



UNIVERSITY OF
KWAZULU-NATAL[™]
INYUVESI
YAKWAZULU-NATALI

FOUNDATION



Annual Report 2016



University of KwaZulu-Natal Foundation Trust

Trust Deed Number IT 589 / 03

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 financial statements of the University of KwaZulu-Natal Foundation Trust ("the Foundation").

The financial statements presented on pages 21 to 34 have been prepared in accordance with International Financial Reporting Standards and in terms of the Foundation's Deed of Trust.

The Board of 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 financial statements, and that the financial reporting standards relevant to the Foundation have been adopted as far as is practicable. The Board of Trustees are satisfied that the information contained in the 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 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 Board of 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 Board of 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 pages 19 and 20. The supplementary financial information presented on pages 35 to 36 does not constitute part of the audited financial statements.


The financial statements set out on pages 21 to 34 and the supplementary financial information set out on pages 35 to 36 were approved by the Board of Trustees on 26 May 2017 and are signed on its behalf by:



Mr M Mia
Chairperson



Prof AM Singh
Executive Director



Mrs N Mbhele
Chief Finance Officer
University of KwaZulu-Natal

Independent auditors report

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

Our 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 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

University of KwaZulu-Natal Foundation Trust's financial statements set out on pages 21 to 34 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in funds and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *auditor's responsibilities* for the audit of the financial statements section of our report.

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

Independence

We are independent of the Trust in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements

in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B)*.

Other information

The Board of Trustees are responsible for the other information. The other information comprises the University of KwaZulu-Natal Foundation Trust Annual Report that includes the Board of Trustees' report, statement of responsibility by the Board of Trustees', schedule of expenditure and schedule of endowment funds as required by the Foundation's Deed of Trust. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the financial statements

The Board of Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting

Independent auditors report

Continued from previous page

Standards and in terms of the Foundation's Deed of Trust, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless the Board of Trustees either intend to dissolve the Trust or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Trust's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the Board of Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



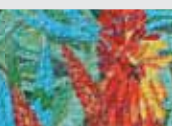
PricewaterhouseCoopers Inc.

Director: H Ramsumer

Registered Auditor

Durban

26 May 2017



Statement of financial position

as at 31 December 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	50 151	2 480
Investments	3.1	205 505 838	209 469 319
		<u>205 555 989</u>	<u>209 471 799</u>
Current assets			
Cash at bank		10 953 575	66 300
Total assets		<u><u>216 509 564</u></u>	<u><u>209 538 099</u></u>
FUNDS AND LIABILITIES			
Funds			
Endowed funds			
Specified endowment funds		40 987 955	38 443 043
Unspecified endowment fund		47 665 057	45 926 537
Total endowed funds		88 653 012	84 369 580
Restricted funds			
Investment revaluation reserve	3.2	107 950 624	112 697 844
Total funds		<u>196 603 636</u>	<u>197 067 424</u>
Non-current liabilities			
Post-retirement health care obligations	4	1 148 676	1 100 063
Current liabilities			
Accounts payable and accrued liabilities		291 137	192 683
Specified donations to be transferred		10 900 075	79 833
Employee benefits	5	365 329	321 428
UKZN current account	6	7 200 711	10 776 668
Total funds and liabilities		<u><u>216 509 564</u></u>	<u><u>209 538 099</u></u>

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Notes	Specified endowment funds R	Unspecified endowment fund R	Endowed funds 2016 Total R	2015 Total R
INCOME					
Donations and grants					
Specified purposes		187 705 281	-	187 705 281	138 273 690
Specified University endowments		251 250	-	251 250	529 540
Unspecified endowments		-	3 888 087	3 888 087	1 732 507
Unspecified purposes		-	-	-	-
Total donations and grants		187 956 531	3 888 087	191 844 618	140 535 737
Investment income					
Income from marketable securities :		3 984 585	4 799 154	8 783 739	7 706 429
Interest and dividends		1 974 615	2 378 285	4 352 900	4 120 930
Realised gains on sale of marketable securities		2 009 970	2 420 869	4 430 839	3 585 499
Total investment income		3 984 585	4 799 154	8 783 739	7 706 429
Total income		191 941 116	8 687 241	200 628 357	148 242 166
EXPENDITURE					
Administration expenses - local		-	6 813 607	6 813 607	6 243 403
International operations		-	171 714	171 714	290 201
Bursary awards and other disbursements		1 278 623	-	1 278 623	223 167
Total expenditure		1 278 623	6 985 321	8 263 944	6 756 771
Net surplus before allocations	8	190 662 493	1 701 920	192 364 413	141 485 395
Allocations					
		187 956 531	-	187 956 531	138 803 230
Grants for specified University purposes		187 324 331	-	187 324 331	137 673 150
Specified Foundation endowment funds		380 950	-	380 950	600 540
Specified University endowment funds		251 250	-	251 250	529 540
NET SURPLUS					
		2 705 962	1 701 920	4 407 882	2 682 165
Other comprehensive (loss)/income for the year		(2 153 339)	(2 574 312)	(4 727 651)	19 698 845
(Loss)/gain on available for sale financial assets		(143 369)	(173 012)	(316 381)	23 219 928
Realised gains on sale of marketable securities		(2 009 970)	(2 420 869)	(4 430 839)	(3 585 499)
Remeasurement of post retirement obligations		-	19 569	19 569	64 416
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		552 623	(872 392)	(319 769)	22 381 010

Statement of changes in funds and reserves

for the year ended 31 December 2016

	Funds			Restricted funds	Total funds
	Specified funds	Unspecified endowment fund	Sub-total funds	Investment revaluation reserve	
	R	R	R	R	
Fund balances at 1 January 2015	35 430 845	46 281 614	81 712 459	93 063 415	174 775 874
Total comprehensive income for the year	11 571 951	10 809 059	22 381 010	-	22 381 010
Transfer of donations to specified endowment funds	600 540	-	600 540	-	600 540
Transfers to University operations	(690 000)	-	(690 000)	-	(690 000)
Net fair value movement in investments	(8 470 293)	(11 164 136)	(19 634 429)	19 634 429	-
Fund balances at 31 December 2015	38 443 043	45 926 537	84 369 580	112 697 844	197 067 424
Total comprehensive income/(loss) for the year	552 623	(872 392)	(319 769)	-	(319 769)
Transfer of donations to specified endowment funds	380 950	-	380 950	-	380 950
Transfers to University operations	(542 000)	17 031	(524 969)	-	(524 969)
Net fair value movement in investments	2 153 339	2 593 881	4 747 220	(4 747 220)	-
Fund balances at 31 December 2016	40 987 955	47 665 057	88 653 012	107 950 624	196 603 636



Statement of cash flows

for the year ended 31 December 2016

Notes	2016 R	2015 R
Operating activities		
Cash utilised in operating activities:	(3 906 223)	(2 602 478)
Investment income: Interest & dividends	4 352 900	4 120 930
Expenditure and disbursements	(8 263 943)	(6 756 771)
Depreciation	4 820	33 363
Changes in working capital	10 962 597	(878 689)
Increase/(decrease) in donations to be allocated	10 820 243	(542 450)
Increase/(decrease) in employee benefits	43 901	(194 700)
Increase/(decrease) in accounts payable and accrued liabilities	98 453	(141 539)
Increase in post-retirement health care obligations including remeasurement	68 182	48 542
Decrease in UKZN current account	(3 575 957)	(1 615 466)
Net cash generated/(utilised) in operating activities	3 548 599	(5 048 091)
Investing activities		
Net cash generated from investing activities :	3 594 609	2 862 594
Purchase of property, plant and equipment	(52 491)	(16 476)
Re-investment of investment income	(4 352 900)	(4 120 930)
Withdrawals from investments	8 000 000	7 000 000
Financing activities		
Net cash generated from/(utilised in) financing activities :	3 744 068	1 643 047
Endowment funds : donations and grants	4 269 037	2 333 047
Endowment funds : transfers to UKZN operations	(524 969)	(690 000)
Net increase/(decrease) in cash and cash equivalents	10 887 276	(542 450)
Cash and cash equivalents at beginning of year	66 300	608 750
Cash and cash equivalents at end of year	10 953 575	66 300

Notes to the financial statements

for the year ended 31 December 2016

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:

- Investments
- Post-retirement health care obligations

Income recognition

Income comprises donations and grants received and investment income.

Donations are measured at the fair value of the consideration received or receivable.

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. Gains and losses related to specific restricted endowment or trust funds are recognised by way of adjustments to the appropriate funds.

If there is objective evidence of impairment, the cumulative loss is measured as the difference between

the acquisition cost and the current fair value, less any impairment loss on the investment previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

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 historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, when it is probable that future economic benefits will flow to the entity and the cost of the item can be measured reliably.

Assets costing less than R5 000 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 residual values over their estimated useful lives, as follows:

Computer equipment :	3 years
Furniture and other equipment:	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.

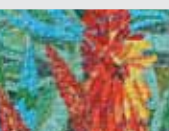
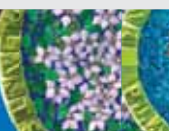
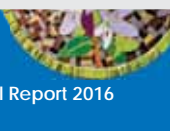
Exposure to foreign currency (i.e. exchange rate) and credit risks arises in the normal course of the Foundation's fundraising and investment activities. Exchange rate risks associated with major foreign grants and donations received are managed by the adoption of various strategies designed to minimise 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

These amounts represent liabilities for goods and services provided prior to the end of the financial year which are unpaid.

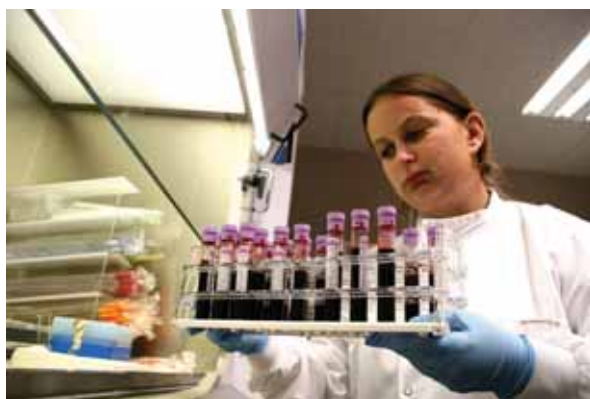
Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Accounts payable and accrued liabilities 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 include 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 following:

- 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 7 – Statement of cash flows. 1 January 2017

IAS 12 – Income taxes. 1 January 2017

IAS 40 – Investment property. 1 January 2018

IFRIC 22 – Foreign currency transactions and advance consideration. 1 January 2018

IFRS 15 – Revenue from contracts with customers. 1 January 2018

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 financial statements of the Foundation.

2 Property, plant and equipment

			2016 R	2015 R
	Computer equipment	Furniture and equipment	Total	Total
At 31 December				
Cost	170 838	57 251	228 089	175 597
Accumulated depreciation	(159 854)	(18 084)	(177 938)	(173 117)
Carrying value	<u>10 984</u>	<u>39 167</u>	<u>50 151</u>	<u>2 480</u>
Movements for the year				
Opening carrying value	2 480	-	2 480	19 368
Additions	11 716	40 775	52 491	16 476
Depreciation charge	(3 212)	(1 608)	(4 820)	(33 364)
Closing carrying value	<u>10 984</u>	<u>39 167</u>	<u>50 151</u>	<u>2 480</u>

3 Investments

3.1 Available-for-sale financial assets

The total investments comprise the following category:

Equity Securities :

Investec Opportunity Fund Class	<u>205 505 838</u>	<u>209 469 319</u>
Market value at beginning of the year	209 469 319	189 128 461
(Withdrawals)	(8 000 000)	(7 000 000)
Reinvestment of investment income	4 352 900	4 120 930
Fair value movement in investments	(316 381)	23 219 928
Market value at end of year	<u>205 505 838</u>	<u>209 469 319</u>

3.2 In order to align the year-end closing values of the investment portfolio with the aggregate endowment fund balances, amounts available to be withdrawn from or, alternatively, added to the investment portfolio managed by Investec Asset Management were determined as follows :

Closing market value of investments (as above)	205 505 838	209 469 319
Investment revaluation reserve	(107 950 624)	(112 697 844)
Investments, net of revaluation reserve	97 555 214	96 771 475
Closing balance of endowed funds	(88 653 013)	(84 369 580)
Amount available for withdrawal from investment portfolio	<u>8 902 201</u>	<u>12 401 895</u>

4 Post-retirement health care obligations

Amount accrued in respect of the health care obligation

2016	2015
R	R

1 148 676	1 100 063
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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 2017 in respect of the year ended 31 December 2016 forms the basis for the recognised liability.

Movement in the defined benefit liability over the prior year is as follows:

Balance at beginning of the year	1 100 063	1 115 938
Current service cost	9 892	8 596
Interest cost/(income)	113 050	90 412
Benefit payments from plan	(54 760)	(50 467)
Remeasurements during the year	(19 569)	(64 416)
Gain/loss from financial assumptions	(47 895)	(43 204)
Gain/loss from demographic assumptions	23 410	20 853
Other gains/losses	4 916	(42 065)
Balance at end of the year	1 148 676	1 100 063

The principal actuarial assumptions used for accounting purposes are :

Health care cost inflation (per annum)	8.00%	9.13%
Discount rate (per annum)	9.88%	10.63%
Normal retirement age (years)	60	60
Remaining average working lives of in-service employees (years)	13	13

5 Employee benefits

			2016	2015
			R	R
	Leave pay	Service bonuses		
	R	R		
Balances at beginning of the year	221 190	100 238	321 428	516 128
Utilised during the year	(316 382)	(100 238)	(416 620)	(379 020)
Charged to the income statement (note 8)	337 980	122 541	460 521	184 320
Balances at end of the year	242 788	122 541	365 329	321 428

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

6 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 10).

Balance owed to UKZN at beginning of year		10 776 668	12 392 133
Add/(less):			
Donations and grants received by UKZN on behalf of Foundation		(4 269 037)	(2 333 047)
Funds transferred by Foundation to UKZN : investment withdrawal		(8 000 000)	(7 000 000)
Foundation portion : UKZN post-retirement obligations		(68 182)	(48 542)
Expenses paid and net disbursements by UKZN for the Foundation		8 263 943	6 756 771
Endowment funds : transfers to UKZN operations		524 969	690 000
Purchase of property, plant and equipment by UKZN		52 491	16 476
Depreciation of property, plant and equipment by UKZN		(4 820)	(33 364)
Bank account : transfers due to UKZN		10 887 275	(542 448)
Change in working capital		(10 962 596)	878 689
Balance owed to UKZN at end of year		7 200 711	10 776 668

7 Endowment funds : Investment income

Allocation of investment income

Specified endowment funds	3 984 585	3 324 825
Unspecified endowment fund	4 799 154	4 381 604
Total endowment funds' portion of investment income	8 783 739	7 706 429

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 7.5% was applied in 2016 (2015: 6.4%).

8 Net surplus before allocations is arrived at after taking the following into account:

	2016 R	2015 R
Audit fees	139 643	123 145
Consultancy fees	134 304	265 235
Depreciation	4 820	33 364
Travel and subsistence	280 309	319 371
Personnel costs	5 739 240	5 010 288
Salaries and wages	4 721 387	4 182 223
Accrual for leave pay (note 5)	337 980	84 082
Retirement costs : defined contribution plan	566 823	653 571
Post-retirement health care obligations (note 4)	113 050	90 412

9 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.

10 University consolidated financial statements

The consolidated 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.

11 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

1 383 704

1 088 500

The Foundation has a related party relationship with UKZN, of which it is a subsidiary entity. Transactions with the University are disclosed in note 6.

12 Financial risk management objectives and policies

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:

Market risk

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.

Price risk

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.

Price risk changes

The effect of a 5% increase in price risk

10 275 292

10 473 466

The effect of a 5% decrease in price risk

(10 275 292)

(10 473 466)

Interest rate risk

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 54 768 (2015: R 332).

Credit risk management

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. The credit quality of financial assets can be assessed by reference to external credit ratings, which are as follows:

Cash at Bank and Short-term Deposits

F1+

10 953 575

66 300

Available-for-sale financial assets

BBB -

205 505 838

209 469 319

2016

2015

R

R

2016

2015

R

R

12 Financial risk management objectives and policies *(continued)*

Liquidity risk

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.

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

	Less than 6 months	6 to 12 months	1 to 5 years	Total
	R	R	R	R
31 December 2016				
Accounts payable and accrued liabilities	291 137	-	-	291 137
Specified donations to be transferred	10 900 075	-	-	10 900 075
Employee benefits	-	365 329	-	365 329
UKZN Current account	7 200 711	-	-	7 200 711
Total	18 391 923	365 329	-	18 757 252
31 December 2015				
Accounts payable and accrued liabilities	192 683	-	-	192 683
Specified donations to be transferred	79 833	-	-	79 833
Employee benefits	-	321 428	-	321 428
UKZN Current account	10 776 668	-	-	10 776 668
Total	11 049 184	321 428	-	11 370 612

Fair value estimation

Market values have been used to determine the fair value of available-for-sale financial assets and are 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 2016

Equity Securities :	Level 1	Level 2	Level 3
	R	R	R
Investec Opportunity Fund	205 505 838	-	-

Available-for-sale financial assets : 31 December 2015

Equity Securities :	Level 1	Level 2	Level 3
	R	R	R
Investec Opportunity Fund	209 469 319	-	-

12 *Financial risk management objectives and policies* (continued)

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

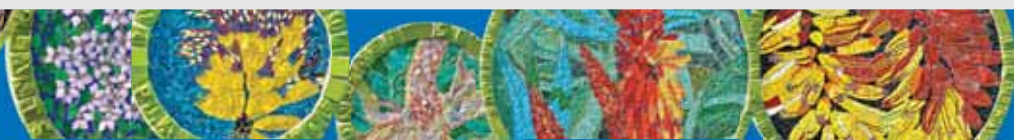
The Foundation does not have any contingent liabilities that warrant disclosure in terms of IAS 37.

Commitments

There were no capital commitments as at 31 December 2016.

Events after the reporting period

No adjusting events after the reporting period were identified.



Schedule of expenditure

for the year ended 31 December 2016

	2016	2015
	R	R
A Details of expenditure		
Administration - local		
Personnel costs	5 739 240	5 010 288
Audit fees	139 643	123 145
Books, manuals and subscriptions	13 489	2 608
Campaign promotion	25 871	178 753
Consultancy fees	134 304	122 132
Depreciation	4 820	33 364
Entertainment and functions	113 493	172 933
Gifts, grants and donations	22 121	58 607
Office expenses	13 684	7 352
Postages and courier services	18 339	16 167
Printing and stationery	67 639	104 340
Publications	174 239	86 798
Repairs and maintenance - equipment	34 996	8 088
Staff training and development	56 336	32 198
Telephone and communication	68 243	57 589
Travel and subsistence	125 840	172 273
Minor capital equipment	4 128	4 359
Rental of equipment	57 181	52 409
Total	6 813 606	6 243 403
International operations		
Travel and subsistence	154 469	147 098
Entertainment and functions	4 357	-
Consultancy fees	-	143 103
Subscription and affiliation fees	12 888	-
Total	171 714	290 201
Bursary awards and other disbursements	1 278 623	223 167
Total expenditure	8 263 943	6 756 771
B Summary of expenditure by category		
Personnel costs	5 739 240	5 010 288
Audit fees	139 643	123 145
Consultancy fees	134 304	265 235
Depreciation	4 820	33 364
Fundraising functions and hospitality	143 721	351 686
Other operating expenses	240 337	249 571
Staff training and development	56 336	32 198
Telephone and communication	68 243	57 589
Travel and subsistence	280 309	319 371
Publications	174 239	86 798
Minor capital equipment	4 128	4 359
Bursary awards and other disbursements	1 278 623	223 167
Total expenditure	8 263 943	6 756 771

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

Schedule of endowment funds

Movements for the year ended 31 December 2016

NAME OF FUND	FUND BALANCE BEGINNING OF YEAR		DONATIONS AND GRANTS		INCOME		TRANSFERS		EXPENDITURE AND DISBURSEMENTS		2016		SPECIFIED ENDOWMENTS PRINCIPAL AT END OF YEAR	
	R		R		R		R		R		R		2016	2015
SPECIFIED ENDOWMENTS														
Academic	6 253 180				815 549		(307 000)					6 761 729	6 122 570	5 776 009
Albert Baumann Fund	3 228 657				434 080		(240 000)				3 422 737	3 390 764	3 198 834	
Mackintosh Gifts	2 007 314				251 309						2 258 623	1 780 113	1 679 352	
Murray & Roberts	148 434				13 463						161 897	41 183	38 852	
Romatex Limited	868 775				116 697		(67 000)				918 472	910 510	858 971	
Bursaries and Scholarships	6 483 411		380 950		832 049				(523 455)		7 172 954	6 401 364	5 763 183	
Hajee Rooknoodeen Bursary	49 398				6 185						55 583	43 815	41 335	
Alumni Bursary Fund	866 838		70 550		115 048						1 052 436	954 496	833 911	
Dr Vasan Govind Legacy Trust			100 000								100 000			
Hugh Africa Scholarship	213 564				28 415				(6 000)		235 979	219 023	206 625	
Isadore Gordon Bursary	42 206				5 387						47 593	39 241	37 020	
Jessie Campbell Bequest	196 633				25 371				(15 955)		206 049	187 688	177 064	
Keppel Harvey Bursary Fund	247 505				31 910						279 415	235 793	222 446	
Leana Uys Registration Fund	118 064		27 800		15 252						161 116	152 261	106 625	
Pioneer Educationalist-Charles Harding	12 796				1 503						14 299	9 603	9 059	
Prof. AF Hattersley Memorial Bursary	2 171 519				283 276				(109 000)		2 345 795	2 127 286	2 006 873	
Pamela Kerry Bursary Fund	2 464 058				306 457				(386 500)		2 384 015	2 149 189	2 027 537	
Tumelo Seilane Education Funds			182 600								182 600	182 600		
Townley Williams Scholarship	100 830				13 245				(6 000)		108 074	100 369	94 688	
Campbell Collections														
Chairs	3 240 256				436 414		(235 000)				3 441 670	3 416 644	3 223 249	
First National Bank	11 843 397				1 332 531				(755 168)		12 420 760	7 882 117	7 404 617	
L. G. Joel Trust	3 167 487				376 142						3 543 629	2 448 258	2 309 677	
Phyllis Lewis Trust	478 798				60 026						538 824	426 056	401 939	
S. A. Nursing Association	126 073				15 040						141 113	98 664	93 079	
S. A. Sugar Association	342 316				44 219						386 535	360 862	309 095	
	7 728 723				837 104				(755 168)		7 810 659	4 548 277	4 290 827	
Research														
AECI Limited	4 982 068				513 262						5 495 330	2 616 380	2 326 773	
Anonymous	1 412 478				125 888						1 538 366	352 479	332 527	
Kennedy-Potts	2 053 919				197 422						2 251 341	766 361	722 982	
Income Stabilisation Account	1 515 671				189 952						1 705 623	1 497 540	1 271 264	
TOTAL SPECIFIED ENDOWMENT FUNDS	5 329 034				54 782		(542 000)				5 383 816	5 383 816	5 329 034	
UNSPECIFIED ENDOWMENT FUND	38 131 346		380 950		3 984 587				(1 278 623)		40 676 259	31 822 891	29 822 865	
TOTAL ENDOWMENT FUNDS	45 926 538		3 888 087		4 799 154		17 031		(6 965 751)		47 665 057			
SPECIFIED FUNDS	84 057 884		4 269 037		8 783 741		(524 970)		(8 244 374)		88 341 316			
African Institute for Sustainable Rural Livelihoods	311 696										311 696			
TOTAL FUNDS	84 369 580		4 269 037		8 783 741		(524 970)		(8 244 374)		88 653 012			

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Cover: The K-RITH Tower Building, which hosts the Africa Health Research Institute's laboratories and core operations

Photo credit to Africa Health Research Institute (AHRI)

Page 14: Part of the UKZN collection. Photo by Paul Weinberg

All other photos from UKZN

Ms Jane du Rand the award-winning ceramic collage artist was commissioned to design the art adorning the KwaZulu-Natal Research Institute for Tuberculosis and HIV (K-RITH) building at UKZN's Nelson R Mandela School of Medicine campus. Her eye-catching work adds colour and deep symbolic meaning to the multi-million rand state-of-the-art international research facility located on Durban's Glenwood slopes. Her work depicts medicinal indigenous plants, tuberculosis mycobacteria, the HIV virus, blood cells and DNA. All ceramics are hand-sculpted in clay, hand-glazed and fired. The brightly coloured mosaics add a delicate artful touch to a world class research facility and have been used to compliment this annual report.

