL FORUM OF THE COUNCIL (continued)

In terms of the above, the only scheduled meetings that took place during 2010 were those of 15 March and 7 September. One interpretation of this could be that the Institutional Forum at Rhodes is ineffectual. A more reasoned account would be that the various stakeholder groups have sufficient representation on the standing committees and principal committees (e.g. Senate and Council) to be able to raise their issues without having to resort to the Institutional Forum. In spite of its infrequent meetings the Institutional Forum has played a very valuable role in the institution in breaking deadlocks in the past. Examples would be that of agreeing to the composition of the Council or the appointment procedure for a new Vice-Chancellor. The Committee would be obliged to meet should it have to discharge a statutory obligation, such as advising the Council on the appointment of senior management.

Meeting of 15 March 2010.

The meeting considered the following issues:

- Considered a report on the Rhodes University Institutional Culture Colloquium which had interrogated, inter alia, naming, heraldry, symbols and curricula in use at the University;
- Noted and discussed the contents of the Ministerial Committee on Progress towards Transformation and Social Cohesion and the Elimination of Discrimination in Public Higher Education Institutions;
- Agreed to circulate information on a forthcoming Stakeholder Summit on Higher Education Transformation;
- Discussed the exclusion of three students for assaulting on off duty campus protection officer on campus; and
- Noted that a new progressive Admissions Policy which sought to consider more than the Swedish points rating system and matric score had served before Faculty Boards.

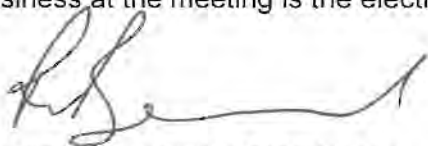
Meeting of 7 September

The meeting considered the following issues:

- Noted the institution's proposed Enrolment Plan for 2010- 2013;
- Noted the Vice-Chancellor's report on Critical Reflections on Post-2006 Institutional Planning at Rhodes;
- Noted the report on progress made in respect of the Quality Improvement Plan submitted by Rhodes University to the HEQC in February 2009; and
- Noted the Declaration sent to all institutions after the Higher Education Summit held earlier in the year.

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.



CHAIRPERSON (ROTATIONAL)

23 June 2011

RHODES UNIVERSITY

REPORT ON INTERNAL ADMINISTRATIVE/OPERATIONAL STRUCTURES AND CONTROLS

The Rhodes University systems of internal control are designed to provide reasonable assurance to the University and the Council regarding the 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 that include documented organisational structures set out the division of responsibilities and establish policies and procedures that are supported by 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 governance and provide oversight over the systems of internal control and financial management and reporting.

The Information Systems 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 provide controls over all data, including disaster recovery and "back-up" procedures. Systems are under the control of competently trained staff and are continually reviewed and upgraded to ensure modern technology is applied throughout the University.

Internal controls and information systems are audited by the external auditors on an annual basis to ensure that the system controls were effective throughout the financial period under review. Transactions with staff, students and third parties receive close scrutiny for control aspects. Procedures that are in place are continually reviewed to minimise the risk of fraud or error.

The University has 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 development of strategies to assist in the management of the institution to mitigate the risks which include the maintenance of effective systems of internal control.

The internal audit function is performed by a qualified external firm of professionals who are independent of the external auditors who 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 2010 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 and ensure proper financial governance.



DR B S RAYNER
CHAIR: AUDIT COMMITTEE

23 June 2011

RHODES UNIVERSITY

REPORT ON ENTERPRISE RISK MANAGEMENT

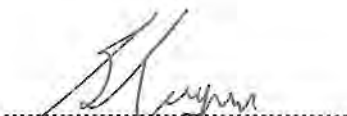
Rhodes University is committed to a systematic, integrated and continuous process of institution-wide risk management.

The Audit Committee exercises oversight on behalf of the University Council that all aspects of risk related to the purposes, goals and functioning of the University are addressed and managed methodically and substantively. The framework and key features of risk management at Rhodes are documented on the University's web page.

In recognition of the requirements of King 111, a review of the Rhodes' Enterprise Risk Management ("ERM") model and strategy was undertaken to ensure that it is developed in accordance with the requirements of the code. To begin with, and for reasons of ensuring accountability and cost effectiveness, an ERM model has been adopted that holds the University senior management accountable and responsible for the identification and management of the risks within their operational domains.

The current model and strategy is considered by management to be appropriate and adequate at this stage to ensure that all major risks – reputational, human, financial, and the like - are identified and assessed in terms of likelihood, impact and mitigation. The model is a central risk register maintained by the Risk Management Unit. All identified risks are submitted to the Risk Management Committee (RMC) that comprises the Vice-Chancellor, Deputy Vice-Chancellors, the Registrar and Registrar: Finances and Operations, and Risk Manager. The RMC categorises risks as 'High', 'Medium' and 'Low' risks and institutes mitigating actions accordingly. The RMC reports, through the Risk Manager, to the Audit Committee.

The ERM process includes whistle blowing, and monitoring of the outcomes of and interaction with internal and external audits to facilitate risk-based auditing that provides for early detection of risks and effective use of audit resources.



DR B S RAYNER
CHAIRPERSON
AUDIT COMMITTEE



DR M S BADAT
CHAIRPERSON
RISK MANAGEMENT COMMITTEE.

23 June 2011

RHODES UNIVERSITY

COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is responsible for the preparation and fair presentation of the financial statements of Rhodes University. The financial statements, presented on pages 31 to 63 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 current viability of Rhodes University is supported by 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 financial statements have been audited by the independent audit 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 31 to 63 were approved by the Council on 23 June 2011, and signed on its behalf by:



JUDGE R J W JONES
Chair: Council



DR M S BADAT
Vice-Chancellor



MR N E WOOLLGAR
Chair: Finance & General Purposes Committee



MR R W MARRINER
Registrar (Finance and Operations)



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 statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 63.

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 2010, and of its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act 1997 (Act No. 101 of 1997), as amended.

PricewaterhouseCoopers Inc

Director : A F Puggia

Registered Auditor

Port Elizabeth

23 June 2011

PricewaterhouseCoopers Inc, Ascot Office Park, 1 Ascot Road, Greenacres, Port Elizabeth 6045

P O Box 27013, Greenacres 6057

Reg. no. 1998/012055/21. T: +27 (41) 391 4400, F: +27 (41) 391 4500, www.pwc.com/za

Executive: S P Kana (Chief Executive Officer) T P Blandin de Chalaïn D J Fölscher G M Khumalo S Subramoney F Tonelli

Regional Director in Charge: 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.

VAT reg.no. 4950174682

RHODES UNIVERSITY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2010**

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets		654 148	592 678
Property, plant and equipment	1	325 526	267 062
Investments	2	296 000	303 480
Loans and receivables	3	32 622	22 136
Current assets		66 876	75 667
Inventories	4	5 442	5 184
Receivables and prepayments	5	43 626	25 978
Cash and cash equivalents	6	17 808	44 505
Total assets		<u>721 024</u>	<u>668 345</u>
EQUITY AND LIABILITIES			
Equity funds		489 559	470 553
Property plant and equipment funds		307 292	249 524
Council managed earmarked funds		88 410	79 327
Council directed funds		93 857	141 702
Non-current liabilities		148 263	126 601
Interest-bearing borrowings	8	1 526	1 281
Retirement benefit obligations	9	146 737	125 320
Current liabilities		83 202	71 191
Trade and other payables	10	70 855	63 106
Leave pay accrual	11	11 716	7 558
Current portion of borrowings	8	631	527
Total equity and liabilities		<u>721 024</u>	<u>668 345</u>

RHODES UNIVERSITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	2010						2009	
	Council Directed Fund Activities					Council Managed Earmarked Fund Activities		
	Central operations R'000	Accommo- dation R'000	Endowed funds R'000	SUB- TOTAL R'000	TOTAL R'000		TOTAL R'000	
TOTAL INCOME	389 443	118 026	31 088	538 557	726 178		638 183	
RECURRENT ITEMS	387 805	117 930	14 804	520 539	696 261		622 351	
State appropriations – subsidies and grants	225 797	58	-	225 855	282 797		233 331	
Tuition and other fee income	154 654	106 040	-	260 694	286 106		261 282	
Income from contracts	-	-	-	-	18 743		25 456	
Sales of goods and services	635	11 832	-	12 467	32 976		27 318	
Private gifts and grants	1 978	-	3 624	5 602	55 541		51 170	
Interest and dividends	383 064	117 930	3 624	504 618	676 163		598 557	
NON-RECURRENT ITEMS	4 741	-	11 180	15 921	20 098		23 794	
(Loss)/profit on disposal of assets	1 638	96	16 284	18 018	29 917		15 832	
Realised capital profits on investments	(209)	5	-	(204)	347		455	
Impairment of investments	-	-	16 455	16 455	-		2 217	
Other non-recurrent income	-	-	(552)	(552)	-		(105)	
	1 847	91	381	2 319	13 871		13 265	
TOTAL EXPENDITURE	385 844	114 966	21 643	522 453	692 675		612 619	
RECURRENT ITEMS	382 339	112 833	21 643	516 815	685 697		607 087	
Personnel costs								
Academic professional	138 625	-	-	138 625	31 306		155 051	
Other personnel	137 431	35 617	-	173 048	33 367		179 894	
Leave liability increase	4 157	-	-	4 157	-		2 030	
Other current operating expenses	280 213	35 617	-	315 830	64 673		336 975	
Depreciation	84 560	73 945	21 643	180 148	94 542		239 606	
	17 411	3 254	-	20 665	9 667		30 263	
Finance costs	382 184	112 816	21 643	516 643	168 882		606 844	
NON-RECURRENT ITEMS	155	17	-	172	172		243	
Capital expenditure expended	3 505	2 133	-	5 638	1 340		5 532	
	3 505	2 133	-	5 638	1 340		5 532	
NET SURPLUS BEFORE TRANSFERS	3 599	3 060	9 445	16 104	33 503		25 564	
TRANSFERS								
Amounts received not expended	-	-	-	-	(88 410)		(81 839)	
Amounts spent from prior year	-	-	-	-	79 327		52 386	
NET SURPLUS after transfers	3 599	3 060	9 445	16 104	8 316		(3 889)	
OTHER COMPREHENSIVE INCOME								
Retirement funding valuation adjustments	(21 417)	-	-	(21 417)	-		11 559	
Investments fair value adjustment	-	-	7 192	7 192	-		33 326	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(17 818)	3 060	16 637	1 879	8 316		40 996	

RHODES UNIVERSITY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

Description	Accumulated Fund R'000	Endowment Fund R'000	Sub-total Council Directed Funds R'000	Contract Fund R'000	Sub-total Council Managed Earmarked Funds R'000	Property, plant and equipment Fund R'000	Total R'000
Balance at 1.1.2009	(150 883)	246 654	95 771	52 386	52 386	252 016	400 173
Retirement funding valuation adjustments	11 559	-	11 559	-	-	-	11 559
Investment fair value adjustment	-	33 326	33 326	-	-	-	33 326
Net surplus/(deficit) before transfers	(485)	(1 815)	(2 300)	27 864	27 864	-	25 564
Funds utilised/written off	(69)	-	(69)	-	-	-	(69)
Transfers							
- RU Foundation – cash withdrawals	8	(8)	-	-	-	-	-
- Depreciation charge	21 915	-	21 915	8 348	8 348	(30 263)	-
- Property, plant and equipment additions	(18 500)	-	(18 500)	(9 271)	(9 271)	27 771	-
Balance at 31.12.2009	(136 455)	278 157	141 702	79 327	79 327	249 524	470 553
Balance at 1.1.2010	(136 455)	278 157	141 702	79 327	79 327	249 524	470 553
Retirement funding valuation adjustments	(21 417)	-	(21 417)	-	-	-	(21 417)
Investment fair value adjustment	-	7 192	7 192	-	-	-	7 192
Net surplus before transfers	6 659	9 445	16 104	17 399	17 399	-	33 503
Funds utilised/written off	(272)	-	(272)	-	-	-	(272)
Transfers							
- Depreciation charge	20 665	-	20 665	9 667	9 667	(30 332)	-
- Property, plant and equipment additions	(70 117)	-	(70 117)	(17 983)	(17 983)	88 100	-
Balance at 31.12.2010	(200 937)	294 794	93 857	88 410	88 410	307 292	489 559

The Endowment Funds include the revaluation reserve of R84 822 627 (2009; R75 595 950).

RHODES UNIVERSITY

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Notes	2010 R'000	2009 R'000
Cash flow from operating activities			
Cash generated from operations	18	23 006	40 557
Interest received		8 918	9 253
<i>Net cash generated from operating activities</i>		<u>31 924</u>	<u>49 810</u>
Cash flow from investing activities			
Purchase of property, plant and equipment			
Funded through own cash resources		(88 100)	(27 771)
Funded through infrastructure grant		(33 244)	(34 563)
Proceeds on disposal of property, plant and equipment		(824)	649
Interest and dividends received		11 180	14 541
Net decrease/(increase) in non-current investments		30 575	(12 671)
Net advances of student, staff and other loans		(9 286)	(11 378)
<i>Net cash utilised in investing activities</i>		<u>(89 698)</u>	<u>(71 193)</u>
Cash flow from financing activities			
Infrastructure grant received		30 900	50 000
Interest paid		(172)	(243)
(Payments)/advances on interest-bearing borrowings		349	(758)
<i>Net cash utilised in financing activities</i>		<u>31 077</u>	<u>48 999</u>
Increase/(decrease) in cash and cash equivalents		(26 697)	27 616
Cash and cash equivalents at beginning of year		44 505	16 889
Cash and cash equivalents at end of year	6	<u>17 808</u>	<u>44 505</u>

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
Year ended						
31 December 2010						
Opening carrying amount	239 610	22 768	1 029	3 655	-	267 062
Additions	55 505	22 408	4 543	2 836	2 808	88 100
Disposals/transfers	-	(236)	265	667	-	696
Depreciation charge	(7 822)	(13 191)	(4 340)	(2 171)	(2 808)	(30 332)
Closing carrying amount	287 293	31 749	1 497	4 987	-	325 526

At 31 December 2010

Cost or valuation	333 877	129 977	48 794	16 797	97 598	627 043
Accumulated depreciation	(46 584)	(98 228)	(47 297)	(11 809)	(97 598)	(301 517)
Carrying amount	287 293	31 749	1 497	4 987	-	325 526

Year ended**31 December 2009**

Opening carrying amount	240 447	23 172	1 271	4 858	-	269 748
Additions	4 958	8 460	4 649	1 240	8 464	27 771
Disposals/transfers	108	(16)	-	(286)	-	(194)
Depreciation charge	(5 903)	(8 848)	(4 891)	(2 157)	(8 464)	(30 263)
Closing carrying amount	239 610	22 768	1 029	3 655	-	267 062

At 31 December 2009

Cost or valuation	278 373	108 682	45 108	13 780	94 791	540 734
Accumulated depreciation	(38 763)	(85 914)	(44 079)	(10 125)	(94 791)	(273 672)
Carrying amount	239 610	22 768	1 029	3 655	-	267 062

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

The finance lease liability (included in interest-bearing borrowings in note 8) is secured by vehicles with a net book value of R1 603 508 (2009 : R1 020 516).

In addition to the above, the University has received Infrastructure Development Grants from the Department of Higher Education and Training to fund specific capital projects. To date the following amounts have been expended and set off against the cost of these assets as set out in accounting policy 1.3.1:

	2010 R'000	2009 R'000	2008 R'000	Total R'000
Land and buildings	24 810	33 414	36 610	94 834
Furniture and equipment	8 434	749	758	9 941
Computer equipment	-	400	-	400
	<u>33 244</u>	<u>34 563</u>	<u>37 368</u>	<u>105 175</u>

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2010 (continued)

2. Investments	2010 R'000	2009 R'000
At market value:		
Listed shares	173 653	175 837
International market unit trust	46 925	57 275
Money market deposits	75 422	70 368
Fixed deposits	-	-
	<u>296 000</u>	<u>303 480</u>
At cost:		
Listed shares	94 773	100 220
International market unit trusts	48 568	56 808
Money market deposits	68 392	70 777
Fixed deposits	-	-
	<u>211 733</u>	<u>227 805</u>

The carrying amounts of the University's international market unit trust investments are denominated primarily in 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 R551 917 (2009 : R105 019) has been charged through the income statement.

Effective 1 January 2009, the University adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (LEVEL 1)
- Inputs for fair value measurements, other than quoted prices, that are observable from the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (LEVEL 2)
- Inputs, for fair value measurements from the asset or liability that are not based on observable market data (that is, unobservable inputs) (LEVEL 3)

2. Investments (continued)

The following table presents the University's assets that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total balance
	R'000	R'000	R'000	R'000
Assets				
Available-for-sale financial assets				
- Investments	249 075	46 925	-	296 000
Total assets	<u>249 075</u>	<u>46 925</u>	<u>-</u>	<u>296 000</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the University is the bid price at year-end. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of investments disclosed under level 2 is determined by portfolio managers based on current market indicators.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. Loans and receivables	2010 R'000	2009 R'000
Student loans	34 610	27 055
Loans to employees	969	934
Other loans	3 801	2 106
	<u>39 380</u>	<u>30 095</u>
Provision for impairment	(6 758)	(7 959)
	<u>32 622</u>	<u>22 136</u>

Student loans bear interest at 10% (2009 : 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).

Unsecured loans to employees bear interest at a fixed rate of 15% (2009 : 13.5%) and are repayable in terms of individual contracts with the employees. The loans are made available for housing and personal 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.

4. Inventories	2010 R'000	2009 R'000
Stationery	478	375
Technical inventories	2 090	1 950
Cleaning material and foodstuffs	2 313	2 292
Study materials	561	567
	<u>5 442</u>	<u>5 184</u>

5. Receivables and prepayments	2010 R'000	2009 R'000
Student debtors	19 082	14 361
Prepayments	5 003	4 421
NRF control account	10 410	5 166
Department of Higher Education and Training – Block Grant Subsidy	36	102
Other receivables	12 972	5 667
Receiver of Revenue – Value Added Tax	2 280	1 280
	<u>49 783</u>	<u>30 997</u>
Provisions for impairment	(6 157)	(5 019)
	<u>43 626</u>	<u>25 978</u>

5. Receivables and prepayments (continued)**Student debtors**

Student receivables are deemed impaired and credit losses are provided for if the students do not register for the next academic year and did not successfully complete their degrees. Students are normally not allowed to register for the next academic year if they still have outstanding debt. Student debt in respect of students who have completed their degrees is not considered to be impaired based on historical evidence that they settle their debt in full in order to secure their degrees.

Credit quality of student debtors is managed by the University with reference to the last year of registration of the relevant student. The impairment provision is based on the University's experience in collection of student debt according to the period outstanding since last registration of the student.

The movement in the impairment provision was as follows:

	2010 R'000	2009 R'000
Opening balance at 1 January	5 019	4 199
Additional/(release of) impairment	1 135	1 165
Receivables written off during the year	3	(345)
Closing balance at 31 December	<u>6 157</u>	<u>5 019</u>

The movement in the impairment provision has been included in other current operating expenses in the statement of comprehensive income. Student receivables are generally written off when there is no expectation of recovery.

Overdue student debts bear interest at market related rates.

External debtors and other receivables

External debtors and other receivables consist of a number of reputable institutions, from whom monies are due for various grants, projects and auxiliary activities of the University in accordance with relevant agreements. Due to the nature of these receivables and a history of low defaults, credit losses are deemed minimal.

Fair value of external debtors and other receivables approximate their cost.

6. Cash and cash equivalents	2010 R'000	2009 R'000
Cash at bank and in hand	9 911	10 277
Short term bank deposits	7 897	34 228
	<u>17 808</u>	<u>44 505</u>

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

Cash and bank balances	17 808	44 505
Bank overdraft	-	-
	<u>17 808</u>	<u>44 505</u>

7. Deferred income	2010 R'000	2009 R'000	2008 R'000
As at 1 January	5 393	(7 611)	9 709
Net (decrease)/increase in deferred income	(4 428)	13 004	(17 320)
Government grants received	30 900	50 000	20 000
Capital expenditure incurred	(33 245)	(34 563)	(37 078)
Realised in comprehensive income	(2 083)	(2 433)	(242)
As at 31 December	<u>965</u>	<u>5 393</u>	<u>(7 611)</u>

Deferred income represents the building and infrastructure upgrade funding received from the Department of Higher Education and Training. Where funds received have been utilised for capital projects, they are offset against the cost of the asset purchased. Where funds have been utilised to defray related expenses which do not qualify for capitalisation, income is recognised as the expenses are incurred. Unspent amounts are held in current liabilities. Where amounts are spent in advance of the receipt of the grant, an appropriate current asset is raised. In terms of the conditions attaching to these Government Grants, unspent amounts are not refundable.

8. Interest-bearing borrowings	2010 R'000	2009 R'000
Current portion of borrowings		
Lease liability	476	290
Current portion of interest-bearing borrowings	<u>155</u>	<u>237</u>
	<u>631</u>	<u>527</u>
Non-current portion of borrowings		
Lease liability	1 352	863
Interest-bearing borrowings	<u>174</u>	<u>418</u>
	<u>1 526</u>	<u>1 281</u>
Total borrowings	<u><u>2 157</u></u>	<u><u>1 808</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.

	2010	2009
Interest rates:		
- lease liability	12.00%	12.00%
- borrowings	10.6%	9.40%
Maturity of interest-bearing borrowings (excluding finance lease liabilities)		
Not later than 1 year	155	319
Later than 1 year not later than 5 years	174	336
Later than 5 years	<u>-</u>	<u>-</u>
	<u>329</u>	<u>655</u>
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	634	416
Later than 1 year not later than 5 years	1 512	981
Later than 5 years	<u>-</u>	<u>-</u>
	<u>2 146</u>	<u>1 397</u>
Future finance charges on finance lease	<u>(318)</u>	<u>(244)</u>
Present value of finance lease liabilities for vehicles	<u>1 828</u>	<u>1 153</u>

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2010 (continued)

9. 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 funding level in excess of 100% at year-end for both 2010 and 2009.

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.

	2010 R'000	2009 R'000
Balance sheet obligations for:		
- pension benefits	93 737	76 643
- post-employment medical benefits	53 000	48 677
	<u>146 737</u>	<u>125 320</u>
Income statement charge for:		
- pension benefits	17 094	(15 723)
- post-employment medical benefits	4 323	4 164
	<u>21 417</u>	<u>(11 559)</u>

Refer to note 20 for details of the actuarial valuations prepared in terms of IAS19 (AC116) Employee Benefits.

10. Trade and other payables

	2010 R'000	2009 R'000
Trade and other payables	41 864	28 112
Student deposits	28 026	29 601
Deferred income	965	5 393
	<u>70 855</u>	<u>63 106</u>

The fair value of trade and other payables approximates the carrying amounts as the majority of trade and other payables are non-interest bearing and are normally settled within agreed terms with creditors.

Refer to note 7 for details of the deferred income and related accounting treatment.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2010 (continued)

11. Leave pay accrual	2010 R'000	2009 R'000
Leave pay accrual	<u>11 716</u>	<u>7 558</u>

12. Income from investments	2010 R'000	2009 R'000
Interest income	<u>15 754</u>	<u>15 073</u>
Marketable securities:		
Dividend income	4 344	8 721
Gains on sales of marketable securities	<u>16 455</u>	<u>2 217</u>
	<u>20 799</u>	<u>10 938</u>
	<u>36 553</u>	<u>26 011</u>

13. Personnel costs	2010 R'000	2009 R'000
Academic professional	169 931	155 051
Other personnel	206 415	179 894
Leave liability increase	<u>4 157</u>	<u>2 030</u>
	<u>380 503</u>	<u>336 975</u>
Post-retirement benefit provisions increase/(decrease)		
- medical aid benefits	4 323	4 164
- pension fund deficit	<u>17 094</u>	<u>(15 723)</u>
	<u>401 920</u>	<u>325 416</u>

14. Other operating expenses	2010 R'000	2009 R'000
The following items have been included in recurrent expenditure:		
Repairs and maintenance expenditure	10 914	10 715
Expenditure on computer equipment written off	<u>1 657</u>	<u>1 746</u>

15. Finance costs	2010 R'000	2009 R'000
Interest expense	<u>172</u>	<u>243</u>

16. Commitments	2010 R'000	2009 R'000
Commitments for capital expenditure		
Infrastructure grant projects	-	20 124
Other	13 425	5 478
	<u>13 425</u>	<u>25 602</u>
Commitments for operating expenditure		
General	11 581	7 853
Library	510	1 089
	<u>12 091</u>	<u>8 942</u>

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.

17. Contingent liabilities

There is a contingent liability amounting to R332 773 (2009 : R367 853) 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 R6.2 million (2009 : R6.7 million) for surety guarantees given by the University to assist staff to obtain motor vehicle and other loans.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2010 (continued)

18. Cash generated from operations	2010 R'000	2009 R'000
Reconciliation of net surplus to cash generated from operations:		
Net surplus before transfers	33 503	25 564
Adjustments for non-cash items:		
Deferred income released	(2 083)	(2 433)
Depreciation	30 332	30 263
(Profit)/loss on disposal of fixed assets	(143)	(455)
Profit on disposal of non-current investments	(16 455)	(2 217)
Impairment of investments	552	105
Increase/(decrease) in provision for non-current receivables	(1 201)	3 666
Non-cash movement in reserves	(272)	(69)
Increase/(decrease) in provision for leave pay	4 158	2 030
Interest and dividends received	(20 098)	(23 794)
Interest paid	172	243
Changes in working capital (excluding Infrastructure Grant)	(5 459)	7 654
Receivables and prepayments	(17 648)	7 603
Inventories	(258)	(1 098)
Trade and other payables	12 447	1 149
Cash generated from operations	23 006	40 557

19. Compensation paid to Executive Personnel

The following disclosures relate to compensation paid to executive management for the year ended 31 December 2010. 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.

	Office held	Basic salary R'000	Employment benefits R'000	Other allowances/ payments R'000	Total cost to Rhodes University R'000
Dr S Badat	Vice-Chancellor	1 067	341	84	1 492
Dr S Mabizela	Deputy Vice-Chancellor : Academic & Student	1 003	267	62	1 331
Dr P Clayton	Deputy Vice-Chancellor: Research & Development	1 022	138	144	1 304
Mr R W Marriner	Registrar : Finance and Operations	975	246	-	1 222
Dr S Fourie	Registrar	849	151	-	1 000

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

There were no exceptional payments in excess of R249 999 in the current year.

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

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

For AC116 purposes, 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 2010 using the accounting results as at 31 December 2008 and performing a roll-forward projection to 31 December 2010.

	2010 R'000	2009 R'000
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of funded obligations	624 043	545 909
Fair value of plan assets	(530 306)	(469 266)
Net liability	93 737	76 643
Unrecognised surplus due to surplus apportionment legislation	-	-
Liability at balance sheet date	<u>93 737</u>	<u>76 643</u>

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

Beginning of the year	545 909	507 123
Current service cost	12 731	11 835
Interest cost	53 013	38 886
Employee contributions	9 337	8 386
Actuarial loss	32 279	24 060
Benefits paid	(27 265)	(42 540)
Risk premium	(1 961)	(1 841)
End of the year	<u>624 043</u>	<u>545 909</u>

20. Retirement benefit obligations – detailed valuation disclosures (continued)	2010	2009
	R'000	R'000

The movement in the fair value of plan assets over the year is as follows:

Beginning of the year	469 266	414 757
Expected return on plan assets	49 750	35 684
Employer contributions	18 179	16 213
Employee contributions	9 337	8 386
Benefits paid	(27 265)	(42 540)
Risk premium	(1 961)	(1 841)
Actuarial gain/(loss)	13 000	38 607
End of the year	<u>530 306</u>	<u>469 266</u>

Net effect of the valuation in the income statement:

Current service costs	12 731	11 835
Employer contributions	(18 179)	(16 213)
Net actuarial gain	(33 088)	(14 547)
Interest costs	53 013	38 886
Expected return on plan assets	<u>(49 750)</u>	<u>(35 684)</u>
	<u>(35 273)</u>	<u>(15 723)</u>

The actual return on the plan assets was R63 782 258 (2009 : R71 534 340) which includes fair value adjustments of R51 016 287 (2009 : R46 781 025).

Plan assets comprise the following:

Equities	25%	30%
Collective investment schemes	71%	69%
Other	4%	1%
	<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 2010. 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 8.50% per annum as at 31 December 2010. 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 1% below the bond rate.

RHODES UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 December 2010 (continued)

20. Retirement benefit obligations – detailed valuation disclosures (continued)	2010 R'000	2009 R'000
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Pension benefits (continued)

The principal actuarial assumptions used were as follows:

Discount rate	8.50%	9.50%
Expected return on plan assets	9.75%	10.50%
Future salary increases	6.25%	6.75%
Future pension increases	1.64%	2.58%

Mortality rate:

The standard mortality tables utilised to perform the valuation were SA 85-90 (2009 : SA 1956/62) for employees during their employment and PA 90 (2009 : PA 90) post-employment rated down two years plus 1% improvement.

History of post-retirement pension obligations

As at 31 December	2010 R	2009 R	2008 R	2007 R
Fair value of plan assets	530 306	469 266	414 757	432 575
Present value of defined benefit obligation	(624 043)	(545 909)	(507 123)	(458 263)
(Surplus)/deficit	(93 737)	(76 643)	(92 366)	(25 688)
Experience adjustment gain on plan assets	13 000	38 607	(60 808)	58 102
Experience adjustment loss on plan liabilities	(32 279)	(24 060)	(11 521)	(119 284)

Expected employer and employee contributions to the defined benefit pension fund for the year ended 31 December 2010 are R29.236 million.

20. 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 2010.

	2010 R'000	2009 R'000
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of unfunded medical benefit obligations	<u>53 000</u>	<u>48 677</u>

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

Beginning of the year	48 677	44 513
Current service cost	618	605
Interest cost	4 824	3 893
Benefits paid	(2 836)	(2 563)
Actuarial loss	1 717	2 229
End of the year	<u>53 000</u>	<u>48 677</u>

The amounts recognised in the income statement are as follows:

Current service cost	618	605
Interest cost	4 824	3 893
Benefits paid	(2 836)	(2 563)
Actuarial loss	1 717	2 229
Total included in personnel costs	<u>4 323</u>	<u>4 164</u>

Membership data:

Employed members (in service)	102	122
Retired members	256	245

The principal actuarial assumptions used were as follows:

Interest rate	9.50%	10.20%
Subsidy inflation rate (medical cost trend rate)	7.35%	8.04%
Net discount rate as prescribed	2.00%	2.00%

Mortality rate:

The standard mortality tables utilised to perform the valuation were SA 1956/62 (2009 : SA 1956/62) for employees during their employment and PA90 (2009 : PA 90) post-employment.

20. 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	663	(561)
Effect on the defined benefit obligation	5 726	(4 898)

History of post-retirement medical obligation

Present value of defined benefit obligation as at 31 December:

2010	53 000
2009	48 677
2008	44 513
2007	38 709
2006	36 204

Experience adjustment gain/(loss) on plan liabilities:

2010	1 717
2009	2 229
2008	4 142
2007	712
2006	561

The experience adjustment for 2010 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 2010 are R3,319 million.

21. Financial instruments by category

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

	Category	2010 R	2009 R
Assets			
Non-current investments	Available for sale	296 000	303 480
Non-current receivables	Loans and receivables	36 396	25 909
Receivables and prepayments	Loans and receivables	39 266	25 978
Cash and cash equivalent	Loans and receivables	17 808	44 505
		<u>389 470</u>	<u>399 872</u>
Liabilities			
Interest bearing borrowings	Other financial liabilities	2 157	1 808
Trade and other payables	Other financial liabilities	69 890	63 106
		<u>72 047</u>	<u>64 914</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.

22. 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 financial position date is in the non-current investments which includes international market unit trusts which are exposed to the US dollar. The impact of a 5% increase/decrease in exchange rates with all other variables held constant on the valuation of the international asset swaps at reporting date would be R2.3 million (2009 : R2.8 million) higher/lower.

22. 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 2010, 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 R17.365 million (2009 : R17.583 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.

(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.

22. 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.

	Within 1 year R	Between 1 and 5 years R	Later than 5 years R
At 31 December 2010			
Interest-bearing borrowings	789	1 686	-
Trade and other payables	<u>70 855</u>	<u>-</u>	<u>-</u>
	<u>71 644</u>	<u>1 686</u>	<u>-</u>
At 31 December 2009			
Interest-bearing borrowings	735	1 317	-
Trade and other payables	<u>57 045</u>	<u>-</u>	<u>-</u>
	<u>57 780</u>	<u>1 317</u>	<u>-</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) 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 existing standards have been published and are mandatory for the university's accounting periods beginning on or after 1 January 2011 or later periods. These standards have not been early adopted.

- Amendment to IAS 1 (AC 101) Presentation of financial statements. The amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective from 1 January 2011. As the amendment only impacts presentation aspects, there is no impact on the university's reported results.
- IAS 24 (AC1 26) Related party disclosures - Revised. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The amendments are effective from 1 January 2011. As the amendment only impacts presentation aspects, there is no impact on the university's reported results.
- Amendment to IFRS 7 (AC 144) Financial Instruments – Disclosures. The amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading. The amendments are effective from 1 January 2011. As the amendment only impacts presentation aspects, there is no impact on the university's reported results.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the university (continued)

- IFRS 9 (AC 146) Financial instruments: IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss. IFRS 9 also removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. The standard is effective for the university's year end commencing 1 January 2013. The university is still assessing the impact of this change in accounting policy on the university's financial statement, but does not believe this to have a material impact.

b) 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 2011 or later periods but are not relevant for the university's operations:

- IFRIC 19 (AC 452) – Extinguishing financial liabilities with equity instruments (effective 1 July 2010);
- Amendment to IFRS 1 (AC 138) - Limited exemption from comparative IFRS 7 (AC 144) disclosures for first-time adopters (effective 1 July 2010);
- Amendment to IAS 32 (AC125) Financial Instruments: Presentation: Classification Of Rights Issues (effective 1 February 2010);
- Amendment to IFRIC 13 (AC 446) Customer Loyalty Programs – Clarification on the intended meaning of the term "fair value" in respect of award credits (effective 1 January 2011);
- Amendment to IFRIC 14 (AC 447) Prepayments Of A Minimum Funding (effective 1 January 2011);
- Amendment to IFRS 1 (AC 138) – Accounting policy changes in the year of adoption, revaluation basis as deemed cost and previous gaap carrying amounts as deemed cost for assets used in operations subject to rate regulations (effective 1 January 2011);
- Amendment to IFRS 3 (AC 140) – Transition requirements for contingent considerations, clarification on the measurement of non-controlling interests, and un-replaced and voluntarily replaced share-based payment awards (effective 1 July 2010);
- Amendment to IAS 21 (AC 112) The Effects of Changes in Foreign Exchange Rates – Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation (effective 1 July 2010);
- Amendment to IAS 27 (AC 132) Consolidated and Separate Financial Statements – Transition requirements for amendments (effective 1 July 2010);
- Amendment to IAS 28 (AC 110) Investments in Associates – Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation (effective 1 July 2010);

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

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

- Amendment to IAS 31 (AC 119) Interests in Joint Ventures – Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation (effective 1 July 2010); and
- Amendment to IAS 34 (AC 127) Interim Financial Reporting – Clarification on the disclosure requirements around significant events and transactions including financial instruments (effective 1 January 2011).

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

Revenue is generally recognised at the fair values of the consideration received for goods or services rendered. Revenue is shown net of value-added tax, returns, rebates and discounts. The University recognises revenue when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the University's activities as described below.

1.3.1 State appropriations: Subsidy and grant income

State appropriations and grants for general purposes are recognised as income in the financial year to which the subsidy relates. Appropriations for capital expenditure purposes are set off against the cost of the assets as incurred. Unspent amounts are retained in deferred income as a current liability.

1. Accounting policies (continued)

1.3 Revenue recognition (continued)

1.3.2 Tuition and accommodation fee income

Tuition and fee income is only recognised when the amount can be measured reliably and future economic benefits will flow to the University. Tuition fees are recorded as income in the period to which they relate. To the extent that this income may not be realised, provision is made for the estimated irrecoverable amount. Deposits provided by prospective students are treated as current liabilities until the related fees become due to the University.

1.3.3 Designated income

Income received for designated specific purposes will arise from contracts, grants, donations and income on specifically purposed endowments. In all instances any such income is recognised as income in the financial period when the University is entitled to use those funds. Thus funds that will not be used until some specified future period or occurrence are held in an appropriate fund until the financial period in which the funds can be used. Prior to that time the amount is appropriately grouped in one of the restricted funds comprising aggregate funds. These are treated as "transfers" on the statement of comprehensive income.

1.3.4 Interest income

Interest is recognised on a time allocation basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the University. When impairment of a debtor occurs, the University reduces the carrying value to the recoverable value. The recoverable value represents the future cash flow, discounted as interest over time. Interest income on loans in respect of which impairment has been recognised is recognised at the original effective interest rate.

1.3.5 Dividend income

Dividends are recognised when the University's right to receive a dividend is established.

1.3.6 Donations and gifts

Donations and gifts are recognised on receipt. Donations in kind are recognised at fair value.

1.3.7 Rental income

Where the University retains the significant risks and benefits of ownership of an item under a lease agreement, it is classified as an operating lease. Receipts in respect of the operating lease are recognised on a straight-line basis in the statement of comprehensive income over the period of the lease.

1.3.8 Student deposits

Deposits provided by prospective students are treated as current liabilities.

1.4 Research costs

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

1. Accounting policies (continued)

1.5 Reserve Funds

1.5.1. Unrestricted use fund

The unrestricted operating fund reflects the University's subsidised activities and also includes tuition fees. Additions to these funds mainly comprise formula-subsidy, tuition fees and the sales and services of educational activities, as well as transfers from other funds to finance expenditure. Expenditure mainly comprises direct expenses in academic departments for training, research and community service, as well as other support service expenses, such as academic administration, library facilities, bursaries and loans. Institutional expenses, such as expenses incurred for the executive, student services, information technology and operating costs regarding land and buildings, are also recorded here. The budget of the University, as approved by Council, finds expression in this fund group.

1.5.2. Restricted funds

These funds may be used only for the purposes that have been specified in legally binding terms by the provider of such funds or by another legally empowered person.

1.5.3. Council-designated funds

These funds fall under the absolute discretion and control of Council, for example, sales of goods and services, non-prescriptive donations and grants, income from investments that are not held as cover for trust funds, specific purpose endowments or administrated funds.

1.5.4. Property, plant and equipment funds

The amount in property, plant and equipment funds represents that portion of the University's fixed assets that is financed from own funds.

1.6 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.

1.7 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. Accounting policies (continued)**1.8 Financial assets**

The University classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1.8.1 Loans and receivables

Loans and receivables included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The University's loans and receivables comprise 'Trade and other receivables' and cash and cash equivalents. Loans and receivables are carried at amortised cost using the effective interest rate. Loans and receivables are impaired on a basis similar to trade receivables set out in 1.8.2 below.

1.8.2 Trade receivables (including student debt)

Trade receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. Financial assets classified as receivables are initially recognised at fair value plus transaction costs. Subsequent to recognition, receivables are carried at amortised cost using the effective interest rate method less provision for impairment. Short-term receivables with no stated interest are measured at the original invoice amount if the effect of discounting is immaterial. A provision for impairment for trade receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. An impairment loss is recognised in profit/loss when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument.

Assets that are individually significant are considered separately for impairment. When these assets are impaired, any impairment loss is recognised directly against the related asset. Assets that are individually significant and that are not impaired and groups of small balances are considered for impairment on a portfolio basis, based on similar credit risk. Impairment losses are recognised in an allowance account for credit losses until the impairment can be identified with an individual asset and, at that point, the allowance is written off against the individual asset. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

1.8.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period.

Financial assets classified as available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price as per the Johannesburg Stock Exchange (JSE). If the market value of an investment cannot be determined, the investment is measured using an acceptable valuation method.

1. Accounting policies (continued)**1.8 Financial assets (continued)****1.8.3 Available-for-sale financial assets (continued)**

Unrealised gains and losses arising from the change in fair value are recognised directly in other comprehensive income until the asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income. However, interest income on these items, calculated using the effective interest method, is recognised in profit/loss. Dividend income is recognised when the University's right to payment has been established and it is included in other income. Net foreign exchange gains or losses on monetary available-for-sale financial assets are recorded directly in profit/loss as part of other income or other expenses. Cumulative gains or losses accumulated in equity are recognised in profit/loss upon disposal or impairment of the financial asset, as part of net gains or losses, and are included in other income or other expenses.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

The University assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Available-for-sale financial assets will become impaired when a significant or prolonged decline in the fair value of the investments below their cost price or amortised cost is noted. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value less any impairment loss on the financial asset previously recognised in profit/loss, is removed from equity and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit/loss, the impairment loss is reversed through the statement of comprehensive income.

1.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 Property, plant and equipment

All property, plant and equipment is stated at historical cost, less depreciation, as applicable. 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. Property, plant and equipment purchased with government grant funds are treated as set out in note 1.3.1.

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.

1. Accounting policies (continued)**1.10 Property, plant and equipment (continued)**

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 residual values and useful lives of all significant assets 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.

1.11 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.

1.12 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. Accounting policies (continued)

1.13 Inventories

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

1.14 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.

1.15 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.

1.16 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.

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.

1.17 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.

1.18 Employee benefits

1.18.1 Accumulated annual leave

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 statement of reporting date.

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

1. Accounting policies (continued)

1.18 Employee benefits (continued)

1.18.3 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.

1.18.4 Termination benefits

Termination benefits are payable when employment is terminated by the institution before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The institution recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.