



# *Annual Financial Statements*

*Trust Deed Number IT 589 / 03*



*Water is essential to life on earth. It breathes new life to barren land and provides nourishment and sustenance. By supporting our programmes, you are providing financial sustenance to needy students – helping us inspire change throughout South Africa.*

# Statement of Responsibility by the Board of Trustees and Approval of Annual Financial Statements

**THE BOARD OF TRUSTEES** is responsible for the preparation, integrity and fair presentation of the annual financial statements of the University of KwaZulu-Natal Foundation Trust ("the Foundation").

The financial statements presented on pages 25 to 37 have been prepared in accordance with International Financial Reporting Standards and in terms of the Foundation's Deed of Trust.

The Trustees consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in preparing the annual financial statements, and that the financial reporting standards relevant to the Foundation have been adopted as far as is practicable. The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of the Foundation's operations and cash flows for the year and its financial position at year end.

The "going concern" basis has been adopted in the preparation of the annual financial statements. The Board of Trustees have no reason to believe that the Foundation will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The viability of the Foundation is supported by the financial statements.

The Foundation operates in a well-established control environment that is comprehensively documented and reviewed

regularly. This incorporates risk management and internal control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the Foundation are being controlled. No event or item has come to the attention of the Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

These financial statements have been reported on by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Trustees believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 24. The supplementary financial information presented on pages 38 to 39 does not constitute part of the audited financial statements.

The financial statements set out on pages 25 to 37 and the supplementary financial information set out on pages 38 to 39 were approved by the Board of Trustees on 29 May 2015 and are signed on its behalf by:

**W A M Clewlow**  
Chairperson

**J Meyerowitz**  
Executive Director

**B Mahlangu**  
Chief Finance Officer  
University of KwaZulu-Natal



# Independent Audit Report

## To the Board of Trustees of the University of KwaZulu-Natal Foundation Trust

We have audited the financial statements of the University of KwaZulu-Natal Foundation Trust set out on pages 25 to 37, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in funds and other reserves and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in terms of the Foundation's Deed of Trust, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of KwaZulu-Natal Foundation Trust as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in terms of the Foundation's Deed of Trust.

## Other Reports

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Trustees' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

## Other Matter

The supplementary schedules set out on pages 38 to 39 do not form part of the financial statements and are presented solely for the information of the Trustees. We have not audited these schedules and accordingly we do not express an opinion thereon.



**PricewaterhouseCoopers Inc.**  
**Director: H Ramsumer**  
**Registered Auditor**  
**Durban**  
**29 May 2015**



# Statement of Financial Position

as at 31 December 2014

	Notes	2014 R	2013 R
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	2	19 368	49 633
Investments	3.1	189 128 461	178 749 966
		<b>189 147 829</b>	178 799 599
<b>Current Assets</b>			
Cash at bank		608 750	689 212
<b>Total Assets</b>		<b>189 756 579</b>	179 488 811
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Endowed Funds			
Specified endowment funds		35 430 845	34 246 933
Unspecified endowment fund		46 281 614	50 257 649
Total endowed funds		81 712 459	84 504 582
Restricted funds			
Investment revaluation reserve	3.2	93 063 415	79 641 381
Total Funds		174 775 874	164 145 963
<b>Non-current Liabilities</b>			
Post-retirement health care obligations	5	1 115 938	910 501
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		334 222	93 480
Specified donations to be allocated		622 284	702 126
Employee benefits	6	516 128	302 087
UKZN current account	7	12 392 133	13 334 654
<b>Total Funds and Liabilities</b>		<b>189 756 579</b>	179 488 811

# Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	Specified Endowment Funds R	Unspecified Endowment Fund R	Endowed Funds 2014 Total R	2013 Total R
<b>INCOME</b>					
<b>Donations and grants</b>					
Specified purposes		108 053 875	-	108 053 875	113 641 824
Specified University endowments		207 540	-	207 540	21 500
Unspecified endowments		-	69 457	69 457	1 528 417
Unspecified purposes		-	2 400	2 400	2 550
<b>Total donations and grants</b>		<b>108 261 415</b>	<b>71 857</b>	<b>108 333 272</b>	<b>115 194 291</b>
<b>Investment income</b>					
Income from marketable securities :		1 497 911	2 158 550	3 656 461	10 226 242
Interest and dividends		1 497 911	2 158 550	3 656 461	3 131 819
Realised gains on sale of marketable securities	3.1	-	-	-	7 094 423
<b>Total investment income</b>		<b>1 497 911</b>	<b>2 158 550</b>	<b>3 656 461</b>	<b>10 226 242</b>
<b>Total income</b>		<b>109 759 326</b>	<b>2 230 407</b>	<b>111 989 733</b>	<b>125 420 533</b>
<b>EXPENDITURE</b>					
Administration expenses - local		-	5 235 721	5 235 721	5 438 034
Fundraising and development		-	-	-	7 240
International operations		-	338 957	338 957	834 907
Bursary awards and other disbursements		112 990	-	112 990	592 516
<b>Total expenditure</b>		<b>112 990</b>	<b>5 574 678</b>	<b>5 687 668</b>	<b>6 872 697</b>
<b>Net surplus before allocations</b>	9	<b>109 646 336</b>	<b>(3 344 271)</b>	<b>106 302 065</b>	<b>118 547 836</b>
<b>Allocations</b>					
Grants for specified University purposes		108 204 365	-	108 204 365	113 656 897
Specified Foundation endowment funds		(57 050)	-	(57 050)	-
Specified University endowment funds		207 540	-	207 540	21 500
<b>NET (LOSS)/SURPLUS</b>		<b>1 441 971</b>	<b>(3 344 271)</b>	<b>(1 902 300)</b>	<b>4 890 939</b>
Other comprehensive income for the year		5 410 422	7 850 789	13 261 211	13 654 265
Net gain on available for sale financial assets		5 410 422	8 011 612	13 422 034	20 932 634
Realised gains on sale of marketable securities		-	-	-	(7 094 423)
Remeasurement of post retirement obligations		-	(160 823)	(160 823)	(183 946)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6 852 393</b>	<b>4 506 518</b>	<b>11 358 911</b>	<b>18 545 204</b>

# Statement of Changes in Funds and Reserves

for the year ended 31 December 2014

Notes	Funds			Restricted Funds		Total Funds
	Specified Funds	Unspecified Endowment Fund	Sub-Total Funds	Investment Revaluation Reserve	Capacity Development Grant	
	R	R	R	R	R	
<b>Fund balances at 1 January 2013</b>	<b>31 841 911</b>	<b>49 131 846</b>	<b>80 973 757</b>	<b>65 803 170</b>	<b>6 427</b>	<b>146 783 354</b>
Transfer to Income					(6 427)	(6 427)
Total comprehensive income for the year	8 795 308	9 749 896	18 545 204			18 545 204
Transfers to University operations	(992 000)	(184 168)	(1 176 168)			(1 176 168)
Fair value movement in investments	3.1 (5 398 286)	(8 439 925)	(13 838 211)	13 838 211		-
<b>Fund balances at 31 December 2013</b>	<b>34 246 933</b>	<b>50 257 649</b>	<b>84 504 582</b>	<b>79 641 381</b>		<b>164 145 963</b>
Total comprehensive income for the year	6 852 393	4 506 518	11 358 911			11 358 911
Transfer between funds	255 941	(255 941)				-
Transfers to University operations	(514 000)	(215 000)	(729 000)			(729 000)
Fair value movement in investments	3.1 (5 410 422)	(8 011 612)	(13 422 034)	13 422 034	-	
<b>Fund balances at 31 December 2014</b>	<b>35 430 845</b>	<b>46 281 614</b>	<b>81 712 459</b>	<b>93 063 415</b>	<b>-</b>	<b>174 775 874</b>



# Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 R	2013 R
<b>Operating activities</b>			
Cash (utilised)/generated from operating activities:		<b>(1 982 386)</b>	3 455 773
Investment income		<b>3 656 461</b>	10 226 242
Expenditure and disbursements		<b>(5 687 668)</b>	(6 809 247)
Depreciation		<b>48 821</b>	38 778
Changes in working capital		<b>374 941</b>	( 901 991)
(Decrease) in donations to be allocated		<b>( 79 842)</b>	( 768 910)
Increase/(Decrease) in employee benefits		<b>214 041</b>	( 139 333)
Increase in accounts payable and accrued liabilities		<b>240 742</b>	6 252
Increase/(decrease) in post-retirement health care obligations including remeasurement		<b>44 614</b>	77 083
(Decrease)/Increase in UKZN current account		<b>( 942 521)</b>	6 575 455
Net cash (utilised in)/generated from operating activities		<b>(2 505 352)</b>	9 206 320
<b>Investing activities</b>			
Net cash generated from/(utilised in) investing activities :		<b>3 024 983</b>	(10 327 249)
Purchase of property, plant and equipment	2	<b>( 18 556)</b>	(37 557)
Re-investment of investment income	3.1	<b>(3 656 461)</b>	(10 226 242)
Withdrawals from investments		<b>6 700 000</b>	-
Interest paid : UKZN		<b>-</b>	( 63 450)
<b>Financing activities</b>			
Net cash (utilised in)/generated from financing activities :		<b>( 600 093)</b>	354 799
Endowment Funds : donations and grants		<b>128 907</b>	1 530 967
Endowment Funds : transfers to UKZN operations		<b>( 729 000)</b>	(1 176 168)
Net (decrease) in cash and cash equivalents		<b>( 80 462)</b>	( 766 130)
Cash and cash equivalents at beginning of year		<b>689 212</b>	1 455 342
<b>Cash and cash equivalents at end of year</b>		<b>608 750</b>	689 212

# Notes to the Annual Financial Statements

for the year ended 31 December 2014

## 1. Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Foundation's Deed of Trust. They have been prepared under the historical cost convention, except for available-for-sale financial assets, which are measured at fair value. The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year.

These financial statements are prepared and presented in South African Rands.

### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about areas of estimation, uncertainty and critical judgements in applying accounting policies that are likely to have the most significant effects on the amounts recognised in the financial statements are described in the following notes:

- Property, plant and equipment
- Investments
- Post-retirement health care obligations
- Employee benefits

### Income recognition

Income comprises donations and grants received and Investment income.

Donations and grants are brought into the statement of comprehensive income in the year of their receipt and thereafter transferred to the beneficiary University unit, entity, endowment or other fund, as applicable. Donations received in advance of the period of their specified use are disclosed as current liabilities on the statement of financial position.

Investment income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such Income will accrue to the Foundation. Dividends are recognised when the right to receive payment is established.

### Foreign currency transactions

Foreign currency transactions are accounted for at spot rates, being the exchange rates prevailing at the dates of the respective transactions. Gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income in the year in which they arise. Monetary assets and liabilities designated in foreign currencies at the statement of financial position date are translated at the rates of exchange ruling at the statement of financial position date.

### Investments

Investments are "available-for-sale" investments and are stated at fair value and classified as non-current assets. Fair values are calculated by reference to securities exchange quoted selling

prices at the close of business on the statement of financial position date. Adjustments to the fair value of investments are recognised in the revaluation reserve until such time as they are sold. On disposal of investments, realised gains or losses are credited or charged to the statement of comprehensive income, as appropriate. Exceptional realised gains are utilised to maintain the "purchasing power" of endowment fund principal balances by applying a capital maintenance adjustment. Where necessary, impairment losses are recognised in the revaluation reserve to the extent that there is a credit balance relating to investments and excesses, if any, are charged to the statement of comprehensive income. Gains and losses related to specific restricted endowment or trust funds are recognised by way of adjustments to the appropriate funds.

### Endowed funds

Investment income received and accrued during the year (realised capital profits, interest and dividends) is allocated to individual endowment funds in proportion to the opening balances at the beginning of the financial year. Interest in respect of the current year cash movements from the University treasury management portfolio is allocated on the same basis, at the prevailing investment average "pool" rate for the year.

### Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

Assets costing less than R5000 are written off in the year of acquisition.

Depreciation is calculated on the straight-line method, at rates calculated to write off the costs or revalued amounts of assets, to their





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residual values over their estimated useful lives, as follows:

Computer equipment :	3 years
Furniture:	5 years

Routine maintenance costs are charged to income as incurred. Costs of major maintenance or refurbishment of items of property, plant and equipment are recognised as expenses, except where the useful lives of the assets concerned have been extended. 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 disposal of property, plant and equipment are determined by comparing the carrying value of the respective assets at disposal to the proceeds on their disposal and are accounted for in the statement of comprehensive income.

## Financial instruments

Financial instruments include investments, cash, receivables and accounts payable. Where material, the particular recognition methods adopted are disclosed in the individual policy statements associated with the respective financial instruments.

Exposure to foreign currency (i.e. exchange rate) and credit risks arises in the normal course of the Foundation's fundraising and investment activities. Exchange rate risks associated with major foreign grants and donations received are managed by the adoption of various strategies designed to minimise these risks as far as practicable. Market and credit risk on investments is prudently managed on behalf of the Foundation's Trustees by externally-appointed asset managers ("counterparties") that have credit ratings equal to or better than those of the Foundation.

## Post-retirement health care obligations

The Foundation provides post-retirement health care benefits for all employees and retirees who were members of the University of KwaZulu-Natal Medical Scheme prior to 1 August 2004. In the case of serving members, the entitlement to these benefits is conditional on employees remaining in

service up to retirement age. The expected costs of these benefits are accrued over the periods of employment, using the projected unit credit method. These service costs are charged to income as incurred. Independent actuarial valuations of these obligations are carried out annually on behalf of the University and the Foundation's proportionate share of the total liability, based on the number of its members eligible to receive post-retirement health care benefits, is recognised in the statement of financial position. All actuarial gains/losses are recognised immediately through other comprehensive income.

## Employee benefits

Employee entitlements to annual leave and service bonuses are recognised when they accrue. Accruals are made for the estimated liabilities for leave accumulated up to the statement of financial position date and, in the case of service bonuses paid annually to qualifying employees in the months of their birthdays, to the extent of the pro rata services rendered by each employee prior to the statement of financial position date.

## Accounts payable and accrued liabilities

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

## Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

At each statement of financial position date, an assessment of the carrying amounts of property, plant and equipment, investments and other assets is made to determine whether there is any indication of impairment. If such indication exists, the estimated recoverable amount of the impaired asset is determined and adjusted accordingly. The resultant impairment losses on the differences between the recoverable and carrying amounts are recognised in the statement of comprehensive income, unless the relevant assets are carried at revalued amounts, in which case the impairment losses are reversed

against the revaluation reserve and disclosed in the statement of changes of funds.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

## Related parties

A party is related to the Foundation if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Foundation;
- The party is a member of key management personnel of the Foundation or its parent; and
- The party is a close family member of the family or individual referred to above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

## Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue, but not yet effective:

Effective date for annual periods beginning on or after indicated below.

Revised

IAS 16 - Property Plant & Equipment 1 January 2016

IAS 19 - Employee Benefits. 1 January 2017

IFRS 5 - Non Current Assets held for sale and Discontinued Operations. 1 January 2017

IFRS 7 - Financial Instruments. 1 January 2017

IFRS 15 - Revenue from Contracts with Customers. 1 January 2017

IFRS 9 - Financial Instruments. 1 January 2018

The Trustees are of the opinion that the amendments to these standards will not have a material effect on the annual financial statements of the Foundation.



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		2014 R	2013 R
<b>2 PROPERTY, PLANT AND EQUIPMENT</b>			
	<b>Computer Equipment</b>	<b>Furniture and equipment</b>	<b>Total</b>
			<b>Total</b>
<b>At 31 December</b>			
Cost	148 719	10 402	<b>159 121</b>
Accumulated depreciation	( 129 351)	( 10 402)	<b>( 139 753)</b>
Carrying value	<u>19 368</u>	<u>-</u>	<u><b>19 368</b></u>
<b>Movements for the year</b>			
Opening carrying value	49 633	-	<b>49 633</b>
Additions	8 154	10 402	<b>18 556</b>
Disposals	-	-	<b>-</b>
Depreciation charge	( 38 419)	( 10 402)	<b>( 48 821)</b>
Closing carrying value	<u>19 368</u>	<u>-</u>	<u><b>19 368</b></u>
<b>3 INVESTMENTS</b>			
<b>3.1 Available-for-sale financial assets</b>			
The total investments comprise the following category:			
Equity Securities :			
Investec Opportunity Fund Class			
		<b>189 128 461</b>	178 749 966
Market value at beginning of the year		<b>178 749 966</b>	154 685 513
(Withdrawals)		<b>(6 700 000)</b>	-
Reinvestment of investment income		<b>3 656 461</b>	3 131 819
Reinvestment of realised gains on sale of investments		-	7 094 423
Fair value movement in investments		<b>13 422 034</b>	13 838 211
Market value at end of year		<u><b>189 128 461</b></u>	<u>178 749 966</u>
<b>3.2</b> In order to align the year-end closing values of the investment portfolio with the aggregate endowment fund balances, amounts are withdrawn from or, alternatively, added to the investment portfolio managed by Investec Asset Management. For the purposes of this exercise, the capacity development grant (note 4) is classified as part of the endowment funds. The respective amounts at the end of 2014 and 2013 were determined as follows :			
Closing market value of investments (as above)		<b>189 128 461</b>	178 749 966
Investment revaluation reserve		<b>(93 063 415)</b>	(79 641 381)
Investments, net of revaluation reserve		<b>96 065 046</b>	99 108 585
Closing balance of endowed funds including Capacity Development Grant		<b>(81 712 459)</b>	(84 504 582)
Amount available for withdrawal from investment portfolio		<u><b>14 352 587</b></u>	<u>14 604 003</u>



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### 4 CAPACITY DEVELOPMENT GRANT

The Atlantic Philanthropies pledged R10 million to develop the fundraising capacity of the Foundation over a five year period from 2003 to 2007. Despite being pledged over a five year period, this grant has, in terms of donor consent, continued to be available to finance on-going expenditure until fully utilised, provided that such expenditure is consistent with the grant's original specified purpose. The grant is recognised in the statement of comprehensive income in the same year in which the related fundraising and development expenditure is incurred. Pursuant to the merger of the Universities of Natal and Durban-Westville, and the consolidation of the respective Foundations' funds, the unutilised balance of the capacity development grant at 1 January 2005 was transferred to, and has subsequently been administered by, the Foundation. The grant has been fully utilised in the 2013 year.

Opening balance at beginning of the year  
Expenditure, net of donations and interest income, funded by grant

Expenditure  
Interest income

Balance at end of the year

	2014 R	2013 R
	-	6 427
	-	( 6 427)
	-	( 7 240)
	-	813
	-	-
	-	-



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	2014 R	2013 R
<b>5 POST-RETIREMENT HEALTH CARE OBLIGATIONS</b>		
Amount accrued in respect of the health care obligation	<b>1 115 938</b>	910 501
<p>The Foundation's obligations towards post-retirement health care obligations in respect of its employees are determined in accordance with International Accounting Standard 19 : Employee Benefits (IAS 19). In terms of its stated accounting policy, the Foundation's liability represents a proportionate share of the total actuarially-calculated obligations for members of the University of KwaZulu-Natal Medical Scheme, and is based on the number of serving and former employees eligible for such post-retirement benefits. The actuarial valuation carried out in 2015 in respect of the year ended 31 December 2014 forms the basis for the recognised liability.</p>		
Amount accrued in respect of health care obligations	<b>1 115 938</b>	910 501
<p>Movement in the defined benefit liability over the prior year is as follows:</p>		
Balance at beginning of the year at 1 January 2014	910 501	
Service cost	9 311	
Interest cost/(income)	85 770	
Benefit payments from plan	( 50 467)	
Remeasurements during the year	160 823	
Gain/Loss from financial assumptions	45 076	
Gain/Loss from demographic assumptions	17 012	
Other gains/losses	98 735	
Balance at end of the year at 31 December 2014	<b>1 115 938</b>	
Balance at 1 January 2013		649 472
Current service cost		33 101
Interest cost / (income)		146 677
Benefit payments from plan		( 102 695)
Remeasurements during the year		183 946
Gain/Loss from financial assumptions		( 44 624)
Gain/Loss from demographic assumptions		( 10 039)
Other gains/losses		238 609
Balance at end of year at 31 December 2013		910 501
<p>The principal actuarial assumptions used for accounting purposes are :</p>		
Health care cost inflation (per annum)	7.5%	7.8%
Discount rate (per annum)	8.8%	9.3%
Normal retirement age (years)	60	60
Remaining average working lives of in-service employees (years)	13	13



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<b>6 EMPLOYEE BENEFITS</b>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
	<b>Leave</b>		
	<b>Pay</b>		
	<b>R</b>	<b>R</b>	
Balances at beginning of the year	235 971	66 116	302 087
Utilised during the year	-	(66 116)	(66 116)
Charged to the income statement (note 9)	199 760	80 397	280 157
	<u>435 731</u>	<u>80 397</u>	<u>516 128</u>
Balances at end of the year			302 087

Employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## **7 UKZN CURRENT ACCOUNT**

The Foundation has a related party relationship with UKZN, of which it is a subsidiary entity for the purposes of preparing the University's consolidated financial statements. Transactions between the two parties are summarised below, together with the respective year-end balances owing to and by each other. These transactions and balances are eliminated on consolidation (see note 11).

Balance owed to UKZN at beginning of year	<b>13 334 654</b>	6 759 199
Add: Donations and grants received by UKZN on behalf of Foundation	<b>(1 289 007)</b>	(1 530 967)
Funds transferred by Foundation to UKZN : Investment withdrawal	<b>(6 700 000)</b>	-
Interest due to UKZN in respect of Capacity Development Grant	-	63 450
Foundation portion : UKZN post-retirement obligations	<b>(44 614)</b>	(77 083)
Sub-total	<b>6 461 133</b>	5 214 599
Less: Expenses paid and net disbursements by UKZN for the Foundation	<b>5 687 669</b>	6 809 247
Endowment Funds : transfers to UKZN operations	<b>729 000</b>	1 176 168
Purchase of property, plant and equipment by UKZN	<b>18 556</b>	37 557
Depreciation of property, plant and equipment by UKZN	<b>(48 821)</b>	(38 778)
Bank account : transfers due to UKZN	<b>(80 463)</b>	(766 130)
Change in working capital	<b>(374 941)</b>	901 991
Balance owed to UKZN at end of year	<b>12 392 133</b>	13 334 654

## **8 ENDOWMENT FUNDS : INVESTMENT INCOME**

Allocation of investment income		
Specified endowment funds	<b>1 497 911</b>	3 989 538
Unspecified endowment fund	<b>2 158 550</b>	6 235 891
Total endowment funds' portion of investment income	<b>3 656 461</b>	10 225 429

The allocation of investment income to the various specified endowment funds is based on the prevailing University treasury management ("pool") rate of return for the year. The purpose of the income stabilisation is to enable allocations of income to the specified endowment funds in years of relatively poor investment performance to be maintained at levels closely equivalent to the University "pool" rate. A rate equal to the University ("pool") rate of return of 4.7% was applied in 2014 (2013: 5.3%).



## Annual Financial Statements

	2014 R	2013 R
<b>9 NET SURPLUS BEFORE ALLOCATIONS IS ARRIVED AT AFTER TAKING THE FOLLOWING INTO ACCOUNT:</b>		
Audit fees	95 282	105 888
Consultancy fees	403 731	688 226
Depreciation	48 822	38 778
Travel and subsistence	366 184	387 037
Personnel costs	4 167 720	4 391 416
Salaries and wages	<b>3 231 975</b>	3 412 930
Accrual for leave pay (note 6)	199 760	152 719
Retirement costs : defined contribution plan	650 215	679 090
Post-retirement health care obligations (note 5)	<b>85 770</b>	146 677

### 10 TAXATION

The Foundation is registered as a public benefit organisation in terms of Section 30 of the South African Income Tax ("Act") and is exempt from income tax in terms of section 10(1)(cN) of the Act.

### 11 UNIVERSITY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of UKZN incorporate the assets, liabilities and trading operations of the Foundation. Transactions and balances between the two entities are accordingly eliminated on consolidation.

### 12 RELATED PARTIES

Due to the nature of the Foundation's operations and the diverse composition of its stakeholders, the Board of Trustees takes particular care to avoid conflicts of interest. It has, accordingly, adopted a policy requiring declarations of any interests - actual or potential - by members of the Board of Trustees, and by members serving on their committees and officials in attendance at all Board and committee meetings of the Foundation. In terms of this policy, transactions with third parties in which a Board member or any other related party may have a direct or fiduciary interest are required to be disclosed to the Board and, consequently, must be entered into at arm's length and also be in accordance with the University's approved procurement policy.

Payments to Executive Director and Trustee

**871 420**

**934 924**

The Foundation has a related party relationship with UKZN, of which it is a subsidiary entity. Transactions with the University are disclosed in note 7.



## Annual Financial Statements

	2014 R	2013 R
<b>13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b>		
<p>The Foundation's principal financial instruments comprise available for sale investments, cash and cash equivalents, accounts payable and accrued liabilities, employee benefits and current account with UKZN. The Foundation manages a substantial portfolio of financial assets with a long term view to growing the portfolio in order to provide financial stability and support for new initiatives and strategic choices. The main risks facing the Foundation's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each risk as summarised below:</p>		
<p><b>Market risk</b> The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk. The Foundation's exposure to market risk relates primarily to its available-for-sale financial assets. These financial assets are invested in terms of a considered strategy adopted by the Board of Trustees. The strategy takes into account the risk profile of the individual endowed funds and allocates investment to appropriate asset classes. The portfolio is then allocated to a selected portfolio manager who operates under a defined mandate. The risk is managed by the portfolio manager.</p>		
<p><b>Price risk</b> The following table demonstrates the sensitivity of the Foundation's Investments that are subject to price risk to a reasonable possible change in market values, with all other variables held constant.</p>		
<p>Price risk changes:</p>		
The effect of a 5% increase in price risk	9 456 423	8 937 498
The effect of a 5% decrease in price risk	(9 456 423)	(8 937 498)
<p><b>Interest rate risk</b> If the interest rate on balances at banks at year end were to increase / decrease by 50 basis points, the surplus for the year would have increased / decreased by R 3 044 (2013: R 3 446).</p>		
<p><b>Credit risk management</b> The Foundation deposits only with major banks of high quality credit standing. At year end the management of the Foundation did not consider there to be any significant concentration of credit risk.</p>		
<p><b>Liquidity risk</b> The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The timing and nature of the Foundation's cash inflows and outflows are such that liquidity problems are unlikely to arise. Furthermore, the Foundation has access to funds through either its current account with UKZN or the investments portfolio in the event of any unforeseen events occurring.</p>		
<p>The table below summarises the maturity profile of the Foundation's financial liabilities at 31 December based on contractual undiscounted payments.</p>		

## Annual Financial Statements

	Less than 6 months R	6 to 12 months R	1 to 5 years R	2014 R	2013 R
<b>31 December 2014</b>					
Accounts payable and accrued liabilities	334 222	-	-	334 222	
Specified donations to be allocated	622 284	-	-	622 284	
Employee benefits	-	516 128	-	516 128	
UKZN Current account	12 392 132	-	-	12 392 132	
<b>Total</b>	<b>13 348 638</b>	<b>516 128</b>	<b>0</b>	<b>13 864 766</b>	
<b>31 December 2013</b>					
Accounts payable and accrued liabilities	93 480	-	-	93 480	
Specified donations to be allocated	702 126	-	-	702 126	
Employee benefits	-	302 087	-	302 087	
UKZN Current account	13 334 654	-	-	13 334 654	
<b>Total</b>	<b>14 130 260</b>	<b>302 087</b>	<b>0</b>	<b>14 432 347</b>	

#### Fair value estimation

Market values have been used to determine the fair value of available-for-sale financial assets and is based on quoted market prices at the statement of financial position date which have been summarised in the table below:

#### Available-for-sale financial assets : 31 December 2014

Equity Securities :	Level 1 R	Level 2 R	Level 3 R
Investec Opportunity Fund	189 128 461	-	-

#### Available-for-sale financial assets : 31 December 2013

Equity Securities :	Level 1 R	Level 2 R	Level 3 R
Investec Opportunity Fund	178 749 966	-	-

#### Capital management

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

#### Contingent liabilities

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

#### Commitments

There were no capital commitments as at 31 December 2014.

#### Events after the reporting period

No adjusting events after the reporting period were identified.





# Schedule of Expenditure

for the year ended 31 December 2014

	2014 R	2013 R
<b>A Details of Expenditure</b>		
Administration - local		
Personnel costs	4 167 720	4 391 416
Audit fees	95 282	105 888
Books, manuals and subscriptions	7 587	15 166
Campaign promotion	37 000	4 752
Consultancy fees	336 373	84 111
Depreciation	48 822	33 983
Entertainment and functions	124 310	198 915
Gifts, grants and donations	8 478	-
Office expenses	1 961	5 039
Interest paid	-	63 450
Postages and courier services	10 226	9 791
Printing and stationery	24 686	40 905
Publications	85 339	102 122
Repairs and maintenance - equipment	2 938	4 626
Staff training and development	23 627	28 590
Telephone and communication	80 023	101 741
Travel and subsistence	129 562	201 141
Minor capital equipment	6 275	3 501
Rental of equipment	45 512	42 897
<b>Total</b>	<b>5 235 721</b>	<b>5 438 034</b>
<b>Fundraising and development</b>		
Consultancy fees	-	1 729
Depreciation	-	4 795
Telephone and communication	-	716
<b>Total</b>	<b>-</b>	<b>7 240</b>
<b>International operations</b>		
Travel and subsistence	236 621	185 896
Entertainment and functions	34 677	40 530
Consultancy fees	67 358	602 386
Office expenses	301	6 095
<b>Total</b>	<b>338 957</b>	<b>834 907</b>
<b>Bursary awards and other disbursements</b>	<b>112 990</b>	<b>592 516</b>
<b>Total expenditure</b>	<b>5 687 668</b>	<b>6 872 697</b>
<b>B Summary of expenditure by category</b>		
Personnel costs	4 167 720	4 391 416
Audit fees	95 282	105 888
Consultancy fees	403 731	688 226
Depreciation	48 822	38 778
Fundraising functions and hospitality	195 987	244 197
Other operating expenses	101 689	187 969
Staff training and development	23 627	28 590
Telephone and communication	80 023	102 457
Travel and subsistence	366 183	387 037
Publications	85 339	102 122
Minor capital equipment	6 275	3 501
Bursary awards and other disbursements	112 990	592 516
<b>Total expenditure</b>	<b>5 687 668</b>	<b>6 872 697</b>

The supplementary information presented does not form part of the financial statements and is unaudited.

# Schedule of Specified Funds

Movements for the year ended 31 December 2014

NAME OF FUND	FUND				EXPENDITURE		SPECIFIED	
	BALANCE	DONATIONS		TRANSFERS	AND	2014	ENDOWMENTS	
	BEGINNING	AND	INCOME		DISBURSEMENTS		PRINCIPAL AT END OF	
OF YEAR	GRANTS					YEAR	2014	2013
	R	R	R	R	R	R	R	R
<b>SPECIFIED ENDOWMENTS</b>								
<b>Academic</b>	6 275 363	-	326 665	(566 000)	-	6 036 028	5 449 065	5 417 344
Albert Baumann Fund	3 132 741	-	164 807	(250 000)	-	3 047 548	3 017 768	3 000 200
Mackintosh Gifts	2 171 923	-	111 304	(250 000)	-	2 033 227	1 584 295	1 575 072
Murray & Roberts	131 065	-	6 374	-	-	137 439	36 652	36 439
Romatex Limited	839 634	-	44 180	(66 000)	-	817 814	810 350	805 633
<b>Bursaries and Scholarships</b>	4 788 260	57 050	274 518	455 941	(112 690)	5 463 079	4 870 419	4 329 387
Hajee Rooknoodeen Bursary	43 076	-	2 252	-	(1 100)	44 228	38 996	38 769
Alumni Bursary Fund	-	57 050	13 539	255 941	-	326 530	314 501	-
Hugh Africa Scholarship	-	-	5 290	100 000	-	105 290	100 590	-
Isadore Gordon Bursary	40 587	-	2 111	-	(5 000)	37 698	34 924	34 721
Jessie Campbell Bequest	174 956	-	9 195	-	(8 700)	175 451	167 041	166 069
Keppel Harvey Bursary Fund	232 524	-	12 150	-	(23 890)	220 784	209 855	208 633
Leana Uys Registration Fund	-	-	5 290	100 000	-	105 290	100 590	-
Pioneer Educationalist-Charles Harding	10 978	-	566	-	-	11 544	8 547	8 497
Prof. AF Hattersley Memorial Bursary	2 094 397	-	109 458	-	(70 000)	2 133 855	1 893 277	1 882 255
Pamela Kerry Bursary Fund	2 098 229	-	109 752	-	-	2 207 981	1 912 770	1 901 635
Townley Williams Scholarship	93 513	-	4 915	-	(4 000)	94 428	89 328	88 808
<b>Campbell Collections</b>	3 044 363	-	160 787	(148 000)	-	3 057 150	3 040 801	3 023 099
<b>Chairs</b>	10 218 092	-	519 656	-	(300)	10 737 448	6 979 195	6 729 547
First National Bank	2 714 227	-	140 216	-	-	2 854 443	2 172 648	2 160 000
L. G. Joel Trust	407 553	-	21 362	-	(300)	428 615	379 188	376 981
Phyllis Lewis Trust	107 953	-	5 585	-	-	113 538	87 810	87 299
S. A. Nursing Association	291 125	-	14 157	-	-	305 282	291 599	80 882
S. A. Sugar Association	6 697 234	-	338 336	-	-	7 035 570	4 047 950	4 024 385
<b>Research</b>	4 342 328	-	216 285	-	-	4 558 613	2 195 070	2 082 873
AECI Limited	1 249 285	-	60 542	-	-	1 309 827	313 705	311 879
Anonymous	1 803 192	-	88 721	-	-	1 891 913	682 059	678 088
Kennedy-Potts	1 289 851	-	67 022	-	-	1 356 873	1 199 306	1 092 906
<b>Income Stabilisation Account</b>	5 266 831	-	-	-	-	5 266 831	5 266 831	5 266 831
<b>TOTAL SPECIFIED ENDOWMENT FUNDS</b>	33 935 237	57 050	1 497 911	(258 059)	(112 990)	35 119 149	27 801 381	26 849 081
<b>UNSPECIFIED ENDOWMENT FUND</b>	50 257 649	71 857	2 158 550	(470 941)	(5 735 501)	46 281 615		
<b>TOTAL ENDOWMENT FUNDS</b>	84 192 886	128 907	3 656 461	(729 000)	(5 848 491)	81 400 764		
<b>SPECIFIED FUNDS</b>								
African Institute for Sustainable Rural Livelihoods	311 696	-	-	-	-	311 696		
<b>TOTAL FUNDS</b>	84 504 582	128 907	3 656 461	(729 000)	(5 848 491)	81 712 460		

The supplementary information presented does not form part of the financial statements and is unaudited.



## List of Donors

1 January to 31 December 2014

**THE UNIVERSITY OF KWAZULU-NATAL (UKZN)** and the University of KwaZulu-Natal Foundation are grateful to the individuals and organisations listed below for their gifts and grants to advance the interests of the University, its staff and its students over the past year. Individuals and organisations that have given more than one gift are listed only once. If your name or that of your organisation has been omitted in error, kindly accept our apologies and alert the UKZN Foundation.

Ackerman Family Educational Trust	Ford Foundation	Mani, S	SA Association of Women Graduates
African Institute for Mathematical Sciences	Foundation for Professional Development	Marsh	SA Breweries
Afropiant	Franklin, D M	Meyerowitz, J	SA Clivia Society
Albert Wessels Trust	Fulton Trust	Mickel, R E	SA Council for the Architectural Profession
Altron Management Services	Futures Group	Mkhabela, T	SA Sugar Association
Arnold, D C	GH Langeler Bursary Trust	Mocktar, C	Samancor Manganese
Bergmann, T	Goedhals, M M	Mohun, P	Sandwith, C L
BILL & Melinda Gates Foundation	Govindsamy, D	Moodley, M B V	Santam
Bolton, M	Green Matter	Moodley, R	Sathee, K
Botschaft der Bundesrepublik Deutschland	H V Test	Moses Kotane Institute	Shukla, U D
Bradlow Foundation	Harries, C S	Moshal Scholarship Programme	Singh, K
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Brijlal, D	Hay, D	Muthen, T	Social Capital
Bristowe, J	Heartland Leasing	Nadar, A	Solly Ginwala Trust
Browne, G D	Hermann Ohlthaver Trust	Naidoo, L R	Sookraj, N
Buckman Laboratories	HK Anderson Trust	Naidoo, R	South African Institute of Electrical Engineers
Carl & Emily Fuchs Foundation	Houdet, J J-P	Naidoo, S	Southern African Development Community Secretariat
Cecil Renaud Educational & Charitable Trust	Illovo Sugar	Naidu, S	Southern African Music Rights Organisation
Cele, P	Industrial Development Corporation of SA	Narisumu, G P	Stella and Paul Loewenstein Charitable and Educational Trust
Charles Stewart Mott Foundation	Interchurch Organisation for Development Cooperation	Nedbank Business Banking	Sutherland Seedlings
Check It Industrial Systems	Israel, C	Nedbank Eyethu Community Trust	Swedish International Development Cooperation Agency
Chetty, S	JM Hale Trust	Nedcor Investment Bank	T Birch & Co
Church of Sweden Mission	John Davidson Educational Trust	Ngcobo, S	Tata Automobile Corporation
Citi Foundation	John Royal Architects	Ngwenya, T	Terry & Gladys Champian Educational Trust
Claude Leon Foundation	Jones, T E	Nicol, M	Thelma McDonald Trust Fund
Conlog	Khoza, C	O'Connor, D M	Toyota SA Manufacturing
Credit Guarantee Insurance Corporation	Khumalo, P J	O'Neill, V C	Truscott Trust
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Daya, M	KwaZulu-Natal Performing Arts Trust	Padayachee, A	Tucker, M C
Denel Dynamics	Lambert, J	Patel, C J	Turner, N S
Department of Health - Western Cape	Latchiah, N	PFK Electronics	Uken, R
Dhlamini, M	Law, J M B	Pillay, D	University of KwaZulu-Natal UK Trust
Distell	Lehumo Women's Investment Holding	Pillay, S	Victor Daitz Foundation
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Drennan, Maud	LR Uys Trust	Ramiah, A	Watt, M P
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Eekhout, L	Magagula, S	Rampartab, I	Whiteman, A C
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EM Peachy Trust Fund	Maharaj, S D	Rampersad, S	
Enactus	Mahomed, H I	Rayner, N A	
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