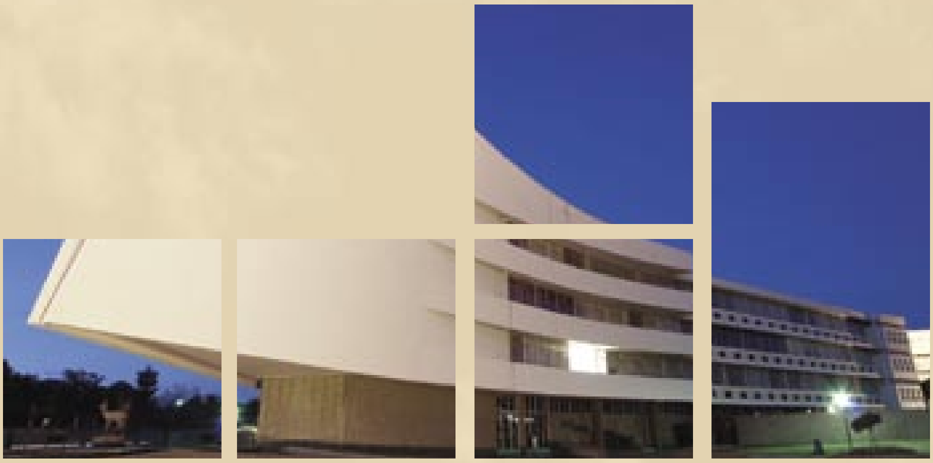
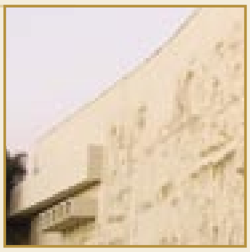
# 2006

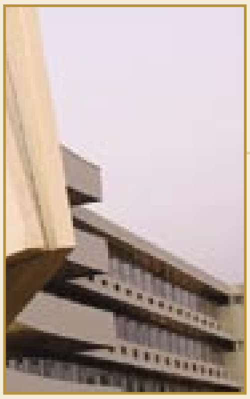


# FINANCIAL REPORT

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Denkleiers • Leading Minds • Dikgopolo tša Dihlalefi





# Vision

The University of Pretoria strives to be:

- a leader in higher education that is recognised internationally for academic excellence and a focus on quality;
- a university that is known for international competitiveness and local relevance through continuous innovation;
- the university of choice for students, staff, employers of graduates and those requiring research solutions;
- a university with an inclusive and enabling, value-driven organisational culture, that provides an intellectual home for the rich diversity of South African academic talent; and
- the premier university in South Africa that acknowledges its prominent role in Africa, is a symbol of national aspiration and hope, reconciliation and pride, and is committed to discharging its social responsibilities.

# Mission

The mission of the University of Pretoria is to be an internationally recognised South African teaching and research university and a member of the international community of scholarly institutions, that:

- provides excellent education in a wide spectrum of academic disciplines;

- promotes scholarship through:
  - the creation, advancement, application, transmission and preservation of knowledge; and
  - the stimulation of critical and independent thinking;

- creates flexible, lifelong learning opportunities;

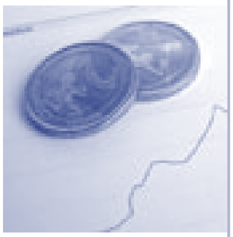
- encourages academically rigorous and socially meaningful research, particularly in fields relevant to emerging economies;

- enables students to become well-rounded, creative persons; responsible, productive citizens and future leaders by:
  - providing an excellent academic education;
  - developing their leadership abilities and potential to be world-class, innovative graduates with competitive skills;
  - instilling in them the importance of a sound value framework;
  - developing their ability to adapt to the rapidly changing environments of the information era; and
  - encouraging them to participate in and excel in sport, cultural activities and the arts;

- is locally relevant through:
  - its promotion of equity, access, equal opportunities, redress, transformation and diversity;
  - its contribution to the prosperity, competitiveness and quality of life in South Africa;
  - its responsiveness to the educational, cultural, economic, scientific, technological, industrial, health, environmental and social needs of the country;
  - its active and constructive involvement in community development and service; and
  - its sensitivity to the demands of our time and its proactive contribution towards shaping the future;

- creates an intellectually stimulating and culturally vibrant, pleasant and safe environment in which its students and staff can flourish; and

- is committed to effective, efficient, caring and innovative approaches to teaching, research and community service; client-centred management and administration; and good governance.





# COMPOSITION OF THE COUNCIL AND EXECUTIVE OF THE UNIVERSITY OF PRETORIA AS ON 31 DECEMBER 2006

## Council

### *Nominated by the Minister*
Rev Dr H M Dandala
Ms B Dibate
Ms P Mabena
Dr B-A J Ribeiro
Judge J V van der Westhuizen

### *Elected by the Convocation*
Mr A D Botha
Dr B P Botha
Prof E D du Plessis (Chairperson)
Prof J van Zyl

### *Elected by the Senate*
Prof J D Jansen
Prof A J Ligthelm
Prof M E Muller

### *Elected by the donors*
Mr L L Dippenaar
Prof D J du Plessis

### *Appointed by the Council based on expertise/experience*
Dr W J Barnard
Dr S F Booysen
Ms N T Mtoba
(3 vacancies)

### *Nominated by the Tshwane local authority*
Mr S Pillay

### *Student representatives*
Ms C Balie
Mr C van der Linde

### *Elected as representative of the academic staff*
Prof T J Scott

### *Elected as representative of the non-academic staff*
Prof A van Aswegen

### *Executive members (ex officio)*
Prof C W I Pistorius (Vice-Chancellor and Principal)
Prof R M Crewe (Vice-Principal)
Prof C R de Beer (Vice-Principal)
Prof R A Mogotlane (Vice-Principal)
Prof N A Ogude (Vice-Principal)

## Executive of the University of Pretoria

Prof C W I Pistorius (Vice-Chancellor and Principal)
Prof R M Crewe (Vice-Principal)
Prof C R de Beer (Vice-Principal)
Prof R A Mogotlane (Vice-Principal)
Prof N A Ogude (Vice-Principal)
Prof N J Grové (Registrar)
Prof A M de Klerk (Executive Director)
Mr J S J Nel (Executive Director)
Prof S Vil-Nkomo (Executive Director)
Prof A P Melck (Advisor to the Vice-Chancellor and Principal)

## Addresses of the University

### *Physical address*

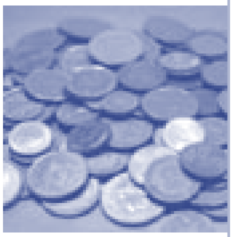
University of Pretoria
Lynnwood Road
Pretoria

### *Postal address*

Office of the Registrar
Room 4-23
Administration Building
University of Pretoria
Pretoria
0002

# CONTENTS





# SCOPE OF THE SUMMARISED CONSOLIDATED ANNUAL STATEMENTS

This report provides a financial profile of the University of Pretoria for the year ending 31 December 2006. The financial statements include the revenues, expenses, assets and liabilities, as well as the transactions of all the operations and organisations under the jurisdiction of the University.

# ANNUAL FINANCIAL REVIEW FOR 2006

Government's new funding formula, changes in the student profile, rising student debt, increasing demands on available study financing capital, increasing needs for capital in respect of deferred maintenance, and the effect of the amalgamation initiatives of government all contribute to an ever-changing environment in which the finance department must operate. When restricted resources are added to the above mix, the parameters within which the department can manoeuvre become constrained and demand new and innovative approaches and proactive thinking.

## Results for the year

The total income of the University amounted to R2 693 million in 2006 (2005: R2 575 million), and comprises the following items:

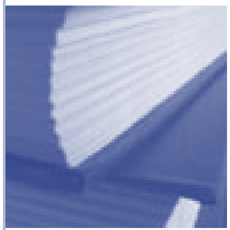
| Item | 2006 | 2005 | Change | |
|---|---|---|---|---|
| | R million | R million | R million | % |
| Government grants | 961 | 832 | 129 | 15,5 |
| Tuition fees | 576 | 500 | 76 | 15,2 |
| Accommodation and meal fees | 122 | 109 | 13 | 11,9 |
| Investment income: Profit on disposal | 115 | 315 | (200) | (63,5) |
| Investment income: Interest/dividends | 157 | 121 | 36 | 29,7 |
| Income from contracts | 233 | 247 | (14) | (5,6) |
| Rendering of services | 304 | 207 | 97 | 46,8 |
| Donations and gifts | 94 | 79 | 15 | 18,9 |
| Non-recurrent income | 131 | 165 | (34) | (20,6) |
| **Total** | **2 693** | **2 575** | **118** | **4,6** |

The large decline in profits on the disposal of listed securities in relation to 2005 can be explained by the extraordinary profits realised on the disposal of equities during 2005, with the implementation of the new investment strategy of the University. The increase in interest and dividend income was the result of a 2% increase in the repo rate by the Reserve Bank during the course of the year, with a concomitant increase in rates offered on cash investments. The robust equity market was once again the main contributor to the good returns realised on the investments of the University. The outlook for the equity market remains positive, although consensus indicates a slowing for 2007.

Expenditure was kept within the limits of affordability by means of improved effectiveness and productivity and through the application of stringent budget control. The total expenditure for the year amounted to R2 050 million (2005: R1 873 million) before deferred payments, provisions and minority interests, which represent an increase of about 9,6%.

Due to excellent budget control measures, the University did not experience budget transgressions in the year under review. On the contrary, some savings were recorded. This healthy state of affairs enabled the University to finance some new capital projects, as well as deferred maintenance from the operating budget.

## Student Financial Aid



| Type | Undergraduate | | Postgraduate | | Grand total | | |
|---|---|---|---|---|---|---|---|
| | White | Colour | White | Colour | White | Colour | Total |
| | R (000) | R (000) | R (000) | R (000) | R (000) | R (000) | R (000) |
| UP-funded bursaries | 30 389 | 12 690 | 13 526 | 6 892 | 43 915 | 19 582 | 63 497 |
| UP-controlled bursaries | 3 763 | 9 953 | 18 765 | 16 162 | 22 528 | 26 115 | 48 643 |
| UP-administered bursaries | 17 114 | 41 228 | 2 140 | 5 368 | 19 254 | 46 596 | 65 850 |
| UP bursaries/loans | 2 001 | 3 903 | 77 | 555 | 2 078 | 4 458 | 6 536 |
| NSFAS bursaries/ loans | 11 265 | 43 795 | 27 | 4 | 11 292 | 43 799 | 55 091 |
| Edu-Loan-funded loans | 345 | 20 733 | 90 | 16 288 | 435 | 37 021 | 37 456 |
| Grand total 2006 | 64 877 | 132 302 | 34 625 | 45 269 | 99 502 | 177 571 | 277 073 |
| % of total | 23% | 48% | 13% | 16% | 36% | 64% | 100% |
| Grand total 2005 | 60 688 | 111 553 | 31 303 | 37 545 | 91 991 | 149 098 | 241 089 |
| % of total | 25% | 46% | 13% | 16% | 38% | 62% | 100% |
| % increase 2005/2006 | 7% | 19% | 11% | 21% | 8% | 19% | 15% |

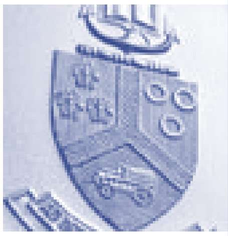
Government-sponsored student aid funding (National Student Financial Aid Scheme) increased from R50,9 million in 2005 to R56,2 million in 2006. R4,5 million of this allocation was ring-fenced for teacher education, in accordance with government's resolve to increase the number of qualified teachers.

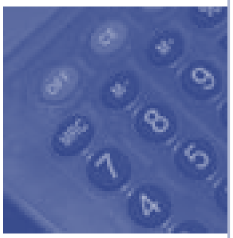
Once again the University managed to support a great number of students to fulfil their dream to become graduated. During 2006, the University provided financial aid to students to the amount of R277 million, as depicted in the above table (2005: R241 million).

## Building projects

During 2006, the Council approved four major new building projects: a new lecture hall complex with 1 800 seating capacity (R50 million), a new student residence with 640 beds (R98 million), the expansion of the Gordon Institute of Business Science (GIBS) (R99 million) and an addition of 192 bedrooms to the Nerina residence (R29 million).

The projects address the ever-growing need for essential facilities as a result of the continued growth of the University over the past number of years. The total cost for these projects amounts to R276 million and is the largest single capital programme ever undertaken by the University. All four projects are still in early phases. Completion is planned for early 2008.





# STATEMENT ON INTERNAL ADMINISTRATIVE/ OPERATIONAL STRUCTURES OF CONTROL

The University of Pretoria accepts that it has both an obligation and a responsibility regarding the disclosure of reliable financial information. To fulfil its responsibility in this regard, the University maintains proper internal control systems. These systems are designed to provide reasonable assurance that the University's assets are safeguarded against unauthorised acquisition, use or disposal, and that the accounting records provide a reliable basis for the preparation of financial statements.

The internal control systems are based on an organisational structure and the division of responsibilities. The University's established policies and procedures, including its Code of Ethics, are communicated throughout the organisation to foster a strong ethical climate.

The University's internal audit activities are performed by the Department of Audit and Advisory Services, while certain elements are co-sourced to an independent firm of auditors. Internal control systems, in accordance with the annual Internal Audit Plan as approved by the Audit Committee, are appraised on a continuous basis by either the Department of Audit and Advisory Services or the co-sourced independent internal auditors. Such audit plan is largely based on the strategic risks facing the University that emanated from the University's risk management process.

The internal audit function operates under the supervision of the University Council. The Audit Committee and the Standing Committee of Council exercise the supervision on behalf of the Council. Weaknesses identified in respect of the internal control systems are brought to the attention of management and the Audit Committee. Recommendations made in respect of obviating weaknesses are also submitted to management for consideration.

The effectiveness of any system of internal control is subject to limitations. These limitations include the possibility that human errors and the circumvention and overriding of controls can occur. Effective internal control systems can only provide reasonable assurance regarding the preparation of financial statements and the safeguarding of assets. However, the effectiveness of the systems can vary as circumstances change.

The University is of the opinion that its consolidated financial statements and the results of its operations in 2006 fairly present its financial position as at 31 December 2006. Wherever necessary, reasonable estimates and judgements were made in order to arrive at a fair appraisal.

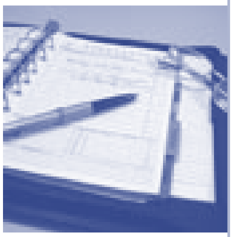
# STATEMENT ON RISK ASSESSMENT AND MANAGEMENT THEREOF

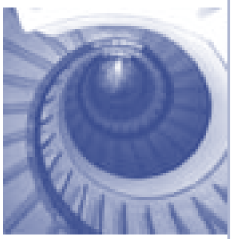
The design, implementation and monitoring of the process of risk management is the responsibility of the University. In this regard, management is accountable to the University Council.

The Risk Management Committee, comprising members of the Executive, identifies, evaluates and coordinates the management of strategic risks faced by the University. Risk management processes are reviewed regularly for continuing relevance and effectiveness. The Risk Management Committee reports to the Executive. A report on the risk management process that is being followed, as well as a summary of the risk register, is presented to the Audit Committee and to the Council of the University on a regular basis.

A multi-manager approach to the management of investments is followed in order to limit investment risk. Funds are invested in five divergent portfolios, with specific mandates developed to contain risk within set parameters. In order to hedge investment funds against currency fluctuations, the portfolio managers strive to invest some of the available funds abroad.

Within the existing mix of self-insurance and external insurance, the University is adequately insured against the risks of property damage, motor vehicle damage, public and professional indemnity, contract works, personal accident and a variety of smaller risks.





# APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements presented on pages 10 to 29 represent an extract of the full financial statements of the University of Pretoria. These financial statements were approved by the Council of the University of Pretoria at a meeting held on 20 June 2007.

The full financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in accordance with section 41, read with section 69, of the Higher Education Act, 1997, and the Regulations for Annual Reporting by Higher Education Institutions, published as government notice no 1240 in Gazette no 25407 of 29 August 2003.

The ‘going concern’ basis has been adopted in the preparation of the full financial statements. Based on forecasts and available cash resources, the Council believes that the University of Pretoria will remain a going concern in the foreseeable future. The viability of the institution is supported by the content of the financial statements.

The full financial statements have been audited by PricewaterhouseCoopers Inc, who was given unrestricted access to all financial records and related data, including the 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.

**VICE-CHANCELLOR AND PRINCIPAL**
(Prof C W I Pistorius)

**EXECUTIVE DIRECTOR**
(Mr J S J Nel)

PricewaterhouseCoopers Inc
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Sunninghill 2157
South Africa
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Facsimile +27 (11) 797 5800
www.pwc.com/za

# REPORT OF THE AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF PRETORIA

The accompanying summarised financial statements, set out on pages 10 to 29, have been derived from the consolidated annual financial statements of the University of Pretoria for the year ended 31 December 2006. These summarised financial statements are the responsibility of the University's Council. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the consolidated annual financial statements from which they were derived.

We have audited the conslidated annual financial statements of the University of Pretoria for the year ended 31 December 2006, from which these summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 20 June 2007 we expressed an unqualified opinion on the consolidated annual financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the consolidated annual financial statements from which they were derived.

For a better understanding of the University's financial position and results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjuction with the consolidated annual financial statements from which the summarised financial statements were derived and our audit report thereon.

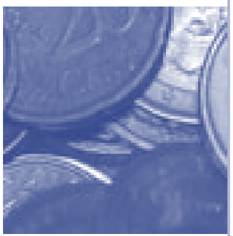
**PricewaterhouseCoopers Inc**
**Director: Hein Boegman**
**Registered Auditor**
**Johannesburg**
**20 June 2007**

| | |
|---|---|
| C Beggs | Chief Executive Officer |
| M J B Kitshoff | Chief Operating Officer |
| E R MacKeown | Director – Managing Johannesburg office |

The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.

PricewaterhouseCoopers Inc is an authorised financial services provider.

VAT reg.no. 4950174682



# UNIVERSITY OF PRETORIA AND ITS SUBSIDIARIES
## SUMMARISED CONSOLIDATED BALANCE SHEET
## AT 31 DECEMBER 2006

| | Notes | 2006 Rm | 2005 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | 2 936 | 2 469 |
| Property, Plant and Equipment | 1 | 907 | 897 |
| Non-Current Investments | 2 | 1 929 | 1 482 |
| Non-Current Receivables | 3 | 100 | 90 |
| **Current Assets** | | 1 779 | 1 326 |
| Inventories | 4 | 15 | 10 |
| Accounts Receivable, Prepaid Amounts, etc | 5 | 171 | 140 |
| Cash, Bank and Cash Equivalents | 6 | 1 593 | 1 176 |
| **Total Assets** | | 4 715 | 3 795 |
| **FUNDS AND LIABILITIES** | | | |
| **Funds Utilised/Available** | | 4 277 | 3 434 |
| Restricted Funds | | 1 719 | 1 386 |
| Council Designated Funds | | 2 558 | 2 048 |
| **Non-Current Liabilities** | | 21 | 83 |
| Borrowings | 7 | 21 | 22 |
| Retirement Benefit Obligations and Accumulated Leave | 8&9 | - | 61 |
| **Current Liabilities** | | 417 | 278 |
| Accounts Payable and Accrued Liabilities | 10 | 299 | 235 |
| Current Portion of Non-Current Borrowings | 7 | 1 | 1 |
| Retirement Benefit Obligations and Accumulated Leave | 8&9 | 117 | 42 |
| **Total Funds and Liabilities** | | 4 715 | 3 795 |

# **UNIVERSITY OF PRETORIA** AND ITS SUBSIDIARIES
## SUMMARISED CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2006

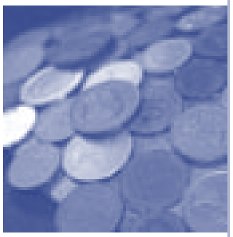
| | Notes | 2006 | 2005 |
|---|---|---|---|
| | | Rm | Rm |
| Operating Revenue | 11 | 2 290 | 1 974 |
| Less Operating Expenses | | 2 047 | 1 869 |
| Staff Costs | 12 | 1 051 | 978 |
| Other Operating Expenses | | 856 | 748 |
| Depreciation | | 140 | 143 |
| **Net Surplus/(Deficit) from Operations** | | 243 | 105 |
| Income from Investments | 13 | 272 | 436 |
| Profit from Sale of Fixed Assets | | 2 | 1 |
| Other Non-Recurrent Income | 14 | 129 | 164 |
| Finance Costs | | (2) | (3) |
| Other Non-Recurrent Expenses | | (1) | (2) |
| **Surplus Before Deferrals** | | 643 | 701 |
| Transfer - Restricted Funds Net | | (28) | (20) |
| Amounts Received not Expended - to Funds | | (166) | (138) |
| Amounts Spent from Prior Year Receipts - from Funds | | 138 | 118 |
| Non-Accumulative Leave Provision | 12 | (6) | 1 |
| **Surplus before Tax** | | 609 | 682 |
| Less Minority Interest | | (1) | (1) |
| Less Tax | | (2) | (1) |
| **Surplus for the Year** | | 606 | 680 |

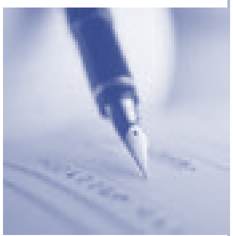
# **UNIVERSITY OF PRETORIA** AND ITS SUBSIDIARIES
## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

| | Unrestricted Operating Fund | Designated and Restricted Funds - Other | Designated and Restricted Property, Plant and Equipment Funds | Restricted Student Accommodation Fund | Total |
|---|---|---|---|---|---|
| | **Rm** | **Rm** | **Rm** | **Rm** | **Rm** |
| **BALANCE AT 31-12-2004: CREDIT** | (5) | 1 340 | 1 396 | 35 | 2 766 |
| Net Income - Surplus | 103 | 401 | 153 | 23 | 680 |
| Investments - Fair Value Adjustments Reduction | - | (32) | - | - | (32) |
| Other Additions | - | - | - | - | - |
| Amounts Received not Expended - Transfer | - | 138 | - | - | 138 |
| Amounts Spent from Prior Year Receipts - Transfer | - | (118) | - | - | (118) |
| Net Transfers from/(to) Other Funds | (98) | 88 | 27 | (17) | - |
| **BALANCE AT 31-12-2005: CREDIT** | **-** | **1 817** | **1 576** | **41** | **3 434** |
| Council Designated | - | 1 479 | 569 | - | 2 048 |
| Restricted - Other | - | 338 | 1 007 | 41 | 1 386 |
| **BALANCE AT 31-12-2005: CREDIT** | - | 1 817 | 1 576 | 41 | 3 434 |
| Net Income - Surplus | 209 | 345 | 17 | 35 | 606 |
| Investments - Fair Value Adjustments Reduction | - | 209 | - | - | 209 |
| Other Additions | - | - | - | - | - |
| Amounts Received not Expended - Transfer | - | 166 | - | - | 166 |
| Amounts Spent from Prior Year Receipts - Transfer | - | (138) | - | - | (138) |
| Net Transfers from/(to) Other Funds | (209) | (4) | 192 | 21 | |
| **BALANCE AT 31-12-2006: (DEBIT)/CREDIT** | **-** | **2 395** | **1 785** | **97** | **4 277** |
| Council Designated | - | 1 927 | 631 | - | 2 558 |
| Restricted - Other | - | 468 | 1 154 | 97 | 1 719 |

# **UNIVERSITY OF PRETORIA** AND ITS SUBSIDIARIES
## SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2006

| | Notes | 2006 Rm | 2005 Rm |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | 580 | 411 |
| Cash Generated from Operations | 17 | 427 | 295 |
| Investment Income | | 22 | 25 |
| Interest Received | | 134 | 96 |
| Interest Paid | | (2) | (3) |
| Taxation Paid | | (1) | (2) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | (152) | 6 |
| Purchase of PPE | | (150) | (127) |
| Net Increase in Other Non-Current Investments | | (118) | (183) |
| Disposal of PPE | | 2 | 2 |
| Profit on Investments | | 114 | 314 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | (11) | (16) |
| Payments on Interest-Bearing Borrowings | | (1) | (7) |
| Increase in Interest-Bearing Non-Current Receivables | | (10) | (9) |
| **CASH RETAINED FOR THE YEAR** | | 417 | 401 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | | 1 176 | 775 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | 6 | 1 593 | 1 176 |





# UNIVERSITY OF PRETORIA AND ITS SUBSIDIARIES
## SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2006

## 1. Basis for preparation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and are consistent with those of the previous year.

### 1.1 Consolidated financial statements

The consolidated financial statements are prepared in accordance with and comply 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 Act 101 of 1997 (as amended). The consolidated financial statements are prepared in terms of the historical cost method and are modified to accommodate the revaluation of certain property, plant and equipment, marketable securities and investments.

### 1.2 Income recognition

The state subsidy for general purposes is recognised as income in the financial year to which the subsidy relates. Subsidies for specific purposes, ie for capital expenditure, are recorded in the appropriate fund at the time that the funds become available for application and in accordance with the purpose for which they were provided.

Income received for designated specific purposes arises from contracts, grants, donations and income received for specified purposed endowments. In all cases the income is recorded in the income statement in the financial period in which the University of Pretoria becomes entitled to the use of the funds. Funds included as income but which will not be used until some specified future period or occurrence, are transferred to an appropriate fund and held in that fund until the financial period in which the funds can be used, at which time the amount is transferred back through the income statement.

Tuition fees are recognised as income in the period to which they relate and at the time that the fees are formally billed. Deposits provided by prospective students are treated as current liabilities until the amounts are billed as being due to the University.

### 1.3 Investment income

Investment funds are pooled and the investment income is apportioned to the various participating funds in proportion to their balances.

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

## 2. Consolidation

Subsidiary entities are those entities over which the University has the power, directly or indirectly, to exercise control. All subsidiaries are consolidated, except if control is expected to be temporary, if there are long-term restrictions on the transferability of funds or if they are insignificant in relation to the total assets and liabilities of the University. Subsidiaries are consolidated with effect from the date on which effective control is transferred to the University and are no longer consolidated with effect from the date of disposal.

All intercompany transactions, balances and unrealised surpluses and deficits are eliminated. Where necessary, accounting policies for subsidiary companies are changed to ensure consistency with the policies adopted by the University.

The assets, liabilities and results of the Student Representative Council and Tuks Rag are consolidated with those of the University.

## 3. 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 and non-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.

## 4. Financial instruments

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

## 5. Investments

Investments held are available-for-sale investments and are measured at fair value without any deduction for transaction costs that may be incurred on purchase or sale or other means of disposal. The fair value of marketable securities is market value. The market value is calculated by reference to selling prices quoted on the Stock Exchange on the balance sheet date. If the market value of an investment cannot be determined, the investment is measured at cost.

Adjustments to the fair value of available-for-sale investments are recognised in a revaluation reserve until such time as the investment is sold, in which case the adjustment will be recognised in the income statement. Available-for-sale investments are classified as non-current investments.

Investments exclude entities of which the operating results are included in the consolidated financial statements of the University.

## 6. Property, plant and equipment

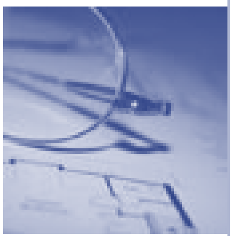
All property, plant and equipment are recorded at cost. Property, plant and equipment acquired by means of donations are recorded at the estimated market value at the date of the donation. The acquisition of an individual asset costing R1 000 or less is not recorded in the asset register and is expensed in the year of acquisition, except for computer equipment, furniture, works of art and audiovisual equipment. Assets costing between R1 000 and R15 000, as well as computer equipment, furniture, works of art and audiovisual equipment costing less than R1 000, are recorded in the asset register and expensed in total as depreciation in the year of acquisition.

Depreciation is calculated as follows, using the straight-line method to write off the cost of each asset, or the revalued amount of each asset, to its residual values over its estimated useful life:

| | |
|---|---|
| Buildings | 25 years |
| Vehicles | 5 years |
| Computer equipment (average) | 4 years |
| Furniture and equipment | 10 years |
| Museum and art collections | 10 years |

Library items are depreciated in full in the year of acquisition.
Land is not depreciated, as it is deemed to have an indefinite life.
All buildings in the group which are purchased as part of a finance lease are written off over the relevant lease period, and not over 25 years as for other buildings owned by the University.

Routine maintenance costs are charged to income as they are incurred. The cost of major maintenance or overhaul of an item of property, plant or equipment are recognised as an expense, except if the cost had been recognised as a separate part of the cost of the asset, and that amount has already been depreciated to reflect the benefits that had been replaced or restored.



Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

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

## 7. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the average-cost basis and when a perpetual inventory system is not present, it is determined at the most recent purchase price. Net realisable value is an estimate of the selling price in the ordinary course of business, excluding the cost of completion and selling expenses.

## 8. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate thereof is made and provision is also made for any receivables that are likely to be irrecoverable, based on a review of all outstanding amounts at the year end. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against other non-current income in the income statement.

Prepaid expenses comprise that portion of expenses that is paid in the current year, but is applicable to the next financial year.

## 9. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

## 10. Accounts payable

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 11. 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. Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. At the end of 2006, the practice of accumulation of leave with gratuity value was abandoned. At 31 December 2006, the gratuity value of leave is quantified at a rate commensurate with the benefit-bearing salary as on 1 October 2006, plus 10%. This amount will be frozen on that value.

## 12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the University of Pretoria and its subsidiaries have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 13. Post-retirement benefits

### 13.1 Pension and provident fund contributions

The University contributes towards two pension schemes, namely the AIPF and the UP Pension Fund, as well as towards one provident fund known as the UP Provident Fund. The AIPF is registered and managed in terms of the Pension Funds Act for Associated Institutions. The UP Pension Fund and the UP Provident Fund are managed by Boards of Trustees and are registered in terms of the provisions of the Pension Funds Act.

The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The University has both defined benefit and defined contribution plans. The liability of the University in respect of the AIPF and the UP Provident Fund is limited to the monthly instalments that the University pays on behalf of its members in terms of their service contracts. The UP Pension Fund is funded by payments from the employees and the University, taking into account recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Following the above-mentioned definitions, the University therefore contributes towards two defined contribution plans (the AIPF and the UP Provident Fund) and one defined benefit plan (the UP Pension Fund).

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

For defined contribution plans, the University pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The University has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 13.2 Medical aid fund contributions

In accordance with the existing personnel practice, the Council has undertaken to make certain medical fund contributions on behalf of retired staff and certain future retirees.

The expected costs of these benefits are accrued over the period of employment, using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to income. These obligations are valued annually by independent qualified actuaries.

Surpluses or deficits are recognised as income or as expenses when they occur.

# UNIVERSITY OF PRETORIA AND ITS SUBSIDIARIES
## SUMMARISED NOTES TO ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 1. Property, Plant and Equipment

| | Land and Buildings | Furniture, Equipment and Vehicles | Library Books and Journals | Computer Equipment | Total |
|---|---|---|---|---|---|
| | Rm | Rm | Rm | Rm | Rm |
| **Year Ended 31 December 2005** | | | | | |
| Opening Net Carrying Amount | 799 | 43 | - | 72 | 914 |
| Additions | 14 | 40 | 38 | 35 | 127 |
| Disposals | (1) | - | - | - | (1) |
| Depreciation Charge | (44) | (27) | (38) | (34) | (143) |
| Closing Net Carrying Amount | 768 | 56 | - | 73 | 897 |
| **At 31 December 2005** | | | | | |
| Cost | 881 | 381 | 323 | 300 | 1 885 |
| Accumulated Depreciation | (113) | (325) | (323) | (227) | (988) |
| Net Carrying Amount | 768 | 56 | - | 73 | 897 |
| **Year Ended 31 December 2006** | | | | | |
| Opening Net Carrying Amount | 768 | 56 | - | 73 | 897 |
| Additions | 35 | 47 | 34 | 34 | 150 |
| Disposals | - | - | - | - | - |
| Depreciation Charge | (39) | (25) | (34) | (42) | (140) |
| Closing Net Carrying Amount | 764 | 78 | - | 65 | 907 |
| **At 31 December 2006** | | | | | |
| Cost | 916 | 428 | 357 | 316 | 2 017 |
| Accumulated Depreciation | (152) | (350) | (357) | (251) | (1 110) |
| Net Carrying Amount | 764 | 78 | - | 65 | 907 |

## 2. Non-Current Investments

| | 2006 | 2005 |
|---|---|---|
| | Rm | Rm |
| Cost | | |
| Listed Shares at Cost | 543 | 509 |
| Bonds, Annuities and Other | 719 | 512 |
| Foreign Investments | 284 | 284 |
| | 1 546 | 1 305 |
| Valuation | | |
| Market Value of Listed Shares | 804 | 656 |
| Market Value of Bonds, Annuities and Other | 737 | 525 |
| Market Value of Foreign Investments | 388 | 301 |
| | 1 929 | 1 482 |

## 3. Non-Current Receivables

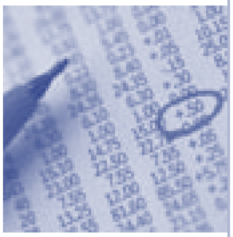
| | 2006 | 2005 |
|---|---|---|
| | Rm | Rm |
| Student Loans | 46 | 45 |
| General Funds | 10 | 8 |
| University Funds | 37 | 39 |
| **Less:** Provision for Bad Debts | (1) | (2) |
| Other Non-Current Receivables | 54 | 45 |
| Loans to Employees | 3 | 4 |
| Sale of Land - Non-Current Debtor | - | 8 |
| Reimbursable Post-Retirement Medical Aid Contributions Paid in Respect of Pensioners | 51 | 33 |
| | 100 | 90 |

The University sold a portion of land for R60 million during 2003, of which R30 million was payable on the transfer date and the balance in three annual instalments of R10 million each. No interest will be payable on the outstanding amount. In terms of AC 133, an imputed interest charge amounting to R4,9 million was calculated at a rate of 7,5% and will be recognised over the collection period of the debtor.

All non-current receivables are due within five years from the balance sheet date. Due to practical reasons, it is not possible to determine the current portion of the student and employee loans. The weighted average interest rate was as follows:

| | 2006 | 2005 |
|---|---|---|
| Student Loans | 7,03% | 7,28% |
| Loans to Employees | 8,33% | 8,42% |

All loans advanced to employees during the year are unsecured.



## 4. Inventories

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Laboratory and Medical | 2 | 2 |
| Stationery | 2 | 2 |
| Technical | 9 | 4 |
| Study Materials | 1 | 1 |
| Food | 1 | 1 |
| | 15 | 10 |

## 5. Receivables and Prepayments

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Student Debtors | 86 | 72 |
| Other Receivables | 111 | 91 |
| | 197 | 163 |
| **Less:** Provision for Bad Debts | (26) | (23) |
| Student Debtors | (22) | (21) |
| Other | (4) | (2) |
| | 171 | 140 |

## 6. Cash and Cash Equivalents

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Net Cash on Hand | 168 | 123 |
| Short-Term Investments | 1 425 | 1 053 |
| Cash at Bank and with Fund Managers | 1 407 | 1 053 |
| Short-Term Deposits | 18 | - |
| | 1 593 | 1 176 |

The weighted average effective interest rate on short-term bank deposits was 7,2% (2005: 7,4%).

## 7. Borrowings

| | 2006 Rm | 2005 Rm |
|---|---|---|
| **Current** | | |
| Current Portion of Finance Lease Agreement and Redemption Loans | 1 | 1 |
| **Non-Current** | 21 | 22 |
| Finance lease agreement | 19 | 19 |
| Redemption Loans | 2 | 3 |
| **Total borrowings** | 22 | 23 |

Redemption loans are guaranteed by the government.

During the year under review, a decision was made to account for the agreements between the University of Pretoria, TuksSport (Proprietary) Limited and Benstra Close Corporation in terms of the High Performance Centre building situated on the University of Pretoria's premises as a finance lease, and not as an operating lease, due to a change in the interpretation of South African Statements of Generally Accepted Accounting Practice.

The finance lease liability was accounted for, using a discount rate of 9% (2005: 9%), based upon the borrowing rate that the directors of TuksSport (Proprietary) Limited expected would be available to the company, and the finance lease liability is repayable over a period of 98 months in instalments of between R188 014 and R402 955 per month.

The interest rate exposure of the borrowings of the University was as follows:

| | 2006 Rm | 2005 Rm |
|---|---|---|
| at fixed rates | 22 | 23 |
| | | |
| Effective interest rates: | | |
| Finance Lease Agreement | 9,00% | 9,00% |
| Redemption Loans - Weighted Average Rates | 14,00% | 13,50% |

The carrying amounts and fair values of borrowings are as follows:

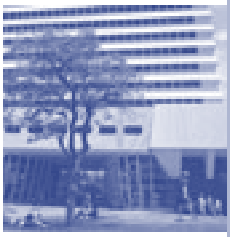
| **Carrying Amounts** | **2006 Rm** | **2005 Rm** |
|---|---|---|
| Finance Lease Agreement | 19 | 20 |
| Redemption Loans | 3 | 3 |
| | 22 | 23 |

| Minimum instalment repayment of finance lease liability: | **2006 Rm** | **2005 Rm** |
|---|---|---|
| Not later than 1 year | 2 | 2 |
| Later than 1 year and not later than 5 years | 12 | 11 |
| Later than 5 years | 14 | 17 |
| | 28 | 30 |
| Future finance charges | (9) | (11) |
| Total amount outstanding | 19 | 19 |

| **Fair Values** | **2006 Rm** | **2005 Rm** |
|---|---|---|
| Finance Lease Agreement | 19 | 20 |
| Redemption Loans | 2 | 2 |
| | 21 | 22 |
| | | |
| Discount Rate | 12,50% | 9,00% |

The fair values are based on discounted cash flows, using a discount rate based upon the borrowing rate which the Council expected would be available to the University at the balance sheet date.

| Maturity of interest-bearing borrowings: | **2006 Rm** | **2005 Rm** |
|---|---|---|
| Between 1 and 5 years | 9 | 8 |
| Over 5 years | 12 | 14 |
| | 21 | 22 |



## 8. Pension and Other Post-Retirement Obligations

### 8.1 Pension Scheme

The assets of the UP pension Funds (UP Pension Fund and the UP Provident Fund) are held independently of the University's assets in a separate trustee-administered fund. The UP Pension Fund is valued by independent actuaries at least every three years. The latest actuarial valuation was carried out at 31 December 2005. At that stage the actuarial valuation of the assets (R807 million) exceeded the liabilities (R626 million) by R181 million. The actuary was of the opinion that the UP Pension Fund was in a sound financial position. The next valuation of the pension funds will be undertaken during 2006. The actuary is of the opinion that the UP Pension Fund, at 31 December 2006, would be in a sound financial position. However, this will only be confirmed with an actuarial valuation.

The information for AC 116 purposes for the period is as follows:

| | 2005<br>Rm | 2004<br>Rm |
|---|---|---|
| Balance at the end of the year | | |
| Present value of funded obligations | (626) | (566) |
| Fair value of plan assets | 807 | 643 |
| Present value of plan assets/(obligation) in excess of obligations/(plan assets) | 181 | 77 |

The amounts recognised on the balance sheet are as follows:

| | 2005<br>Rm | 2004<br>Rm |
|---|---|---|
| Present value of plan assets/(obligation) in excess of obligations/ (plan assets) | 181 | 77 |
| Unrecognised actuarial (gain)/loss | - | - |
| (Surplus)/Shortfall not recognised | (181) | (77) |
| Liability recognised in balance sheet | - | - |
| **Present value of obligation** | | |
| Present value of obligation at the beginning of the period | 566 | 508 |
| Interest cost | 56 | 51 |
| Current service cost | 37 | 36 |
| Past service cost - non-vested benefits | - | - |
| Past service cost - vested benefits | - | - |
| Benefits paid | (41) | (24) |
| Actuarial gain (-)/loss (+) on obligation | 8 | (5) |
| Present value of obligation at the end of the period | 626 | 566 |
| **Fair value of plan assets** | | |
| Fair value of plan assets at the beginning of the period | 643 | 481 |
| Expected return on plan assets | 64 | 49 |
| Contributions - normal | 37 | 36 |
| Contributions - additional | - | - |
| Benefits paid | (42) | (24) |
| Actuarial gain (+)/loss (-) on plan assets | 105 | 101 |
| Fair value of plan assets at the end of the period | 807 | 643 |
| (Surplus)/Shortfall as a % of liabilities | (28,9)% | (13,6)% |
| (Surplus)/Shortfall as a % of assets | (22,5)% | (12,0)% |
| Discount rate | | |
| Pre-retirement | 10,0% | 10,0% |
| Post-retirement | 3,8% | 3,8% |
| Expected return on plan assets | 10,0% | 10,0% |
| Number of employees who are members of the UP Pension Fund | 713 | 806 |
| Number of pensioners of the UP Pension Fund | 432 | 407 |
| Post-retirement mortality | PA(90) | PA(90) |

The major categories of plan assets as a percentage of total plan assets are as follows:

| | 2005 % | 2004 % |
|---|---|---|
| SA Equities | 53,2% | 72,7% |
| SA Bonds | 32,9% | 8,1% |
| Cash and Cash Equivalents | - | 6,6% |
| International Equities | 11,0% | 9,9% |
| International Bonds | 2,90% | - |
| Other | - | 2,7% |

Amounts for the latest actuarial valuation and previous two periods are as follows:

| | 2003 Rm | 2004 Rm | 2005 Rm |
|---|---|---|---|
| Defined benefit obligation | (508) | (566) | (626) |
| Plan assets | 481 | 643 | 807 |
| Surplus/(deficit) | (27) | 77 | 181 |
| Experience adjustments on plan liabilities | 66 | (5) | 8 |
| Experience adjustments on plan assets | 33 | 101 | 105 |

## 8.2 Post-Employment Medical Benefits

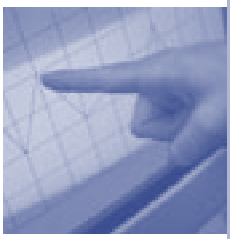
The University operates one post-employment medical benefit scheme. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

The principal actuarial assumptions are:

- expected rate of return for plan assets of 8%
- expected rate of salary contribution of 6%
- net discount rate of 2% per year

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Balance at the end of the year: | | |
| Present value of funded obligations | 398 | 375 |
| Fair value of plan assets | 726 | 577 |
| | (328) | (202) |
| Accounted for under non-current investments | 277 | 169 |
| Accounted for under accounts receivables | 51 | 33 |
| Liability at balance sheet date | - | - |
| Movement in the liability recognised in the balance sheet: | | |
| Opening balance as previously stated | - | - |
| Effect of adopting AC 116 | - | - |
| | - | - |
| Unrecognised actuarial gains | - | - |
| Asset not recognised at balance sheet date | - | - |
| Balance at the beginning of the year | - | - |





| | | |
|---|---|---|
| Contributions paid | (25) | (17) |
| Other expenses included in staff costs | 25 | 17 |
| Current service cost | 13 | 15 |
| Interest cost | 29 | 35 |
| Expected return on plan assets | (23) | 9 |
| Net actuarial gains recognised during the year | 6 | (42) |
| Balance at the end of the year | - | - |

The major categories of plan assets as a percentage of total plan assets are as follows:

| | **2006** | **2005** |
|---|---|---|
| | **%** | **%** |
| SA Equities | 64,1% | 68,4% |
| SA Bonds | 19,1% | 27,3% |
| Cash and Cash Equivalents | 7,6% | 4,3% |
| International Bonds | 9,2% | - |

Assumed health care cost trend rates have a significant effect on the amounts recognised in profit or loss. A one-percentage point change in assumed health care cost trend rates would have the following effects:

| | 2006 | 2005 |
|---|---|---|
| | **Rm** | **Rm** |
| Effect on the aggregate of the service cost and interest cost | - | - |
| Effect on defined benefit obligation | 59 | (47) |

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

| | **2002** | **2003** | **2004** | **2005** | **2006** |
|---|---|---|---|---|---|
| | **Rm** | **Rm** | **Rm** | **Rm** | **Rm** |
| Defined benefit obligation | 305 | 345 | 384 | 375 | 398 |
| Experience adjustments on plan liabilities | 5 | (8) | (13) | (42) | 6 |

## 9. Provisions

| | **2006** | **2006** |
|---|---|---|
| | **Rm** | **Rm** |
| Accumulated leave | | |
| Current | 116 | 42 |
| Non-current | - | 61 |
| Bonus provision: Current | 1 | - |
| Total provisions | 117 | 103 |

Members of staff with leave with gratuity value to their credit at the end of 2006 have a choice of either having the accumulated leave (as at 31 December 2006) disbursed to them at the end of March 2007, or to retain such leave credits in the system at the value as determined above. Leave credits retained will be disbursed to the relative staff member upon termination of service or on request at any time after March 2007, at the value as at 31 December 2006. As it is impossible to predict which portion of the liability will be disbursed to staff in 2007, the total provision is treated as current.

## 10. Accounts Payable and Accrued Liabilities

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Trade Payables | 134 | 106 |
| Accrued Expenses | 25 | 19 |
| VAT | 3 | 1 |
| Receiver of Revenue - Income Tax | 1 | 1 |
| Receiver of Revenue - PAYE | 1 | 1 |
| Other Payables | 26 | 21 |
| Deposits Held in Custody for Others | 20 | 16 |
| Estate Funds | 11 | 12 |
| Other Agency Funds | 9 | 4 |
| Student Deposits | 89 | 70 |
| | 299 | 235 |

## 11. Operating Revenue

| | 2006 Rm | 2005 Rm |
|---|---|---|
| State Appropriations - Subsidies and Grants | 961 | 832 |
| Tuition and Other Fee Income | 698 | 610 |
| Income from Contracts | | |
| For Research | 128 | 105 |
| For Other Activities | 105 | 142 |
| Rendering of Services | 304 | 206 |
| Donations and Gifts | 94 | 79 |
| | 2 290 | 1 974 |

## 12. Staff Costs

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Salaries and Wages | 978 | 897 |
| Pension Costs - Defined Benefit Plans (Note 8.1) | 67 | 65 |
| Other Post-Retirement Benefits (Note 8.2) | 12 | 15 |
| | 1 057 | 977 |
| Staff Costs | 1 051 | 978 |
| Non-Accumulative Leave Provision | 6 | (1) |

| The number of persons employed by the University on 31 December is: | 2006 | 2005 |
|---|---|---|
| Full-time | 3 743 | 3 816 |
| Part-time (more than 15 hours per week) | 469 | 410 |
| Joint Appointments - Full-time | 512 | 472 |
| Joint Appointments - Part-time (more than 15 hours per week) | 11 | 10 |
| | 4 735 | 4 708 |

## 13. Income from Investments

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Profit/(Loss) on investments | 115 | 315 |
| Gains on sales of marketable securities | 108 | 296 |
| Loss on exchange rate | 7 | 19 |
| Interest and Dividends | 157 | 121 |
| Dividend Income | 22 | 25 |
| Interest | 135 | 96 |
| | 272 | 436 |

## 14. Other Non-Recurrent Income

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Fair value adjustment - Investments held for post-retirement medical liability | 120 | 158 |
| Other Non-Recurrent Items | 9 | 6 |
| | 129 | 164 |

## 15. Contingencies

### Contingent Liabilities

#### 15.1 Restricted Funds

Contingent liabilities exist in respect of restricted funds that, if not utilised in accordance with the requirements of the provider of the funds, may have to be returned to the provider. The maximum amount that would have to be repaid if none of the specified activities could be achieved and if all providers requested the return of the funds, is estimated at R166,1 million (2005: R138,6 million).

#### 15.2 Legal Actions

No significant legal actions were noted.

#### 15.3 Overdue Assessments

A contingent liability of R10,9 million exits in respect of an assessment of arrears municipality rates received from the City of Tshwane. The assessment is in dispute and is currently under investigation.

## Contingent Assets

### 15.4 Pension Fund Surplus

The University of Pretoria Pension Fund realised a surplus of R181 million for the year ending 31 December 2005. The surplus has not been recognised. The recognition of the surplus is dependent on the approval of a rule amendment to the Pension Fund Rules in respect of the creation of an employer surplus account by the trustees of the pension fund and the approval and registration of the rule amendment by the Financial Services Board.

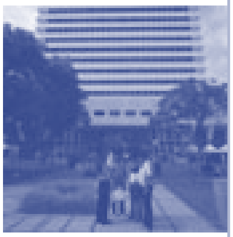
## 16. Contractual Obligations in Respect of Expenses

| | 2006 Rm | 2005 Rm |
|---|---|---|
| The following obligations existed on 31 December 2006 in respect of contracts and orders placed: | | |
| Buildings | 449 | 74 |
| Operating expenditure, including movable assets | 81 | 35 |

Funds are available from existing sources.

## 17. Cash (Utilised in)/Generated from Operations

| | 2006 Rm | 2005 Rm |
|---|---|---|
| Reconciliation of surplus to cash generated from operations: | | |
| Surplus before tax | 609 | 682 |
| Adjustments for: | | |
| Non-cash items | | |
| - Depreciation | 140 | 143 |
| - Increase in retirement benefits | 14 | 4 |
| Profit on sale of property, plant and equipment | (2) | (1) |
| Fair value adjustment - Investments held for post-retirement medical liability | (120) | (158) |
| Income received under restricting conditions carried forward | 27 | 20 |
| Investment income | (22) | (24) |
| Interest received | (134) | (97) |
| Interest expense | 2 | 3 |
| Profit on sale of investments | (115) | (315) |
| Changes in working capital | 28 | 38 |
| (Increase)/Decrease in trade and other receivables | (31) | 2 |
| (Increase)/Decrease in inventories | (5) | (1) |
| Increase/(Decrease) in trade and other payables | 64 | 37 |
| Cash generated from operations | 427 | 295 |



## 18. Related Party Transactions

The following are considered to be related parties to the University:

- University Council members
- Management (Management comprises the Executive, deans of faculties, directors of support service departments and directors of subsidiaries)

All related party transactions were conducted at arms length.

Remuneration paid

| | 2006 | 2005 |
|---|---|---|
| | **R `000** | **R `000** |
| - Members of the University Council | 261 | 340 |
| - Management | 40 771 | 42 874 |
| | | |
| Loans to Management | | |
| - Motor Vehicle Loans | 847 | 1 280 |

## 19. Subsidiaries

The University of Pretoria controls and owns 100% of the shares of the following companies:

- Business Enterprises at University of Pretoria (Pty) Ltd
- Continuing Education at University of Pretoria (Pty) Ltd
- TuksSport (Pty) Ltd
- Enterprises at University of Pretoria (Pty) Ltd (dormant)
- Research Enterprises at University of Pretoria (Pty) Ltd (dormant)
- Health Enterprises at University of Pretoria (Pty) Ltd (dormant)

Business Enterprises at University of Pretoria (Pty) Ltd owns 40% of the shares of Consulta Management Consulting (Pty) Ltd.

TuksSport (Pty) Ltd owns 100% of the shares of TS Soccer (Pty) Ltd.

Hugo Louw and Marcheti-Mercer Incorporated is indirectly controlled by the University of Pretoria, which controls the appointment of the board of directors.

### Transactions with Subsidiaries

No transactions other than loans, lease of office and administration fees have taken place between the University of Pretoria and its subsidiaries. All intergroup transactions were eliminated on consolidation.

## 20. Risk Management

A Risk Management Committee, comprising members of the Executive, identifies, evaluates and coordinates the management of strategic risks faced by the University. Risk management processes are reviewed regularly for continuing relevance and effectiveness. The Risk Management Committee reports to the Executive. A report on the risk management process that is being followed, as well as a summary of the risk register, is presented to the Audit Committee and to the Council of the University on a regular basis.

### Financial Risk Factors

The University and its subsidiaries are exposed to a variety of financial risks: foreign currency risk, liquidity risk, credit risk, interest rate risk, price risk and fair value of financial instruments.

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