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Front Cover Rosa Hope, *Woman with a stick*.
Oil on board, undated, c1960

This Page Pierneef, *Landscape*.
Oil on canvas, 1930s / 1940s

Inside Back Cover Walter Battiss, *Still life* (undated)
Oil on canvas.

Report of the Chair of Council

STABILITY AND SUSTAINABILITY



It is clear that the merger is seen as a model for Higher Education Institutions

The year 2005 was a notable year for the University of KwaZulu-Natal (UKZN). In its first full year of integration, the University continued building stability and the commitment of staff to the merger. Based on public commentary, it is clear that the merger is seen as a model for Higher Education institutions.

Just 12 months previously, the new academic leadership of the University had been appointed. The Executive, the Deanery and Heads of Schools were rationalised, resulting in half of the Deans and Heads of Schools being newly appointed. They have undergone a steep learning curve but have performed well and kept cool heads under challenging circumstances. Two years into one of the most stable and exciting mergers, their committed and dedicated leadership has paid off. The student leadership has also been outstanding. They have had to make hard choices on many issues but have elected to make those choices that enhance and support the vision and mission of UKZN.

Members of the Executive have gone through an exhaustive performance evaluation in which a pool of 46 senior staff drawn from the academic and support sector participated. This is an important exercise and forerunner to the establishment of a University-wide Performance Management System. Council approved the document entitled "Principles Regulating the Organisational Structure and the Placing of Staff" and a Matching and Placing Exercise took place towards the end of 2005. The exercise assisted management to improve its database and provide job descriptions and further stabilise the University.

For the first time in the history of our University, we also have a good measure of the integrated University financial resources at our disposal. All budget holders have been consulted and participated in the budgeting process and are committed to creating a 'healthy and sustainable budget' into the future. The 2004 Annual Financial Statements were approved by Council and released to the University Community.

During the course of 2005, three management information models were introduced to the University community: the School Planning Decision Support System; the Affordability Model; and the Academic Planning Model. These models, built with our own data and own staff, provide Schools, Faculties, and the University as a whole with effective, transparent, and powerful tools to engage in a rational approach to planning, resource allocation, and an ongoing critical evaluation of the extent to which we are meeting the goals of our mission and vision.

The three-year Institutional Operating Plan 2005-2007 was approved by the Executive Committee of Council on 21 September and ratified by Council on 21 October 2005. The Council on Higher Education announced that an institutional audit will be conducted at UKZN in 2008. New Institutional structures were also approved by the Executive Committee of Council on 21 September and ratified by Council on 21 October 2005. There were significant relocations in those situations where no major building or alterations were necessary, including the relocation of the Finance Division, Human Resources, Industrial Relations and Staff Training from the Howard College to the Westville campus.

Report of the Chair of Council

The Minister of Education announced that a grant of R150 million would be made available to the University towards relocation costs occasioned by the merger. The money was earmarked to fund the relocation and consolidation of the Science and Engineering Faculties at Westville and Howard College respectively.

The Council elected Dr Frene Noshir Ginwala as the University's first Chancellor. Dr Ginwala, who played an active role in the struggle for change in South Africa, will serve for four years. Her appointment is an acknowledgement of the need for change, for the reconciliation of past differences and the challenges of transformation. The Chancellor and Vice-Chancellor were installed on 30 September 2005.

The University community has reason to be proud of its achievements during 2005. UKZN has not faltered in pursuit of its mission and vision and can only grow from strength to strength in the years ahead.

I would like to take this opportunity to thank the Vice-Chair of Council, Mr Mac Mia, and all Council members for their contribution to the governance of the University during the course of the year. ☼

Dr T V Maphai
Chair of Council



Tsonga double headrest with snuff containers on ends.
1910



A NEW LEARNING ENVIRONMENT



Having built on our foundations, the University is challenged to develop a long-term strategy

With its new organisational structure, the College Model, and new and diverse leadership, the University of KwaZulu-Natal (UKZN) entered 2005 on an upbeat note. Having created a unifying and inspirational vision, the Institution is defining and re-imagining a new post-apartheid learning environment – in research, teaching, and community service.

Our academics remained competitive, acquiring many prestigious research grants and keeping us second in research productivity in the country. The University has enjoyed an increase in SAPSE journal output despite stringent new criteria. The University's output for 2004 (which was compiled by the University's auditors and released at the end of May 2005) is the highest ever achieved, based on the combined data of the previous two institutions.

Research income in 2004 amounted to R218 million, and in the first five months of 2005 UKZN entered into 60 research grants and contracts, the total value of which was R25 million. On 3 March 2005 the Carnegie Corporation's Board of Trustees approved the Leadership and Equity Advancement Programme (LEAP) grant in the amount of \$1,996,100 for five years renewable. Based on our experience and success with the LEAP Programme, UKZN was chosen by the World Bank as part of a group of African universities (Botswana, Ghana, Ibadan, Makerere and UKZN) to participate in a study of Academic Staff Retention Measures in sub-Saharan Africa.

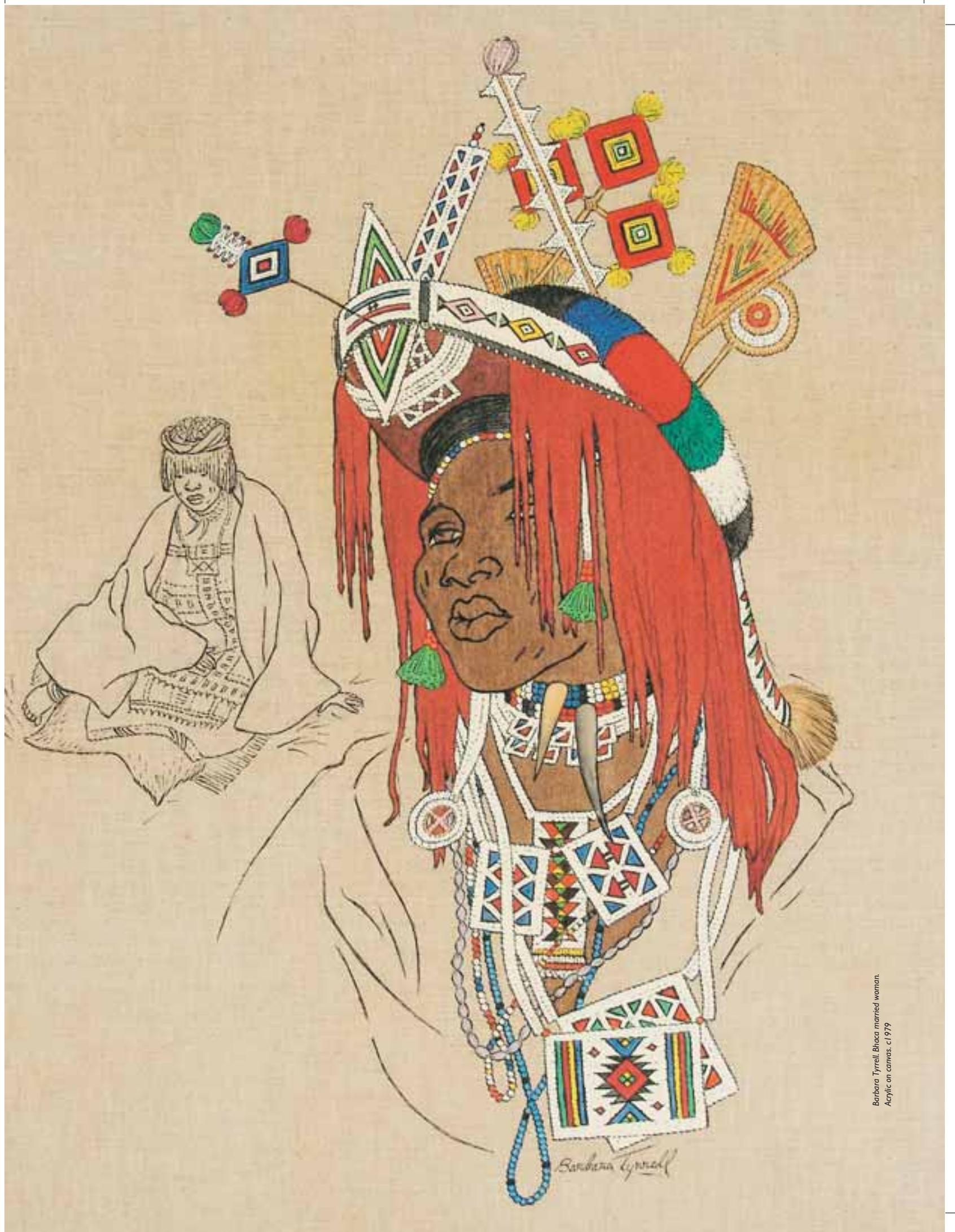
The University was invited by the Carnegie Corporation to submit a proposal for gender scholarships and we decided to create scholarships for women students in Agriculture and Engineering.

On 5 May 2005 a Memorandum of Understanding (MOU) was signed between the University, the Pietermaritzburg Chamber of Commerce, and the Msunduzi Municipality. The basis of the MOU is to implement strategies aimed at supporting sustainable development, sharing information, improving capacity, strengthening governance and supporting business and economic development.

The Higher Education Quality Committee announced on 8 June 2005 that UKZN's MBA Programme on the Westville campus had been granted full accreditation. This was a significant statement of confidence in the new Institution. The Faculty of Management Studies received the Silver Arrow Award from *Professional Management Review*, a business journal, for its Bachelor of Commerce Degree.

The University celebrated the inauguration of the Chancellor and Vice-Chancellor on 29 and 30 September 2005 respectively by exhibiting its academic excellence and its cultural diversity across its five campuses. The inauguration was built around the themes of African scholarship, academic excellence, relevant research and a critical engagement with society. These themes were highlighted through a research and community outreach exhibition, a symposium on organisational democracy, lunch-hour concerts and a formal installation ceremony.

The Centre for Creative Arts received a HIVOS Award in recognition of the major cultural programmes (including the Durban International Film Festival, Time of the Writer and Poetry Africa) that it organises annually.



Barbara Tyrrell, Braca married woman.
Acrylic on canvas, c. 1979

Barbara Tyrrell

Report of the Vice-Chancellor and Principal

The Faculty of Education was recognised as a lead service provider to retrain and retool educators in KwaZulu-Natal. The project involves the retraining of 1 800 educators in the province over a period of three years. The Department of Education has committed R35 million to the project.

Total student enrolment for 2005 was 43 114 across all five campuses. Of the total enrolment, 49 percent were Black Africans, 3 percent Coloured, 33 percent Indian and 15 percent white. Fifty seven percent of the entire student body in 2005 was female. While there has been a slight drop in enrolment compared with 2004, the number of Black African students has increased (up from 45 percent to 49 percent), as has the number of female students (up from 55 percent to 57 percent).

The total staff complement in 2005 was 4 255. This included 1 566 academic staff and 2 689 support staff. Among academic staff in 2005, 49 percent were white, 31 percent Indian, 18 percent Black African and 2 percent Coloured. Of academic staff in 2005 59 percent were male. As an institution we face the challenge of equity at the demographic and gender levels. Among support staff, 41 percent were Black African, 35 percent Indian, 20 percent white and 4 percent Coloured. Fifty seven percent of support staff members were female in 2005.

Having built on our foundations, the University community is challenged to develop a long-term strategy for UKZN. As we headed into 2006, plans were in process to develop a ten-year strategy, which would include:

- The Ethos and Values of UKZN

STUDENT DEMOGRAPHICS - 2005



Black African	49%
Indian	33%
White	15%
Coloured	3%

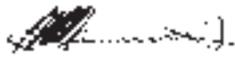


Report of the Vice-Chancellor and Principal

- ☛ The Form and Shape of UKZN
- ☛ The Research and Academic Profile of UKZN
- ☛ The Student Profile and Services at UKZN

UKZN's achievements in its second year are the result of a team effort. Members of the Executive have worked tirelessly to provide leadership. I am grateful for their collegiality and robust debates. As an Executive, we have received strong support and guidance from Council, particularly the Chair, Dr Vincent Maphai and the Deputy Chair, Mr Mac Mia.

Finally, I would like, on behalf of the Executive, to thank staff, students and the general University community for the constructive manner in which they have consistently conducted themselves; their demonstrated passion and commitment has resulted in a successful merger. It is a significant achievement that we, as a University community, should take pride in. ☛

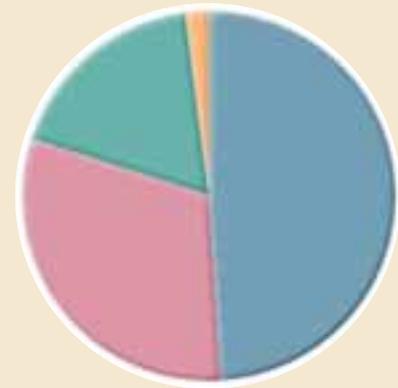


Professor M W Makgoba
Vice-Chancellor and Principal



Beadwork cape top by MaMchunu Sibisi of Ekhambathini, KZN
c1970

ACADEMIC STAFF DEMOGRAPHICS - 2005



● White	49%
● Indian	31%
● Black African	18%
● Coloured	2%

SUPPORT STAFF DEMOGRAPHICS - 2005



● Black African	41%
● Indian	35%
● White	20%
● Coloured	4%

ACADEMIC LEADERSHIP

In terms of the Higher Education Act (No. 101 of 1997) and the Standard Institutional Statute, the Senate is empowered with the ultimate responsibility for the maintenance of the academic integrity of the University. It also has responsibility for the development of all academic initiatives of the University. During 2005, the University Senate met six times to deal with routine operational business, but one additional meeting was called during the year to deal with urgent matters.

In the course of the year the Senate fulfilled its statutory responsibilities and, in so doing, contributed to the enhancement of sound academic governance and the maintenance of quality of the University's various teaching and research activities.

COMPOSITION OF SENATE

The Senate was constituted in terms of S23 (1) of the Standard Institutional Statute and consists of the following:

- the Principal;
- Vice-Principals;
- the Registrar;
- all Deans;
- all Heads of Academic Departments;
- all Professors;
- the Director of the Library;
- the Director of Research;
- two representatives of the Student Representative Council elected by the SRC;
- a Non-Academic employee from each Faculty elected by the Non-Academic employees of each Faculty;
- an Academic employee from each Faculty elected by the Academic employees of each Faculty;
- two members of Council designated by the Council; and
- such additional members as approved by the Senate.

The majority of Senate members must be academic employees.

The manner of election of members is determined by each constituency.

CHANGES IN THE ACADEMIC STRUCTURE

During 2004 the College Model system was approved by Council. This became operational in 2005.



Barbara Tyrrell, *Bhoca mother and child*,
Acrylic on canvas, c.1979

Report of the Senate to Council

Four Colleges consisting of clustered faculties were approved as follows:

COLLEGES

AGRICULTURE, ENGINEERING AND SCIENCE

- ☼ Faculty of Engineering
- ☼ Faculty of Science and Agriculture

HEALTH SCIENCES

- ☼ Faculty of Health Sciences
- ☼ Faculty of Medicine

EDUCATION, HUMANITIES AND SOCIAL SCIENCES

- ☼ Faculty of Education
- ☼ Faculty of Humanities, Development and Social Sciences

LAW AND MANAGEMENT STUDIES

- ☼ Faculty of Law
- ☼ Faculty of Management Studies

The following academic entities were approved by Council in 2005:

- ☼ School of Dentistry
- ☼ Hasso Plattner HIV Research Facility
- ☼ Forest Biodiversity Research Unit

The following Policies were approved by Council in 2005:

- ☼ Common Academic Rules
- ☼ Policy on Recognition of Prior Learning
- ☼ Undergraduate Access and Admissions to the University of KwaZulu-Natal.

ACCESS

Access policy for the University was approved by Council. It was acknowledged that an Access and Admissions Policy for the new Institution should address access to both undergraduate and postgraduate studies and access for students with disabilities. The approved policy represents the first phase of such policy, and addresses the most urgent of these issues i.e. access to undergraduate studies for school leavers or those who have recently left school. A policy on Recognition of Prior Learning was also approved.

LANGUAGE

A Senate sub-committee was constituted and developed a language policy for the University in accordance with the Department of Education, for consideration by Senate. The draft policy was disseminated to Senate members and the University community for comment.

Professor M W Makgoba
Vice-Chancellor and Chair of Senate

OFFICERS AND MEMBERS OF COUNCIL AS AT 31 DECEMBER 2005

EXECUTIVE COMMITTEE OF COUNCIL

Dr TV Maphai +! ⁴ (Chair)	Professor M G Cowling ³	Advocate P J Olsen ⁴
Mr M Mia +! ⁴ (Vice-Chair)	Advocate P F Finden ³	Dr M J Phaahla ¹
Professor MW Makgoba +! ² (Vice-Chancellor and Principal)	Mr M Ntuli ⁵	Mrs S E Skweyiya ! ¹
	Mrs P Ntombela-Nzimande ⁴	Professor H Staniland ! ²

REGISTRAR

Dr E Mneney (In attendance)

CHIEF COMMITTEE OFFICER

Ms S G Ferguson

OTHER MEMBERS OF COUNCIL

Professor S M E Bengu ¹	Mrs G Moloi ¹	Mrs S V E Scheepers ³
Professor D J Brothers ³	Mrs F N Msimang * ¹	Professor H D Schreiner+ ³
Mr V S Gounden *! ¹	Mr S Ngcobe ¹	Professor L R Uys ²
Mrs M M Jean-Louis * ¹	Mr Z C Ngidi ¹	Mr A D Young + ¹
Mr P S'bu C Luthuli * ¹	Mr S Ngwane ⁵	Dr E Mneney (In attendance)
Mrs P Mnganga ¹	Mr MT Ngwenya * ⁴	Professor P S Pillay (In attendance)
Mr L C Moloi + ¹	Professor V Padayachee + ³	

* Member of the Audit and Risk Committee ¹Independent Non-Executive Council Member ⁴ Government-appointed representative

+ Member of the Finance Committee ² Executive Council Member ⁵ Student representative

! Member of the Remuneration Committee ³ Employee representative

EXECUTIVE MANAGEMENT 2005

Professor MW Makgoba, Professor NM Mazibuko, Professor P Msweli-Mbanga, Professor LR Uys, Professor PJK Zacharias, Professor A Bawa, Professor SS Abdool Karim, Ms R Budree, Professor TD Chetty, Professor E de Kadt, Professor R Miller, Dr E Mneney, Professor PP Ntuli, Professor PS Pillay, Professor DV Soni, Professor H Staniland and Mr T Wills.

BUSINESS ADDRESS

University of KwaZulu-Natal
Private Bag X54001
Durban, 4000

POSTAL ADDRESS

University of KwaZulu-Natal
Westville
Chiltern Hills, 3629

AUDITORS

KPMG Inc
P O Box 1496
Durban, 4000

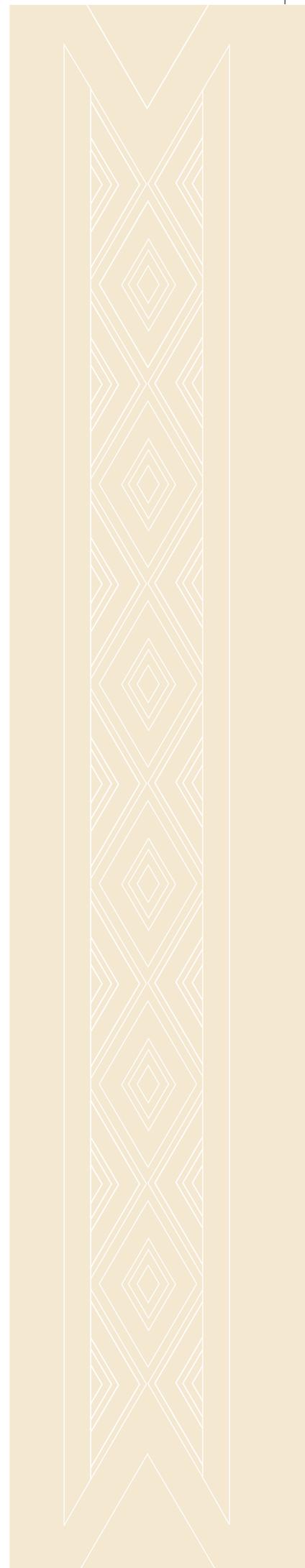
SAB&T Inc

P O Box 30108
Mayville, 4058

BANKERS

First National Bank
P O Box 4130
The Square
Umhlanga Rocks, 4320

ABSA Bank
P O Box 5037
Frosterley Park
La Lucia Ridge, 4019



PROMOTING INSTITUTIONAL ADVANCEMENT



The mission of the Public Affairs and Corporate Communications Division is to support the University community in the realisation of the UKZN vision and mission

The mission of the Public Affairs and Corporate Communications Division is to support the University community in the realisation of the UKZN vision and mission through a professional, expert and integrated approach to marketing, internal communications, media relations, publications, international relations, schools liaison, alumni affairs, conferences and special events.

A diverse range of initiatives were undertaken and successfully executed in 2005.

The event that best reflected UKZN's integrated approach to positioning the Institution as the Premier University of African Scholarship was the inauguration of the Chancellor Dr Frene Ginwala, former speaker of the National Parliament, and the Vice-Chancellor Professor Malegapuru Makgoba, which took place over two days (29-30 September 2005).

The inauguration theme reflected UKZN's pursuit of academic excellence, relevant and usable research which impacts on communities, the University's commitment to good governance and a celebration of our cultural and intellectual diversity. Lunch-hour concerts, which celebrated UKZN and other home-grown talent and a kaleidoscope of cultures, were held on all five campuses. Members of the University Executive also addressed these forums. Research and community outreach exhibitions were held on the Pietermaritzburg and Westville campuses. These highlighted the research programmes, partnerships and projects that yield maximum benefits for society in line with our approach to African Scholarship.

The University's commitment to a critical engagement with society was supported by a critical engagement within the University community through the organisation of a symposium entitled: "Organisational Democracy: An Ongoing Challenge: Reflections from UKZN". Addressed by the leadership of the four UKZN unions and by members of the University Executive, the symposium which resulted in a publication by the same name stimulated interesting debate on management, the role of unions and governance at UKZN.

The Installation Ceremony itself, held on the Westville campus provided both the Chancellor and Vice-Chancellor the opportunity to present their visions of African Scholarship which was also published (*Towards African Scholarship*, Public Affairs and Corporate Communications, UKZN 2005) Abdullah Ibrahim wrote and performed a special musical piece for the ceremony, which was followed by Ladysmith Black Mambazo, Lebo Mathosa and Gordon Franks.

The Albert Luthuli Memorial Lecture in partnership with the Department of Arts and Culture was held on the Westville campus. His Excellency, Dr Kenneth Kaunda, first president of the Republic of Zambia was the distinguished speaker who followed the lofty footsteps of President Thabo Mbeki who presented the Inaugural lecture in 2004. A publication entitled *The Deepest Principles of International Brotherhood and Humanity* (UKZN, 2005) was produced to commemorate the event and honour Dr Kaunda for his contribution to the struggle for peace and justice in South Africa.

The Albert Luthuli Memorial Lecture and inauguration publications were only two of an array that appeared in 2005. *ukzndaba*, the official University newspaper, was produced monthly and

distributed to staff and students on all five campuses. Two issues of *UKZNTOUCH* were produced and distributed to 90 000 alumni both in South Africa and abroad. Two issues of *Development Brief* were produced and distributed to donors and potential partners, and two issues of *UKZN Today* were produced and distributed to local schools

The schools publication was only one part of the Public Affairs and Corporate Communications thrust to attract the best students to UKZN. This was complemented by visits to 263 schools, participation in 34 career exhibitions/fairs and a variety of road shows. Three thousand people attended Open Days on UKZN campuses in 2005. Parents' Day for new undergraduate students was organised on four campuses.

Recruiting of students is to a large extent determined by the attitudes of our alumni who by word of mouth pass on how they feel about UKZN. The positive endorsement of an alumnus is far more important in motivating a student to join UKZN than any paid advertisement. The attitudes of alumni also determine what they are willing to plough back into their *alma mater*. With this in mind, alumni meetings addressed by the Vice-Chancellor (with appropriate entertainment and networking opportunities) were held in London, Sydney, Perth and Melbourne. In South Africa reunions were held in Bloemfontein, Nelspruit, Pietermaritzburg, Durban, the North and South Coasts of KwaZulu-Natal, Cape Town and Knysna to keep alumni informed of developments after the merger. Entrepreneurship and job skills workshops were also arranged for younger more recent graduates on the Howard College, Pietermaritzburg and Westville campuses to enable them to gain entry into business or the workforce.

During 2005 Public Affairs and Corporate Communications, through its conferencing unit, organised five conferences (International Electrical Engineers, South African Research and Development in Higher Education, Geology, International Suicide Prevention Congress and the International Cleft Congress).

The signing ceremony of the Memorandum of Understanding with the Msunduzi Municipality, the UKZN Annual Golf Day and hosting of 24 international delegations to UKZN were also arranged in the year under review.

In line with the Public Affairs and Corporate Communications' vision to be the premier vehicle for institutional advancement earning demonstrable recognition in the Higher Education sector UKZN scooped five awards at the Annual Unitech excellence in Marketing, Communication and Development awards ceremony in Johannesburg, following on the four awards won in 2004.

Professor TD Chetty

Executive Director: Public Affairs and Corporate Communications

top to bottom

- Chancellor Dr Frene Ginwala and Vice-Chancellor Professor Malegapuru Makgoba at the Installation Ceremony.
- Dr Kenneth Kaunda visited the Luthuli home in Groutville and also attended a service in the church where Chief Luthuli preached. Ms Ntombazane Botha, Deputy Minister of Arts & Culture, Dr Kenneth Kaunda, Dr Albertina Luthuli, Professor Dasarath Chetty and Mr. Mthunzi Luthuli at the church service.
- Councillor Hloni Zondi of Msunduzi Municipality; Mr Vidyavrata Bajoo of the Pietermaritzburg Chamber of Business and Professor Malegapuru Makgoba, Vice-Chancellor UKZN sign the MOU. Looking on is Professor Dasarath Chetty, Executive Director, Public Affairs and Corporate Communications.
- Graduation 2005
- Public Affairs and Corporate Communications staff proudly display the Unitech Excellence Awards.
- Ms Shakila Thakurpersad, Public Affairs and Corporate Communications; Executive Director of Public Affairs and Corporate Communications Professor Dasarath Chetty; winner Mr Keshwin Soni; and sponsor Mr Jay Ramchander at the UKZN second Annual Golf Tournament.



The Research Office

A LEADING RESEARCH INSTITUTION



UKZN is a generator of knowledge that is both intensely local and intensely global

As the second year of existence of the University of KwaZulu-Natal, 2005 was a year of exciting achievements and challenges for research. In some respects it was a defining year with the drafting of research policies, the consolidation of research systems and the conscious imagination of the University as a research-led one. This year saw the consolidation of its position as one of South Africa's leading research institutions. At a time when there are important discussions underway about the importance of the national research system to the economy and to the process of nation-building, it is pleasing to note that research activities at UKZN are flourishing and ready to exploit new opportunities.

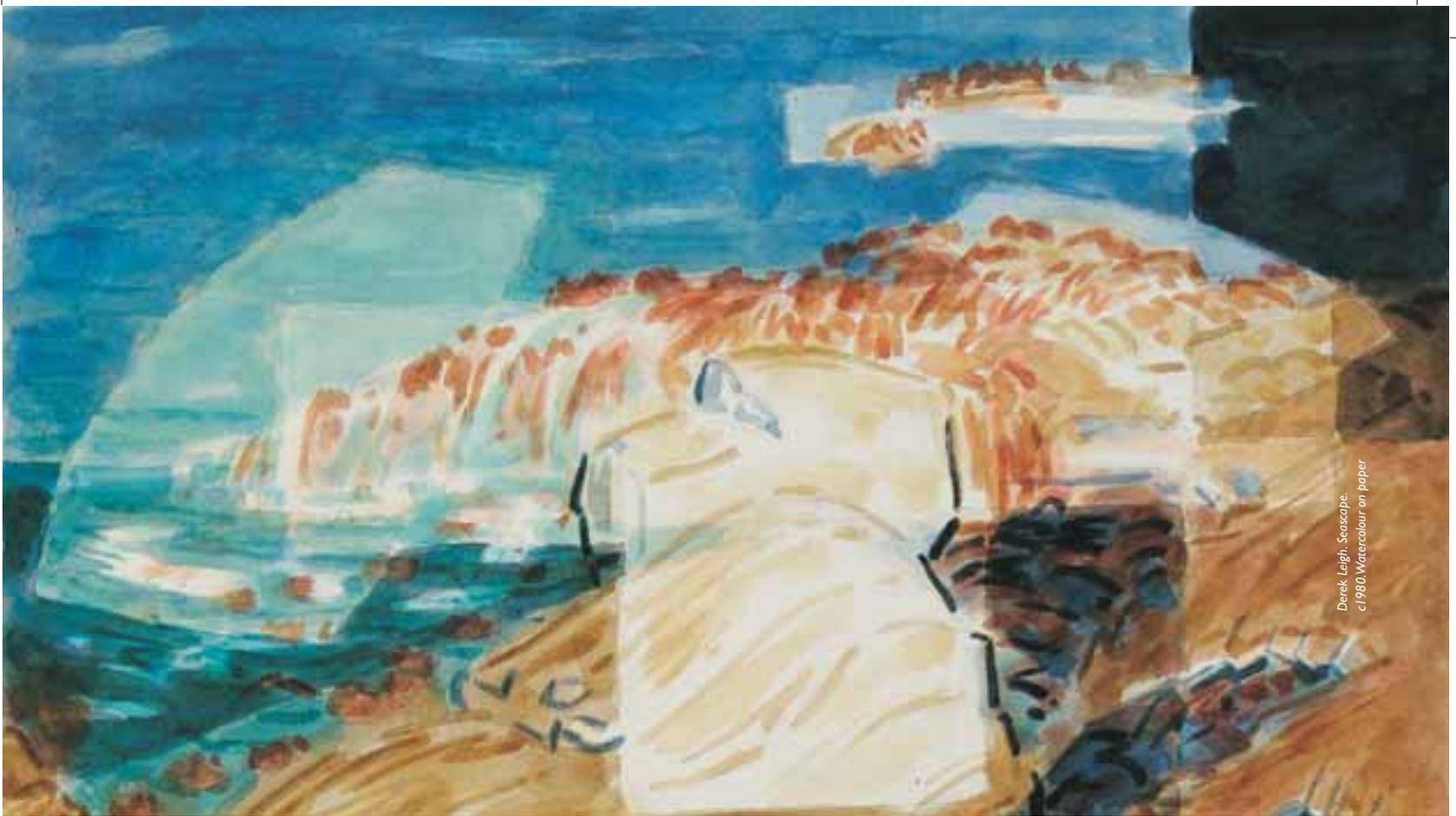
The Vision of UKZN – to be the Premier University of African Scholarship – has acted as an important framework within which to understand what the particular orientation is. A minimalist interpretation of this vision is that the University takes on the responsibility to generate high level knowledge at a local level. It seeks to enter the global knowledge system on the basis of the legitimacy it seeks locally. This gives UKZN a postcolonial orientation.

A complex research tapestry exists. On the one hand there are an enormous number of activities that relate very directly to the challenges of development. A set of strategic research initiatives has been identified and these represent a very direct set of interfaces between knowledge producing activities at the University and the needs of development; examples are HIV/AIDS, economic development, water and waste management and sustainable rural livelihoods. Others are constantly being conceived and developed.

2005 also saw the development of a number of very strong new initiatives that may be regarded as blue-sky research, examples of which are the Centre for Quantum Technologies which is based in the School of Physics and the emergence of the Mind and World Working Group in Philosophy. This kind of initiative and the work that goes on in the areas of literary theory, contextual theology and a range of other areas help to shape UKZN as a generator of knowledge that is both intensely local and intensely global.

2005 also saw the emergence of new approaches to developing strategic research partnerships with other knowledge intensive institutions, both in KwaZulu-Natal and elsewhere. Discussions have begun with the Sugar Millers' Research Institute, the South African Sugar Research Institute, the Oceanographic Research Institute, the Human Sciences Research Council and the Council for Scientific and Industrial Research. These are based on an understanding that different forms of collaboration between UKZN and other institutions help to build research platforms that are important to national imperatives.

In 2005 we saw a very substantial increase in the number of articles published by UKZN researchers in recognised peer-reviewed journals. This increase of approximately 30 percent is both substantial and indicative of the seriousness with which academics at UKZN see research as the key institutional driver in terms of its vision. It demonstrates the vibrancy of the research enterprise here. Once again



Derek Leigh, Seascape,
c1980. Watercolour on paper

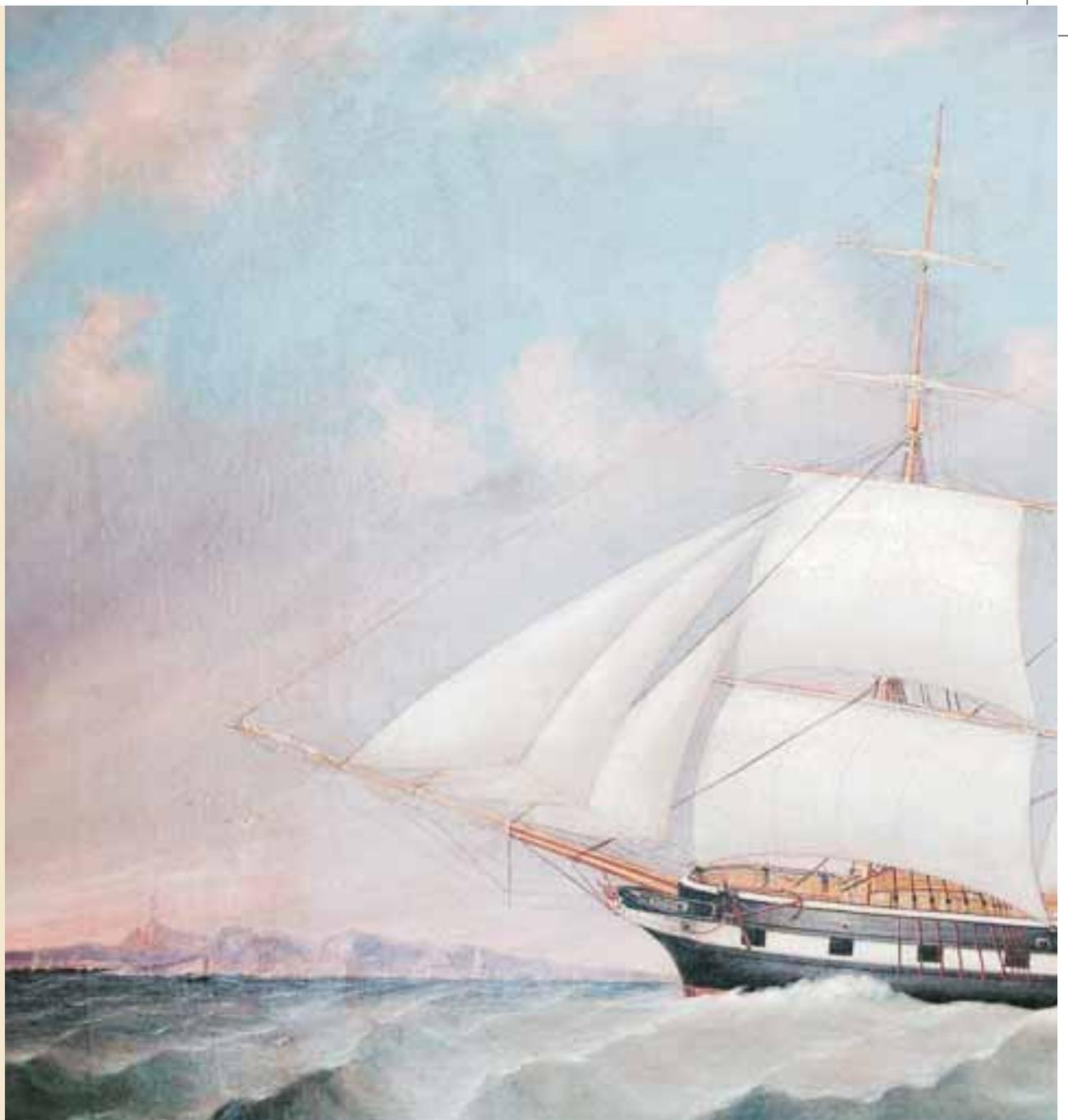
the leading publisher of research at UKZN is Professor Hannes van Staden of the School of Biological and Conservation Sciences.

Journal publication is one form of publication. This is supplemented by a large number of articles published as chapters in books and indeed, once again, a number of very important books were published this year, either as monographs or as edited volumes.

One of the most significant challenges facing UKZN and all other South African universities is the development of young researchers. Most Faculties have found interesting, innovative ways to address this matter. The University is by far the largest institutional player in the National Research Foundation (NRF)'s Thuthuka Programme which is aimed specifically at building the capacity of young researchers. UKZN has more than 80 young academics participating in this programme. The Research Office also administers an internal Competitive Research Grants Programme which is also designed for this purpose and some 70 members of staff participate in this programme. This activity is an important marker for the progress of the research system.

Another measure of research performance is the amount of resources that the Institution generates for the performance of research through the skill and reputation of its academics. In 2005, the University itself set aside 4 percent of its total Council-controlled budget for the direct support of research and this amounted to R39 330 000. This was supplemented by research-generated income from the statutory research organisations, three of which are the NRF (R38 967 851), the Medical Research Council (R2 058 415) and the Water Research Commission (R8 715 859). The bulk of the resources for research comes from external grants and contracts and this is an extremely significant





measure of the competitiveness of the UKZN research system. In 2005 this income amounted to R168 028 071.

The Research Office moved into its new facilities in the Govan Mbeki Building on the Westville campus and this provides the space for research support to be organised in a more coherent way. The research support functions housed here are grants and contracts management, research ethics management, statutory research grants management, internal research support management and the research information system.

This research information system is used to implement the incentive-driven productivity award system. This system has been central to the strategy of building the research outputs of UKZN and in 2005 some R23-24 million was ploughed back into the research system through productivity awards to individual researchers.

The Research Office runs a programme of short-term and long-term postdoctoral fellowships. This has been an extremely important mechanism to encourage and facilitate research.



Anonymous painting of the 'Huldee' ship that brought the settlers from Yorkshire in England to Natal in 1850. Oil on canvas. c1849.

The vibrancy of UKZN 's research system depends absolutely on the quality of its postgraduate students and the education programmes that they participate in. Some 26 percent of the student body is made up of postgraduate students who participate in a range of highly specialised programmes. It is a strategic project of the University to increase the number and quality of postgraduate students. The Research Office works with Faculties in helping them to address the challenges of recruiting the best students and improving the throughput rate.

All in all 2005 laid a wonderful foundation for research at UKZN to assume a strong upward trajectory. We look forward to continued growth in quality and in quantity. 🎓

Professor A Bawa

Deputy Vice-Chancellor: Research, Knowledge Production and Partnerships



The Equity Office

PROMOTING EQUITY



Modest progress in terms of changing the profile of the University was recorded

The University's Employment Equity Policy was approved by Council in September 2004. The following few months were spent ensuring that the framework for its implementation was in place. Whilst the University was able to comply in terms of the majority of the policy provisions, the sections relating to the development of equity plans had to be deferred. In the academic sector, workshops were held with the interim leadership (who had been given the responsibility and accountability delegated to Deans per the policy), and it was agreed that plans would only be developed once the leadership were appointed. Similarly, in the support sector, there were serious merger-related issues which mitigated against the development of employment equity plans. In particular, the structures were not finalised and vacancies were, almost exclusively, advertised internally, filled by interim appointments or pending until the approval of the structures and finalisation of the process to populate the structures. Most of the leadership posts in the Support Divisions were filled by way of interim contract appointments and deployments.

In early 2005, the Faculty leadership was confirmed and the Deans commenced the process of developing their employment equity plans. Employment Equity Committees were constituted in each Faculty and the necessary audits commenced. During 2005, the structures for the support sector were finalised and, subsequently, approved by Council. A process was determined and implemented for 'matching and placing' staff into the approved structures. This 'matching and placing' process was not finalised in 2005 and the process for developing support sector employment equity plans was deferred until 2006.

Overall, there was a slight decline in the number of permanent staff (longer than two years) between 2004 (3421) and 2005 (3304). There was little change in race or gender distribution from the 2004 statistics.

Overall, there were 26 less academics in 2005 as compared to 2004. A total of just 35 new appointments were made into the permanent academic establishment in 2005. The majority (40%) were White, followed by African (33%). Blacks and women continue to be underrepresented at more senior levels.

In the support sector, only 57 permanent appointments were made. Of these, very few were recruited externally, resulting in very small shifts in the overall demographic profile. Despite African staff forming the bulk of these appointments, they are still underrepresented at more senior levels. Blacks and women form the majority of support staff.

Whilst modest progress in terms of changing the profile of the University was recorded in 2005, this could be attributed in part to ongoing merger-related processes to finalise and populate the staff structures. ☎

Ms R Budree
Executive Director: Equity

The Access Office

ACCESS, STUDENT RETENTION AND SUCCESS

In 2005, the Access portfolio diversified to encompass a broader understanding of access, and a strengthened focus on student retention and success. Consideration was given to structures and resources necessary to give long-term substance to the 'access and retention' initiative.

Responsibility for running the various access initiatives was properly located within the Faculties, in terms of the University's policy of mainstreaming access. Approximately 750 students who would otherwise not have been able to access tertiary education were admitted to the various alternative access programmes in Science, Engineering, Management Studies and Humanities. Several Faculties also took responsibility for piloting entrance and placement tests, and the ensuing body of data has been integrated into a long-term institutional research project, which is to explore the reliability of these tests in terms of subsequent study achievements, until completion of the degree; research results have started to appear. The Access Office sought to encourage access-related research more broadly.

Increasingly, energy was directed towards student retention and through-put, with the involvement of additional core disciplines such as Mathematics, Chemistry and Biology. One important goal has been to explore sustainable models for interventions in classes with massive student numbers, while maintaining quality, for instance through use of electronic aids such as the university's OLS system – but certainly in conjunction with carefully selected and trained tutors. Interesting pilot projects were run, for instance, in Economics and Information Systems Technology.

2005 also saw the close-out of the SANTED UKZN Access and Retention project, funded by the Norwegian government, with a celebratory function attended by the Norwegian ambassador, and anticipation of a possible further SUKAR project in 2006. Ensuring that the funding of access and retention moves, as far as possible, from 'soft' donor funding to the UKZN fund budget remains a top priority for the portfolio; in 2005 an access and retention budget was awarded from the fund budget, which represents a first step to ensuring fund budget commitment to this strategic initiative.

Two new intersecting areas of involvement have been access into post-graduate studies, and Recognition of Prior Learning (RPL). An audit of postgraduate access confirmed two main 'problem areas' as underdeveloped academic literacy and research skills. An RPL policy, as an important building-block in the university's transformation agenda, was developed and approved by Senate, and has been referred to Faculties for implementation, in terms of available human and financial resources.

Finally, debate was initiated as to appropriate structures for access and retention, within the framework of the College system. On the one hand, access must become fully owned by and integrated into Colleges and Faculties; on the other, there does appear need for a cross-cutting structure to develop policy, monitor implementation broadly and advocate. ☛

Professor E de Kadt
Executive Director: Access



Approximately 750 students who would otherwise not have been able to access tertiary education were admitted to the various alternative access programmes



PROMOTING UNITY

The newly constituted Institutional Forum (IF), consisting of all the statutory representatives, held a successful workshop on 12 October 2004. The outcomes of the IF workshop included programmes to address issues of students, staff and the community; academic concerns around research and curricula; and process issues concerning communication and stakeholder participation.

A Road Show was held in 2005 to introduce the IF to the University community and explain its role and programmes. However, despite envisaging an ambitious programme for the University community, the IF was unable to deliver comprehensively on a way forward, mainly due to the unavailability of key stakeholders who failed to attend meetings.

The year 2005 can be considered a watershed for industrial action since the formation of the new Institution. In May 2005 the University faced its first industrial action following a deadlock between management and the unions in the Joint Bargaining Forum (JBF) over salaries and conditions of service. The industrial action was also promoted by many uncertainties and fears on the part of staff during the early post-merger period.

The IF, through its Executive, in fulfilling its mandate to promote unity at the University amongst all stakeholders, intervened to return the parties to negotiation, and eventually to an agreed settlement.

The IF confirms wide consultation of all stakeholders in the drafting of the University Statute, and also attended a Council meeting where the Statute was approved. Concerns were raised by student representatives with regard to escalating student fees, lack of adequate University accommodation and the lack of adequate facilities in University residences.

Employment Equity remains a great challenge for the University in both the academic and support sectors. The University's overall equity profile has remained relatively constant.

Mr P Madonsela
Vice-Chairperson: Institutional Forum

COMPOSITION OF THE INSTITUTIONAL FORUM

Two members each from:

- ☞ **Council Management**
- ☞ **Senate**
- ☞ **Academic Staff**
- ☞ **Support Staff**
- ☞ **Student Representatives**
- ☞ **Council**



John Adams. Highly glazed urn with red design on green ground.
Durban Technical College. 1913

Council's Statement on Corporate Governance

A GUARDIANSHIP ROLE



The University is committed to the highest level of corporate governance and the principles of discipline, transparency, independence, accountability, responsibility, fairness and social responsibility advocated in the King Report on Corporate Governance. The Council endorses and is committed to giving full and complete effect to the Code of Corporate Practices and Conduct, and the Code of Ethical Behaviour and Practice as set out in the King II Report. In supporting these Codes and in fulfilling its guardianship role in relation to public and trust funds administered by the University, the Council recognises the need to conduct the business of the University with integrity and in accordance with generally accepted practices. Part of the mandate of the Audit & Risk Committee is monitoring compliance with these Codes.

The University of KwaZulu-Natal Council was incorporated on 1 January 2004 in terms of the Higher Education Act of 1997. During the year under review, the Council has functioned in accordance with prevailing Statutes. The Council comprises 29 members, the majority (62 percent) of whom were neither employees nor students.

The role of the Chairperson of Council is separate from that of the chief executive officer; the Vice-Chancellor. The Council of the University of KwaZulu-Natal is responsible for the overall strategic direction of the University, approval of major developments and the receipt of regular reports from the Vice-Chancellor; other executive officers and members of management on the day-to-day operations of the University's business. Council met six times during the year under review. In discharging its governance role, Council was supported by a number of standing committees, including a Remuneration Committee, a Finance Committee, a Resources Planning Committee and an Audit & Risk Committee. All of these Committees were formally constituted with terms of reference and comprised mainly external members of Council.

The Remuneration Committee acted for Council in proposing changes to the Conditions of Service as they related to employees' salaries and benefits, and was responsible also for the periodic review and determination of mandates for the University's management team in its negotiations with staff representative bodies in the Joint Bargaining Forum. A separate Remuneration Committee, comprising four independent, non-executive councillors, was responsible for considering and deciding upon executive salaries and benefits in relation to prevailing market conditions.

The Finance Committee was responsible for monitoring the University's financial position – specifically, to ensure its ability to operate as a 'going concern' – and for the adequacy of its financial accounting and control systems. It met five times in 2005 and considered matters relevant to the

MEMBERSHIP OF THE UNIVERSITY COUNCIL

☼ Independent non-executive councillors	13
☼ Government-appointed representatives	5
☼ Executive management staff	3
☼ Employee representatives	6
☼ Student representatives	2
Total	29

Council's Statement on Corporate Governance

fiduciary duties of the University Council and advised Council on financial strategy and policy. The Finance Committee had specific responsibility for investment management, loan finance and insurance issues, and for ensuring compliance with the University's Financial Regulations.

The Planning and Resources Committee is responsible for the consideration of the University's medium-and long-term strategic plans, together with the annual operating and capital budgets. It was also responsible, *inter alia*, for ensuring that all financial implications of capital development programmes and the annual operating budgets were considered fully prior to being approved by Council. It held primary responsibility for making recommendations to Council on the allocation of resources to strategic University initiatives and between the academic and support service sectors. The Planning and Resources Committee met twice in 2005

The Audit & Risk Committee consisted of five members of Council, none of whom was either an employee or a student, and two non-Council members. Six meetings, of which three were special meetings, were held during the year; these meetings were attended by the external and internal auditors and appropriate members of executive management. Both the external and internal auditors had unrestricted access to the Audit & Risk Committee, which ensured that their independence was in no way impaired. The Audit & Risk Committee, a sub-committee of Council, provided assistance to Council in :

- ensuring compliance with applicable legislation, the requirements of regulatory authorities and applicable codes of corporate conduct;
- determining the adequacy and effectiveness of financial and internal controls, accounting policies, reporting and disclosure;
- in conjunction with the Finance Committee, assessing and managing all areas of financial risk;
- reviewing and approving audit plans and reports emanating from external auditors;
- monitoring the scope, adequacy and effectiveness of the internal audit function;
- meeting its statutory reporting responsibilities.

The University of KwaZulu-Natal utilises a variety of participating structures to manage issues affecting employees and students directly and materially. These structures were designed to achieve good employer/employee and student relations through effective sharing of relevant information, representation on all major University committees, consultation and the identification and resolution of conflicts.

The University is committed to the highest standards of integrity, and good ethics in dealing with all its stakeholders, including its Council members, managers, employees, students, customers, suppliers, competitors, donors and society at large. The University's policies include provisions to deal with conflicts of interest. Council members and all staff who have decision-making authority, either individually or jointly through service on committees, are expected to observe the University's ethical obligations in order to conduct business through the use of fair commercial practice. •

Professor H Staniland

Deputy Vice-Chancellor: Administration and Corporate Governance



Student Services

SUPPORTING OUR STUDENTS



One of the key challenges in the creation of a new University following the merger was the introduction of a new structure for student governance

A key feature of 2005 was the implementation of a new model for the delivery of Student Services at UKZN. Following an almost two-year process of consultation with staff and students the model for a single Division of Student Services covering the five campuses was approved by Council.

The Executive Dean (Students) portfolio was created as part of UKZN's Executive Management Committee. The Executive Dean (Students) is responsible for a Division of Student Services represented on all five campuses. Three Deputy Deans of Students report to the Executive Dean. Each Deputy Dean oversees a suite of well-established support services for students on their respective campuses. These include Student Counselling, Career Counselling and Student Employment, Campus Health Clinics, Sports Administration, Student Leadership Development, and support for the Student Representative Councils (SRCs).

Reporting directly to the Executive Dean are the Directors of University-wide services which have offices on each of the campuses - Student Housing, the Student Funding Centre, and UKZN International. Student Housing manages a portfolio of over 7 000 residence rooms spread across the University, while the Student Funding Centre administers over R150 million a year in loan, bursary and scholarship funds. UKZN International plays a central role in promoting internationalisation at the University. International Student Support Offices (ISSOs) provide day-to-day support for international students who have opted to study at UKZN.

An innovative addition to the Division of Student Services was the creation of a Student Governance Office to provide mentorship and support to the student leadership at UKZN. The office is staffed by two very experienced former student leaders, who report to the Executive Dean (Students).

One of the key challenges in the creation of a new University following the merger of the University of Natal and the University of Durban-Westville was the introduction of a new structure for student governance. During 2005 the form of the new student governance structure took shape, and a single new Constitution was drafted. It was decided that the old system of separate, largely independent SRCs on each campus, each with their own Constitutions, would be replaced by a single SRC Constitution. An overarching Central SRC will deal with matters of University-wide importance and represent students on bodies such as Council and Senate, with subordinate Local SRCs on each campus. Both student organisations and individual candidates will contest elections. While the proposed new SRC Constitution was not ready for final Council approval in 2005, it was agreed to put in place an interim model, and in September 2005 elections were held for a Central SRC and local representative councils on each campus. Mr Sbu Ngwane, a law student from the Westville campus, was elected as the first President of the Central SRC.

Mr T Wills
Executive Dean (Students)

Office of the Registrar

IMPLEMENTING POLICIES, PROCEDURES AND SYSTEMS

The main functions of the Office of the Registrar include, but are not limited to providing administrative, legal and secretarial services to the University Senate, Council and the Executive. The Office is also responsible for the dissemination, implementation and maintenance of University-wide policies, procedures and systems.

The first draft of the Statute of the University of KwaZulu-Natal was submitted to the legal experts in February 2005. Statutes of other institutions both from within and outside South Africa were studied and consultation with University constituencies took place from March 2005. The Vice-Chancellor submitted the proposed Statute of the University of KwaZulu-Natal to the Minister of Education in December 2005. The Statute was approved and published in Government Gazette No 29032 on 14 July 2006.

The Office is responsible for the election and appointment of the Chancellor. The process and timeframes were approved by Council on 25 February 2005. Thereafter, notice was sent to Council members, calling for nominations. A meeting of the Institutional Forum took place to consider nominations and advise Council. Election by secret ballot took place during a Council meeting held on 29 April 2005. Dr Frene Ginwala was elected Chancellor for a period of four years.

The Chancellor was inaugurated, together with the Vice-Chancellor, at a ceremony on 30 September 2005 at the Sports Complex, Westville campus.

The Office was also involved in the process resulting in new academic gowns. The Registrar developed proposals for consideration by the Ceremonials Committee. Once the process was approved, the necessary steps were taken, in conjunction with members of the Ceremonials Committee and its sub-committees. The new gowns were used for the first time during the inauguration ceremony on 30 September 2005.

Graduation ceremonies took place from 13 April 2005 to 22 April 2005. The total number of graduands was 6 770.

The breakdown was as follows :

Total Number of Graduands	
Education	1 067
Engineering & Health Sciences	573
Law & Management Studies	2 863
Humanities	1 442
Science & Agriculture	825
Total	6 770

Dr E Mnene
Registrar



The main functions of the Office of the Registrar are providing administrative, legal and secretarial services to the University Senate, Council and the Executive



College Reports

COLLEGE OF HUMANITIES



The College is promoting UKZN as a social sciences and humanities university nationally and continentally

The key function for 2005 was the forging of two Faculties out of the former Faculties and Schools. The outcome was the creation of 19 new Schools and about 50 Teaching and Research units. The units are under review with the intention to consolidate and integrate them into Schools. The new structures will be reviewed after five years. The other functions were the consolidation of academic, administrative structures and support services from other units, increasing productivity in research output, and managing the development of the curriculum after the merger.

In November 2005, all 25 Schools submitted extensive School plans which formed the basis for developing the vision and the 10-year College strategic plan. Out of the School plans the College developed its vision, "To make a strategic choice of excellence by promoting UKZN as a Social Sciences and Humanities University nationally and continentally."

The Thrust and Ethos of the College is:

- Integrating teaching, learning, research and community engagement.
- Prioritising rural development, education - with a primary focus on teacher development - poverty and democracy.
- Promoting knowledge production and exchange through enhancing existing and selected connections with public and private sector partnerships, Africa and the Diaspora, and international linkages. The focus for 2005 was on the Lubumbashi-Liege-UKZN and the UKZN-Freiberg-India tripartite postgraduate integration.

Transformation and equity remain central to the operations of the College in relation to management style, staff profiles, student development, curriculum and institutional practices.

Both the Faculty of Education and the Faculty of Humanities, Development and Social Sciences (HDSS) established Equity Committees and began working on Faculty Equity Plans in compliance with the Equity Act requirements and the Institutional Equity Policy. Both Faculties have mentoring programmes for LEAP candidates and in 2006 the Academic Affairs Board recommended establishing a multi-partner Integrated Development Plan for such candidates. This approach is to ensure mutual accountability, sustainability of resources and retention of LEAP candidates. Out of the 19 Heads of Schools, so far only nine are academics from the designated groups, four of whom are Africans. This remains a major area of growth.

Highlights in 2005 included:

- PSP Icon and SPDSS exercises were completed, which assisted with the finalisation of School business plans.
- In recognition of outstanding annually organised Festivals (The Durban International Film Festival, Time of the Writer and Poetry Africa), the Director of The Centre for Creative Arts, Peter Rorvick, received the HIVOS Centre Fund Award.

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Muzi Xulu five pokerwork panels depicting "The Cattle of King Shaka stolen by Gcaguwa" "Zulu wedding I-II" and "Zulu coming of age or Umemulo ceremony III". 1990s Wood burnt relief



College Reports

- ☛ Professor Suria Govender received the Mahatma Gandhi Award and the Ponnaadi.
- ☛ Professor Ruth Teer-Tomaselli was awarded the UNESCO chair for Telecommunications at UKZN.
- ☛ Professor Duncan Brown received a Fellowship at the Ferguson Centre of the Open University in Britain.
- ☛ Between 2003 and 2005 Professor Michael Samuel was seconded to the Ministerial Committee for Teacher Education. In that period he developed the National Teacher Education Policy Framework.
- ☛ Professor Fikile Mazibuko received the Jane Addams College of Social Work Distinguished Alumni Award and recognition for academic partnership from the Northeastern Illinois University
- ☛ In 2005, 30 members of staff were awarded doctorates (15 in Education, 15 in HDSS)

The College continues to support student initiatives of various kinds:

- ☛ The Masakhane Club, a student educator driven programme at Edgewood, continues to make an impact in urban and rural schools through its winter leadership programme for Grade 11 and 12 learners. Doctor T Buthelezi under the auspices of the Community Development Association (CDA) is the academic mentor for this programme, and Mr Thabo Msibi the student leader.
- ☛ Fastforward is an initiative of students in the School of Psychology. Mr Siyanda Ngcobo is the student leader, and Professor Jill Bradbury the academic mentor. The programme focuses on life skills for learners in Chesterville and surrounding areas.
- ☛ The Saturday School Extra-Tuition Programme (SSETP) is a student initiative which offers quality and affordable supplementary education to learners from Grade 8-12. The programme is located in the School of Science, Mathematics and Technology (Education). It conducts Saturday Maths/Science tuition classes for learners. The tutors involved are second and fourth year student educators in the Faculty of Education across the different areas of specialisation. The academic mentor is Dr Busi Alant. The programme is self-funded but has received funding from the Dean, Professor Renuka Vithal and Head of the College of Humanities, Professor Mazibuko.
- ☛ The same School, under the leadership of Doctor Alant, provides ongoing support to a group of young technology practitioners from Hammarsdale. The support takes the form of educational activity by linking the practitioners with the FET college structures as well as showcasing their artefacts and establishing links with industry.
- ☛ Postgraduate Conference: postgraduate students (HDSS) have developed an annual tradition of hosting research conferences and exhibitions.
- ☛ Disabled students: a number of students graduated in both Faculties. They also provided valuable feedback on their experiences at UKZN, thereby enabling the College to improve support structures.



Barbara Tyrrell Ndebele Homestead, Acrylic on canvas, c1979

Strategic areas of focus are:

- ☛ Strengthening teacher training and development programmes, particularly in Mathematics and Science. In addition, the College will have ongoing dialogues with stakeholders within both the teaching fraternity and Higher Education on matters of teaching and learning, and Mathematics and Science as tools for life and for access into higher education.
- ☛ African Studies, Language Policy, Development Studies, Music and Social Services are the strategic niches that will be consolidated in 2006-2009. These are critical areas of focus and will be addressed primarily through interfaculty and cross-College academic programmes and projects. Some of the critical schools for such endeavours are the School of Science, Mathematics and Technology Education, the School of Education Studies and the School of Education and Development.

Transdisciplinary and interdisciplinary dialogues and concrete plans of action on development, social services, education and training will be generated within UKZN, the College of Humanities and with other institutions of Higher Education within the region, Africa and internationally through the more than 250 linkages that UKZN already has. Specific social issues such as HIV/AIDS, poverty, illiteracy, quality of life, environmental issues, and violence continue to inform specific programme areas and partnerships. These are readily associated with the Schools of Architecture, Housing and Planning, Psychology, Religion and Theology, Social Work and Community Development. ☛

Professor F Mazibuko
Deputy Vice-Chancellor and Head of College



College Reports

COLLEGE OF AGRICULTURE, ENGINEERING AND SCIENCE



Students whose school background made them ineligible to enter Higher Education have completed doctoral training

The year 2005 will be recorded in the history of our fledgling University as the year we got started. Although this marked the second year of the merged institution, it was really the first year when consolidation and implementation of our far-reaching plan rolled out. This phrase in itself belies the speed and magnitude of what we have achieved. For the College of Agriculture, Engineering and Science some radical steps were taken to ensure we moved to a state of stability wherever possible and as soon as possible. Of course this brought its own consequences.

This goal was led by the Faculty of Engineering who decided to consolidate on the campus that is to be their long-term home, Howard College. All but one School were able to move and all staff and students are to be congratulated on achieving this despite facilities not being fully prepared. We believe the teaching delivery has better served students. The Computing Engineering programme achieved accreditation from the Engineering Council of South Africa and we were able to graduate most of the Civil Engineering students from the old Westville programme on to the accredited UKZN programme.

The Faculty of Science and Agriculture took up the challenge of implementing the common curriculum that was carefully planned in 2004. Initially this was intended only for the first year of study, but many disciplines realised the need for a co-ordinated and integrated curriculum across all levels. This resulted in a common platform of learning on all three sites of delivery. This is probably unique for any contact university and all staff are acknowledged for making it possible. The logistics of this achievement, with declining resources, can only be admired. Such commitment to achieving the vision of the University is an example to all.

Our Access Programme ran as a consolidated whole with much improvement in the resources deployed for this purpose, both from Government and the University. The number of students successfully graduating from this initiative has passed the 500 mark. Given that none of these students could have entered any university, their completion of qualifications in the sciences is outstanding. It is a credit to the individuals' tenacity but also a record of the dedication of all who assist them. What is particularly noteworthy is some have completed doctoral training now despite a background at school that rendered them ineligible to enter any Higher Education.

Many people predicted that the need to plan and implement the merger would have a radical impact on the broader scholarship outside of the lecture theatres. I am proud to report that for this period, 43 doctoral studies were completed for graduation in both Faculties, with Science and Agriculture accounting for 39 of these. This is nearly half of the whole University's output and just over 4% of the national cohort for 2005. What is of specific relevance here is that this represents an increasing trend from previous years despite some adversity presented by the merger. The College leadership and especially the Heads of Schools have worked extra hard to free staff to pursue their scholarship. We all owe them our deepest gratitude for pioneering this complex system.

On the research front, several notable achievements were made including recognition of two of



Stephen Inggs. Silk screen on paper.
1982.

College Reports

our leading researchers for their long-term achievements. Professors Denis Brothers and Allan Wilson were admitted as Fellows of the University; we congratulate them on their awards and thank them for their dedication to our students and the University. Their combined contribution to science in Africa spans over half a century. Dr Richard Mace was identified as the recipient of the Vice-Chancellor's Research Award and Professor David Walker received the University Book Prize. Physics continues to grow at UKZN and is becoming a leading unit for the study of both theoretical and applied physics in South Africa.

Several researchers have gained national and international recognition for their contribution to science and their specific disciplines. Professors Banasiak and Xu were added to the list of Mathematicians in the College who are members of the Academy of Science. Many staff and students have achieved awards and medals for outstanding presentations or contributions to national and international scientific works or conferences. Dr Chris Von Klemperer and his students achieved national recognition for their solar car and fellow Mechanical Engineers Professor Victor Verijenko, together with Dr Belinda Verijenko, Mr Clinton Bemont and Mr Jean-Marie Vugampore received the National Innovation Prize for their "smart bolt" invention. This is a notable achievement as it has world-wide applications in all forms of safety engineering, especially in aerospace.

As far as student support is concerned we have had several students achieve honours for attaining excellent results and competitive bursaries and scholarships. We received a very generous donation from Gift of the Givers for bursaries for students of Agriculture and related fields. We were also able to select the first five recipients of the highly prestigious WOSA (Women in Science, Engineering & Agriculture) bursaries. These are designed to attract top performing women into the technologies discipline; with a performance cut off of over 80 percent, this is not easy to achieve. This initiative is crucial in changing the gender balance in the College, even though our graduating class has moved from 39 percent to 44 percent female over the past four years.

Challenges for the future include the consolidation of the College in refurbished accommodation and coming to grips with having Engineering and the supporting Science disciplines on separate campuses. Although the proportion of Black students remains too low at 29 percent, the competition from industry for these scientists and engineers remains a difficult issue. This is especially so for attracting them into postgraduate studies or as new academics. ☁

Professor P Zacharias
Deputy Vice-Chancellor and Head of College



Barbara Tyrrell. Bhaca Trainee diviner burning Imphepho and preparing ubulawu. Acrylic on canvas. c1979

Barbara Tyrrell

College Reports

COLLEGE OF HEALTH SCIENCES



The College remains engaged with the health problems of South Africa's population

The College of Health Sciences is a multi-professional institution with excellent scholars that functions holistically, ethically and in a socially responsive manner in the African health care environment whilst actively engaging in institutional, national and international collaboration and partnerships for education, research and service.

The College consists of two Faculties (Health Sciences and Medicine), and this year saw the first steps towards becoming an integrated College where disciplines from both Faculties work together. Examples of such activities were the College Planning workshop which was held in June, and where representatives from all Schools in the College sat together to address burning issues in teaching, research and service. Another example was the two-day AstraZeneca College Research day, which was held in September, and brought together health researchers.

The College prepares a wide range of health professionals, and this year saw the graduation of the first group of Medical graduates from the new five-year problem-based programme. It was with great pride that the Nelson R Mandela School of Medicine graduated a double class of 280 new doctors in December. Some progress was made towards the ultimate goal of establishing a fully-fledged Dental School in the College, with the full support of the provincial Department of Health. This is an important development for the oral health programme in the province, and we hope it will be realized in 2006/7.

The area of ethics in research practice saw much change, with new research policies being developed and implemented. This involved undergraduate and postgraduate students and staff in a much more rigorous process of protecting human and animal subjects. As with all new systems, staff and students experienced many teething problems, but we hope that the system will run smoothly in 2006. The Biomedical Ethics Unit developed "Ethical Guidelines for Biotechnology Research in South Africa" and these have been adopted as a guideline of the Health Professions Council of SA, indicating the growing strength of the University in the area of Biomedical Ethics.

The College remains engaged with the health problems of the country's population through research and service. The HIV and AIDS research programme keeps growing, and this year the Doris Duke Medical Research Facility was able to create seven substantial research fellowships to further strengthen the research in this field through a valued grant from the Plattner Foundation. The African Health Care Systems Research Initiative was successful in obtaining a significant grant from the National Institutes for Health. The newly established Rehabilitation Research Group submitted a number of funding proposals and is awaiting the results. The Centre for Rural Health was successful in obtaining a large grant from Atlantic Philanthropies to strengthen rural health care in the north-eastern area of the province.

International Eye Care, an organisation working from a platform in the Optometry discipline, obtained international funding to increase their community health care. The School of Nursing sent a number of Faculty members to Eritrea to assist that country with reshaping the nursing profession



Samuel Daniell African scenery and animals. 1804-5 "No.22" "The town of Lecatako" "Sept. 15. 1805"

and also hosted a very successful international training course on Evidence-based Reviews in their capacity as a Joanna Briggs Centre for Africa. The Nelson R Mandela School of Medicine staff participated in organising three conferences of international societies in Surgery, Suicidology, and Cleft Palate. 🗣️

Professor L R Uys
Deputy Vice-Chancellor and Head of College



SAFEGUARDING ASSETS

The University maintains systems of internal control over the safeguarding of its assets against their unauthorised acquisition, use or disposition, and over its financial reporting. Such systems are designed to provide reasonable assurance to all University stakeholders and to Council regarding an operational environment that ensures the protection of its assets, as well as the preparation and communication of reliable financial and other information.

These systems include documented organisational structures, a clear delineation of responsibilities, established policies and procedures, including a Code of Purchasing Ethics, all of which are communicated throughout the University to foster a strong ethical climate, and the careful selection, training and development of its people.

Information technology systems utilised by the University have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security. Accepted standards are applied to protect the privacy of, and ensure the control over, all data. As far as is practicable, systems are also designed to promote ease of use for all users. The development, maintenance and operation of all systems are under the control of trained staff. In utilising electronic technology to conduct transactions with staff, students and third parties, the relevant controls and procedures are designed and implemented to minimise the risk of fraud or error.

The role of the Internal Audit Services is to monitor the operation of the internal control systems on an ongoing basis and report their findings and recommendations to management and Council. Corrective actions are taken to address control deficiencies and identify other opportunities to improve these systems. Council, through its Audit & Risk Committee, provides oversight of the financial reporting process. Following the Council resolution in 2004, a review of the Internal Audit Services was conducted with a view to augmenting their level of resources. This review indicated that significant additional resources would be required to enable adequate focus on the assurance aspects of internal audit. This augmentation has been achieved through a co-source arrangement with PricewaterhouseCoopers and Ngubane and Company. The focus of the internal audit plan for 2005 (the work for which commenced in October 2005) was a review of the key financial processes. This review has revealed a number of control weaknesses which have been reported to management and the Audit and Risk Committee. Management have agreed remedial actions and action dates, the status of which is monitored by management and Internal Audit regularly.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention, or overriding, of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the safeguarding of assets and financial statement preparation. Notwithstanding such limitations, the management of the University is confident that the systems of internal control in place during the period under review, in conjunction with internal and external audit, were sufficiently effective to provide the requisite levels of assurance sought by the University community and by Council.



Zulu man's beaded waistcoat Enkomo, Vryheid, 1956

Report on Internal Control and Risk Management

RISK MANAGEMENT

The University's risk profile is reviewed continuously and variously by the Audit and Risk, Finance and other committees. All potential risk consequences are identified, evaluated and managed as appropriate. Likewise, the operating environment and conditions within which such risks arise are constantly monitored and controlled. Methods of minimising the adverse consequences of risk are, in each case, based on an assessment of the cost-effectiveness of such measures and use is made of both the University's risk management services as well as externally-contracted expertise where necessary. The process of risk management is currently being formalised through formal risk assessments, the impending appointment of a risk officer and management's determination of risk responses through the control mapping exercise.

The University's policy with regard to insurance and risk cover is set and monitored by the Finance Committee. The University is adequately covered in terms of its insurance policy against fire and related risks, accidental damage, business interruption, theft, employee infidelity, and both public and employer's liability.

FINANCIAL RISK

Decisions on the level of financial risk undertaken are made by the University's Finance Committee and enforced by the Finance Division in terms of established limits by reference to the particular transaction type and are based on an assessment, in each case, of the values and the counter-parties involved. Financial risks faced by the University include interest rate risk, liquidity risk, credit risk and exchange rate risk.

INTEREST RATE RISK

Financial assets and liabilities affected by interest rate fluctuations include bank and short-term deposits as well as borrowings. Deposits comprise fixed notice and call deposits. At the balance sheet date, these deposits were either accessible immediately or had maturity dates not exceeding twelve months. The interest rates earned on these deposits closely approximate prevailing market rates.

The University's borrowings to finance its operations are at both fixed and variable rates of interest depending, in each case, on the nature and duration of the respective borrowings and the specific purpose for which such borrowings are required. The level of borrowings and, consequently, the debt servicing costs are closely monitored and controlled by the Finance Committee on behalf of Council, having regard to the prevailing, and projected, interest rates.

Where necessary and it is considered to be cost-effective to do so, use is made of internal resources to finance capital expenditure. Provision for the redemption of resultant internal loans is made within the University's annual operating budget. Budgets in respect of both investment income and interest costs are prepared, reviewed and revised periodically. In the case of debt servicing costs, Council has imposed an upper limit, expressed as a proportion of the University's annual resource base, adherence to which is enforced strictly by the Finance Division.

LIQUIDITY RISK

The University manages its liquidity risk by monitoring its daily cash flow to ensure that surpluses



Alexander Butler Overport House, Harley family home, Durban, Oil on canvas, c.1860s.

are optimally invested and that adequate cash is available to meet its day-to-day operations in the short and medium-term, based on rolling cash flow projections. The University adopts a diversified investment strategy with specified major financial institutions, each of which is required to be accredited by the Finance Committee, and has no significant concentration of credit risk with any single counter-party.

CREDIT RISK

The University's credit exposure is represented primarily by the net aggregate balance of amounts receivable in respect of unpaid student fees and loans. Debt collection procedures are applied as diligently as circumstances permit, both by the University Finance Division and also by externally-appointed attorneys acting on behalf of the University, and in such a way as to minimise risk in this respect.

EXCHANGE RATE RISK

Foreign currency transactions constitute a risk to the University, especially in relation to a large component of its library acquisitions and imported capital equipment. Correspondingly, the University is susceptible to the risk of exchange rate fluctuations arising from major foreign grants and donations, the receipt of which, often by way of a series of tranches, may be spread over an extended period of time. Various strategies, including the selective use of forward exchange contracts and locally-based intermediary agents, are employed to minimise the related currency risks as far as practicable. 🌐

Mr P S C Luthuli
Chair of the Audit & Risk Committee



ANNUAL FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2005



The second part of this annual report comprises the annual financial statements for the University of KwaZulu-Natal (UKZN). The respective statements cover all activities of the University, including those of the Development Foundation Trust, and the results of other subsidiary entities. They therefore provide a comprehensive record of the University's operations and its cash flows for 2005, as well as its financial position as at 31 December 2005.

The auditors have issued a qualified audit opinion for the University of KwaZulu-Natal for the year ended 31 December 2005 as a result of the non-compliance with AC123 (IAS16) – property, plant and equipment. The University has not adopted the componentisation approach to depreciation, neither has it reviewed the useful lives nor residual values of assets at balance sheet date. It is the opinion of management that the cost of performing this exercise exceeds the benefits derived. Furthermore, discussions with other Higher Education institutions reveal that this practice is prevalent in this industry and the Department of Education (DoE) has been canvassed concerning the relevance of these requirements to Higher Education institutions.

The auditors are, however, satisfied that all other elements of the financial statements fairly present the financial position and operations of the University of KwaZulu-Natal.

ANALYSIS OF SIGNIFICANT BALANCE SHEET FLUCTUATIONS

Property, plant and equipment

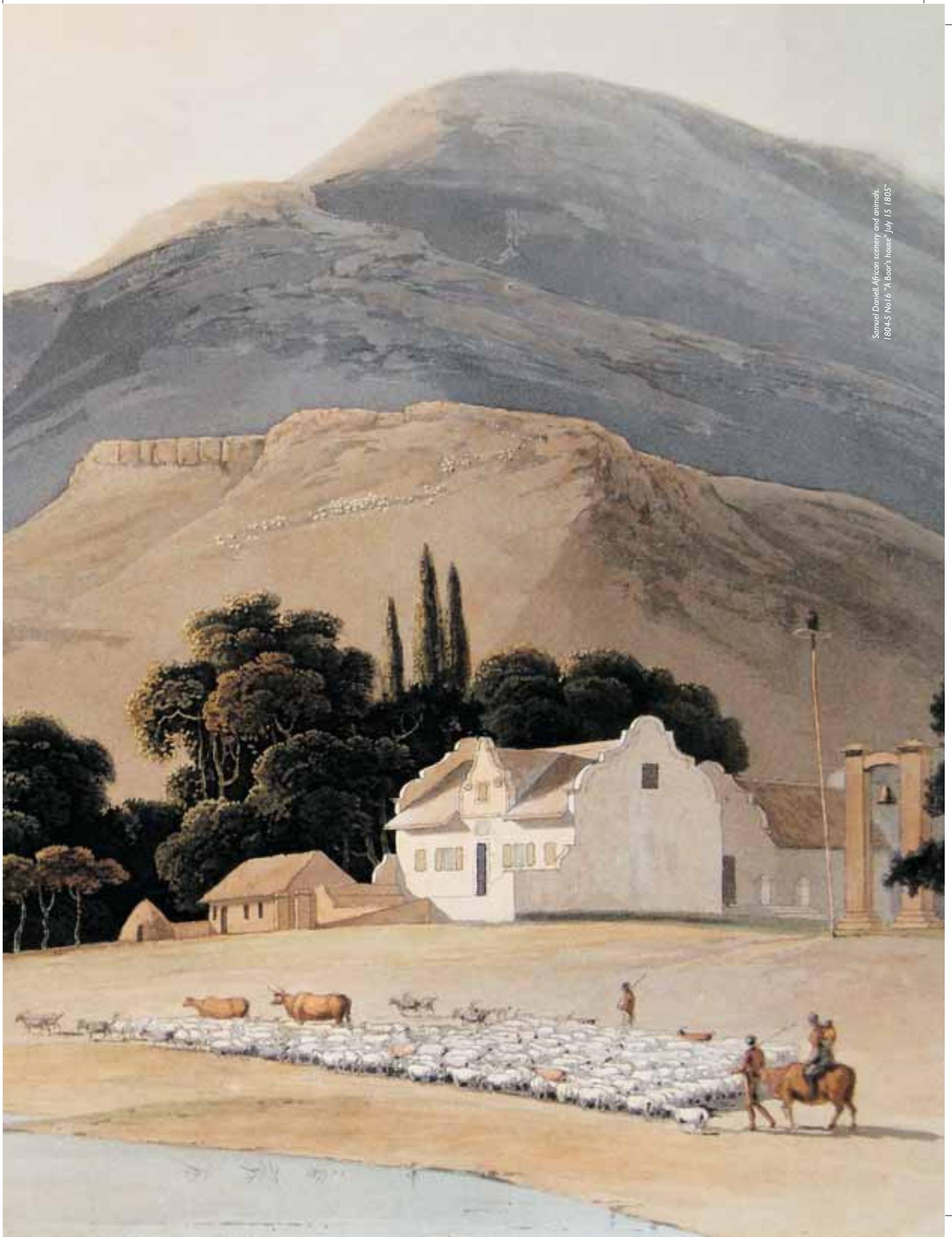
The book value of property, plant and equipment has decreased by 2.6%. Total additions of R59.7 million were recorded for the year, of which R50.5 million were additions to furniture and equipment. The primary reason for this decrease is due to the depreciation charge increasing from R40.9 million in 2004 to R64.1 million in 2005 – an increase of 56.6%.

The increase can be isolated to depreciation on furniture and equipment which has increased to R48.9 million from R21.1 million in 2004 and R44.6 million in 2003. During the 2003 year, the former University of Natal undertook a major clean-up of its fixed asset register, including a write-off of assets under R5 000, which resulted in an over depreciation in that year. The 2004 depreciation charge corrected the effect of this and is therefore not comparable to the current year.

The 2004 cost and accumulated depreciation figures for furniture and equipment have been restated by R25.6 million and R11.6 million respectively. This is due to the capitalisation of leased assets as required by AC105 (IAS 17) – leases that were previously classified as operating leases.

Cash and cash equivalents

Cash and cash equivalents have increased by 12.2% from the prior year due to an increase in short term bank deposits by R68.1 million to R330 million. These deposits are held with reputable financial institutions.



Samuel Daniell, African scenery and animals,
1804-5. No 16. "A Boer's house" July 15 1805"

Annual Financial Review for the year ended 31 December 2005

Investments

Investments have increased by 38.6% from the prior year. This is due to the acquisition of additional investments by the University, the reinvestment of realised gains on disposals and a significant increase in the market value of the investments held.

Non-current receivables

Student loans have increased by 41.6% from the prior year. This increase, excluding the effects of repayments (discussed below), represents 17% of the total tuition and other fee income. Receivables totaling approximately R70 million have been received from NSFAS during 2006 and these have been reclassified as current receivables. Taking this receipt into account, student loans have only increased by 9.3%. The increase in the provision for doubtful debts of 12% is reasonable.

Accounts receivable and prepayments

Accounts receivable and prepayments have increased by 27.3%. The significant balances which make up this amount are student debtors, trade and other receivables.

Student debtors have increased by 14.8% from the prior year with a corresponding 46.9% increase in the provision for doubtful debts. The reasons for the increase in the provision are:

- R25 million of the student debtors balance relates to 2004 student debtors, and the recovery of these debts is unlikely.
- The underlying assumptions on the provision for the two legacy institutions were also harmonised in the current year. The provisioning methodology used for the new institution is more prudent than that of the legacy institutions.
- The controls over the recoverability of student debtors were not effective during the period under review as examination results were released without students having paid their accounts. In addition, students were allowed to register during 2006 even though they had not received financial clearance.
- Trade and other receivables have decreased by 26.4%. A large portion of these debtors have paid subsequent to year end, and no provision has been raised on these balances.

Borrowings

Borrowings have decreased by 34.9% as a number of loans were redeemed during the 2005 year. There has also been a reduction of approximately R5.2 million in the finance lease liability.

Post-retirement obligations

There has been an increase of 8.7% in the post-retirement obligations due largely to an increase of R45 million in the obligation with respect to health care benefits. The underlying assumptions on this valuation have been reviewed independently.

Employee benefits

The provision for leave pay has increased by approximately R36 million from the prior year. R20 million of this increase relates to an increase in sabbatical leave while R13 million relates to

Annual Financial Review for the year ended 31 December 2005

an increase in annual leave and R3 million relates to an increase in service bonuses.

Accounts payable and accrued liabilities

Accounts payable has increased by 42.7% from the prior year. This is due to a R150 million grant received from the Department of Education in respect of merger related expenses which has been recognised as a current liability. Of this R150 million, R7 million had been utilised as at 31 December 2005 and thus recognised as income leaving a balance of R143 million in accounts payable. Of this balance approximately R55 million has been committed to capital projects.

ANALYSIS OF SIGNIFICANT INCOME STATEMENT FLUCTUATIONS

Government subsidies and grants

Government subsidies and grants has increased by 6.5% which is largely due to an increase of R35.5 million in general purpose state subsidies from R688.3 million in 2004 to R719.9 million in 2005.

Tuition and other fee income

Tuition and other fee income has increased by 2.4% compared to an average increase in tuition fees of 3.7% for 2005. This is as a result of a reduction in student numbers from 46 101 in 2004 to 43 023 in 2005.

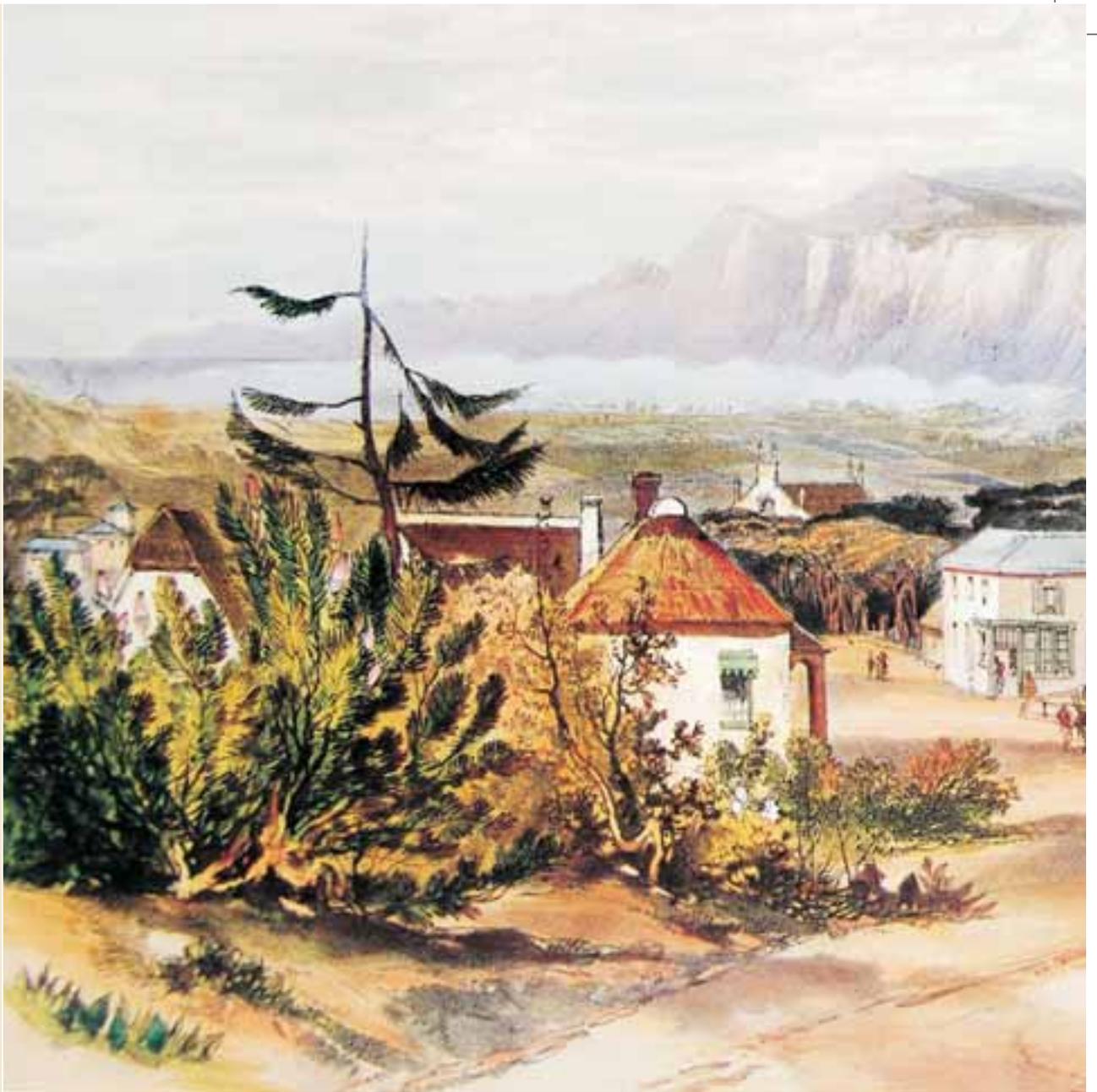
Non-recurrent income

There has been a 366.2% increase in non-recurrent income due to the recognition of R70.8 million in realised gains on the disposal of investments.



Two Zulu male figurines in wood by anonymous carver c1920s.
Flanking Edward Ngubese Carving of European overseer, Matimotolo school, Greytown 1959





Personnel costs

Personnel costs have increased by 8.1% which is slightly higher than the average salary increase of 6%. This line item also includes increases in Post-Retirement Benefits and Employee Benefits.

Other operating expenses

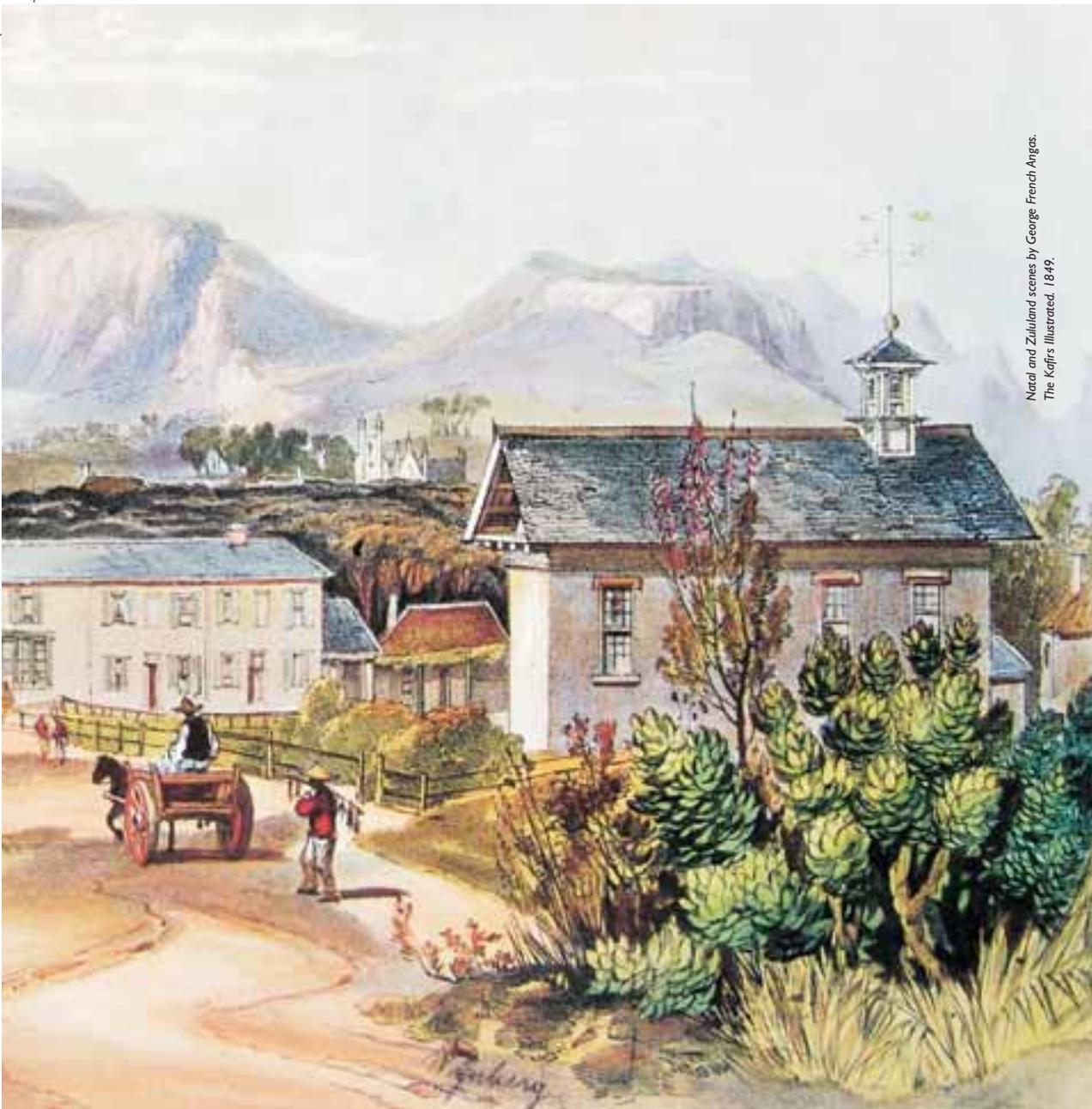
Other operating expenses have decreased by 8.9% during the year. This line item includes the movement on the provision for doubtful debts which was R43 million less in 2005 than in 2004.

FINANCIAL POSITION

The balance sheet on page reflects the financial position of the University and confirms that it is a going concern and cash positive.

CASH FLOW

The positive aspect of the University's results for the year is the improvement in the cash holding at the end of 2005 by R34.7 million, from R285.3 million to R320 million. This reflects well on the



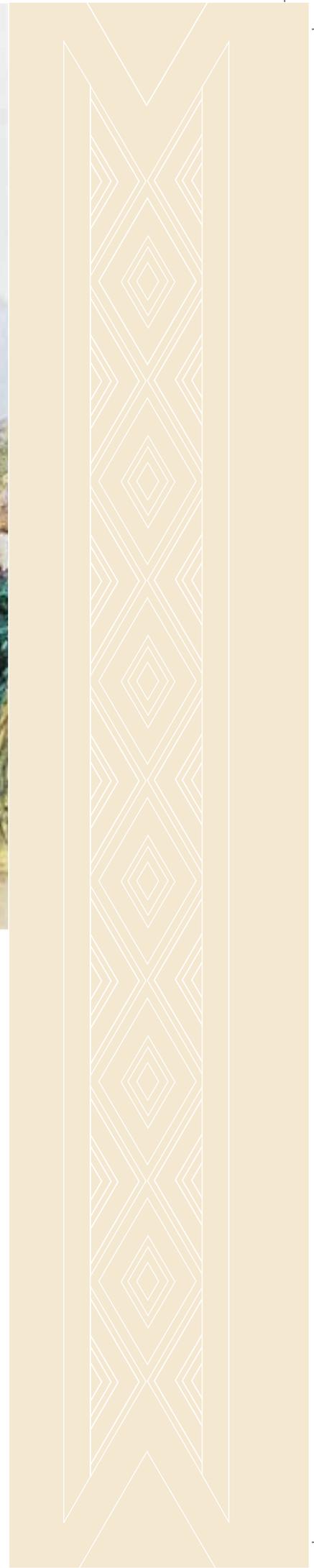
Natal and Zululand scenes by George French Angas.
The Kafirs Illustrated. 1849.

continuing growth in externally-funded activities. If, however, the University fails to take additional measures to limit, or manage, the post-retirement medical liabilities and leave pay provisions, whilst continuing to operate at a deficit, its cash resources will soon begin to erode.

CONCLUSION

Management is currently reviewing its three-year institutional operating plan with a view to approaching the Department of Education for additional funding. The most significant challenge facing the University is to reverse the current trend and return to a breakeven situation. I would like to thank the auditors and members of staff in the Finance Division, for going beyond the call of duty in assisting to ensure that we meet our deadline. A special word of appreciation must also go to the Chairs of the Audit and Risk and Finance Committees who met with the team at short notice and provided invaluable support and guidance in finalising these financial statements. ❁

Professor PS Pillay
Chief Finance Officer



Natal and Zululand scenes by George French Angas.
The Kafirs Illustrated, 1849.



Common scene of Zulus

FINANCIAL REPORT

For the year ended 31 December 2005

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Chinese vase with birds, flowers and landscape in blue on white ground. 18th century



Barbara Tyrrell, *Blanca isangoma or diviner*.
Acrylic on canvas, c. 1979



Council's Statement of Responsibility for the Financial Statements

31 December 2005

The Council is responsible for the preparation, integrity and fair presentation of the consolidated financial statements of the University of KwaZulu-Natal.

The financial statements presented on pages 51 to 72 of this annual report for 2005 have, except as stated in note 26 (page 72), been prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("GAAP") as prescribed by the Minister of Education in the regulations in terms of the Higher Education Act (No. 101 of 1997), as amended. Compliance with GAAP requires, *inter alia*, management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The Council also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the financial statements.

The 'going concern' basis has been adopted in the preparation of the financial statements. The Council has no reason to believe that the University of KwaZulu-Natal will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The viability of the University is supported by the financial statements.

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

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements set out on pages 51 to 72 were approved by the Council of the University of KwaZulu-Natal on 30 June 2006 and are signed on its behalf by :-



Professor M W Makgoba
Vice-Chancellor and Principal



Dr T V Maphai
Chairman of Council



Mr P S C Luthuli
Chairman of Audit and Risk Committee



Professor P S Pillay
Chief Finance Officer



Report of the Independent Auditors

to the Members of the Council of the University of KwaZulu-Natal

We have audited the consolidated annual financial statements of the University of KwaZulu-Natal set out on pages 51 to 72 for the year ended 31 December 2005. These financial statements are the responsibility of the Council of the University of KwaZulu-Natal. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

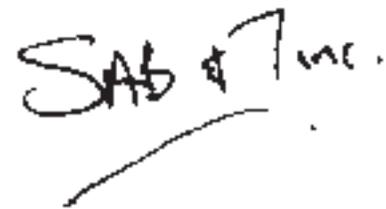
As indicated in note 26 to the financial statements, depreciation for each component of items of property, plant and equipment with a cost that is significant in relation to the total cost of the item has not been separately calculated nor have the residual values and useful lives of such assets been reassessed at the year end, as required by IAS 16 (AC123) *Property, Plant and Equipment*. An estimate of the effects of the above has not been made by the University.

In our opinion, except for the effect of the matter referred to in the preceding paragraph, the consolidated financial statements present fairly in all material respects, the financial position of the University at 31 December 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act (Act 101 of 1997, as amended).



KPMG Inc.
Registered Auditors
Chartered Accountants (SA)
Durban
Per J Datadin
Director

30 June 2006



SAB & T Inc.
Registered Auditors
Chartered Accountants (SA)
Durban
Per D Nathoo
Director

Consolidated Balance Sheet

as at 31 December 2005

	Notes	2005 R'000	2004 (Restated) R'000
ASSETS			
Non-Current Assets		1 089 277	954 505
Property, plant and equipment	2	515 769	529 642
Investments	3	482 352	347 903
Non-current receivables	4	91 156	76 960
Current Assets		527 826	448 778
Inventories	5	1 943	1 770
Accounts receivable	6	205 926	161 751
Cash and cash equivalents	7	319 957	285 257
Total Assets		1 617 103	1 403 283
FUNDS AND LIABILITIES			
Funds		555 896	492 550
Non-distributable funds			
- Endowed funds		197 338	144 362
- Revaluation reserve		192 164	173 215
Restricted funds designated for specific activities			
- Education and general		293 468	234 870
- Student residences		20 766	9 287
Unrestricted Council-controlled funds			
- Accumulated deficit		(615 969)	(588 517)
- Property, plant and equipment funds		468 129	519 333
Non-current Liabilities		603 493	564 853
Borrowings	8	22 651	34 779
Post-retirement obligations	10	426 638	392 598
Non-Current portion of employee benefits	11	154 204	137 476
Current Liabilities		457 714	345 880
Accounts payable and accrued liabilities	12	348 139	243 977
Student deposits		19 524	22 586
Current portion of borrowings	8	13 772	23 274
Current portion of employee benefits	11	76 279	56 043
Total Funds and Liabilities		1 617 103	1 403 283

Consolidated Income Statement

for the year ended 31 December 2005

	Notes	Education and General					2005 Total R'000	2004 (Restated) Total R'000
		Council- Controlled Funds	Specifically Funded Activities	Sub-total	Student Residences	Endowed Funds		
		R'000	R'000	R'000	R'000	R'000		
INCOME								
Recurrent Income								
Government subsidies and grants	13	761 415	65 728	827 143	1 647	-	828 790	777 690
Tuition and other fee income		440 986	17 546	458 532	66 105	-	524 637	512 388
Private gifts, grants and contracts		40 402	276 131	316 533	15	3 313	319 861	326 135
Investment income	14	29 244	8 330	37 574	1 824	10 302	49 700	49 885
Non-recurrent Income								
Realised gains on sale of investments	3	21 413	-	21 413	-	49 483	70 896	15 208
Total Income		1 293 460	367 735	1 661 195	69 591	63 098	1 793 884	1 681 306
EXPENDITURE								
Recurrent Expenditure								
Personnel costs	15	903 149	115 667	1 018 816	11 951	2 459	1 033 226	955 508
Other operating expenses	16	364 745	181 496	546 241	42 142	3 003	591 386	648 971
Bursaries and scholarships		33 269	35 751	69 020	23	3 142	72 185	81 231
Minor capital items expensed		5 115	2 760	7 875	1 866	17	9 758	9 308
Depreciation	2	46 297	17 889	64 186	-	-	64 186	40 978
Total Recurrent Expenditure		1 352 575	353 563	1 706 138	55 982	8 621	1 770 741	1 735 996
SURPLUS / (DEFICIT) before finance costs		(59 115)	14 172	(44 943)	13 609	54 477	23 143	(54 690)
Finance costs		5 314	6	5 320	1 855	-	7 175	9 912
Surplus / (Deficit) before non-recurrent expenditure		(64 429)	14 166	(50 263)	11 754	54 477	15 968	(64 602)
Non-recurrent Expenditure		-	-	-	-	-	-	(102 991)
NET SURPLUS / (DEFICIT) for the year		(64 429)	14 166	(50 263)	11 754	54 477	15 968	(167 593)

Consolidated Statement of Changes in Funds

for the year ended 31 December 2005

	Notes	Non-distributable Funds		Funds Designated for Specific Activities		Unrestricted Funds		Total Funds
		Endowed Funds	Revaluation Reserve	Education & General	Student Residences	Council-Controlled	PPE Funds	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Fund balances at 1 January 2004		134 805	128 566	196 384	17 657	(378 630)	504 794	603 576
Prior year adjustment - capitalisation of leases	23	-	-	-	-	(1 189)	-	(1 189)
Restated Fund Balances at 1 January 2004		134 805	128 566	196 384	17 657	(379 819)	504 794	602 387
Net Surplus / (Deficit) for 2004 - restated		10 601	-	23 188	14 743	(216 125)	-	(167 593)
Funds received / (utilised)		-	-	(1 537)	(320)	7 336	(18 783)	(13 304)
Net additions to PPE funds		-	-	-	-	-	25 118	25 118
Change in market value of investments	3	-	45 942	-	-	-	-	45 942
Transfers between funds		(1 044)	(1 293)	16 835	(22 793)	91	8 204	-
Restated Fund Balances at 31 December 2004		144 362	173 215	234 870	9 287	(588 517)	519 333	492 550
Net Surplus / (Deficit) for 2005		54 477	-	14 166	11 754	(63 476)	(953)	15 968
Funds received / (utilised)		-	-	44 432	(3 771)	(24 134)	-	16 527
Net additions to PPE funds		-	-	-	-	-	10 609	10 609
Change in market value of investments	3	-	20 242	-	-	-	-	20 242
Transfers between funds		(1 501)	(1 293)	-	3 496	60 158	(60 860)	-
Fund Balances at 31 December 2005		197 338	192 164	293 468	20 766	(615 969)	468 129	555 896



Shangaan double wooden meatdish.
c/1920s

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 R'000	2004 (Restated) R'000
Operating activities			
Cash generated from operations	17	198 097	87 153
Investment income, less cost of finance		42 525	39 973
Investment income	14	49 700	49 885
Less : Finance costs		(7 175)	(9 912)
Net cash flow from operating activities		240 622	127 126
Investing activities			
Net cash used in investing activities		(94 484)	(65 028)
Purchase of property, plant and equipment	2	(59 739)	(55 087)
Purchase of available-for-sale investments	3	(53 399)	(9 215)
Held-to-maturity investments redeemed / (purchased)	3	10 088	(1 330)
Proceeds from disposal of property, plant and equipment		8 566	604
Financing activities			
Net cash used in financing activities		(111 438)	(8 670)
Increase in non-current receivables		(89 808)	(707)
Decrease in government-subsidised loans		(16 377)	(6 139)
Decrease in finance lease liabilities		(5 253)	(1 824)
Net increase in cash and cash equivalents		34 700	53 428
Cash and cash equivalents at beginning of year		285 257	231 829
Cash and cash equivalents at end of year	7	319 957	285 257

Notes to the Consolidated Annual Financial Statements

31 December 2005

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Minister of Education in terms of section 41 of the Higher Education Act, 1997 (Act No. 101 of 1997), as amended.

1.2 Basis of preparation

The consolidated financial statements are presented in South African rands, rounded to the nearest thousand in each case. They are prepared under the historical cost basis, except for the revaluation of certain properties and financial instruments, 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:

1.3 Basis of consolidation

Subsidiaries are entities controlled by the University. Control exists where the University has the power, directly or indirectly, to govern the financial and operating policies of an entity or is the sole beneficiary. Subsidiaries are consolidated from the date on which control is obtained by the University and until they are disposed of or control ceases. All inter-entity transactions, balances and unrealised surpluses and deficits are eliminated. Where necessary, appropriate adjustments are made to the accounting policies of subsidiaries on consolidation to ensure consistency with the policies adopted by the University.

1.4 Income recognition

State subsidies and grants for general purposes are recognised as income in the financial year to which they relate. Subsidies and grants for specific purposes are brought into the appropriate fund at the time that they are available to finance the expenditure for the purpose provided. However, if funding is provided in advance of the specified requirement, (i.e. the University does not have immediate legal entitlement to it), the relevant income is deferred and recognised in the applicable period.

Income received for designated specific purposes arises from contracts, grants, donations and specific endowments. Such income is brought into the income statement in the financial period in which the University becomes entitled to the use of these funds.

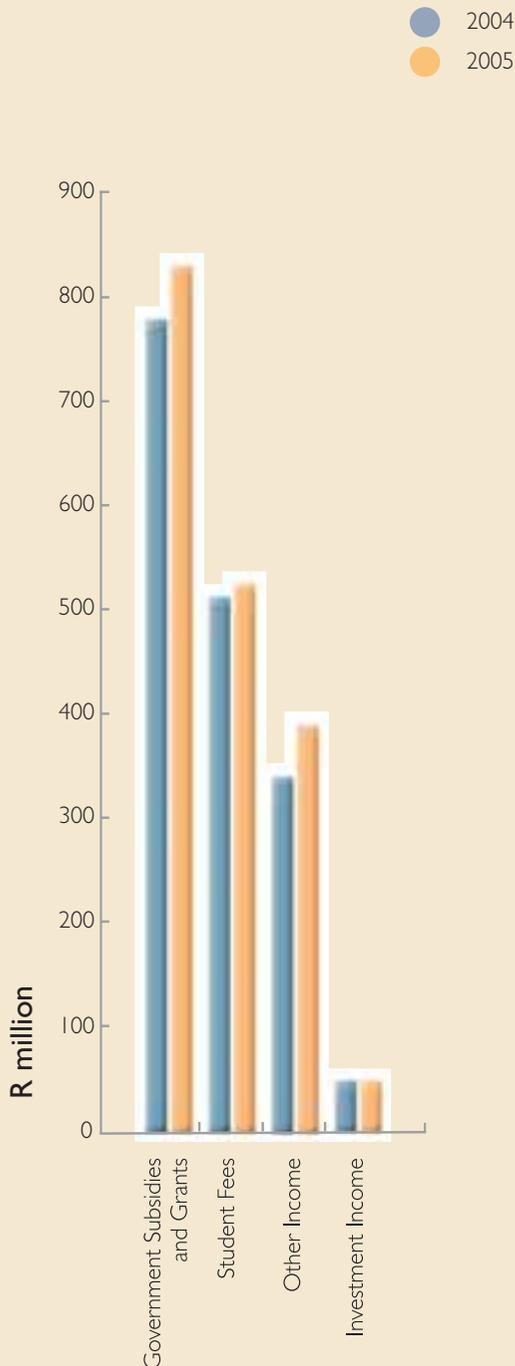
Funds received which the University cannot use until some specified future period or occurrence, are held in an appropriate fund until the financial period in which the funds can be used, at which time they are recognised as income. If the funds are returnable to their source in the absence of the specified event or occurrence, or in the case of trust and agency monies, they are disclosed on the balance sheet under current liabilities.

Tuition and residence fees are recognised as income in the period to which they relate, ie at the time these fees are formally billed. Deposits provided by prospective students are treated as current liabilities until these amounts are billed as due. Provision is made for the estimated unrealisable amount.



Notes to the Consolidated Annual Financial Statements

CONSOLIDATED INCOME 2004 - 2005



Interest is recognised on a time allocation 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 University. Interest, dividends and other income received or due on assets representing endowment and trust funds are credited directly to the respective funds and are transferred to income only in terms of the relevant legal conditions governing such funds.

1.5 Income statement : separate activities

The format of the income statement is designed to disclose separately:

- the utilisation of resources that are under the absolute control of Council, ie so called, "Council-controlled Funds;"
- the utilisation of resources prescribed in terms of the legal requirements of the providers of such resources, ie Specially Funded activities;
- the provision of accommodation for students, ie Student Residences; and
- the receipt and utilisation of resources for bursaries, scholarships and related activities, ie Endowed Funds.

1.6 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 income statement in the year in which they arise. Assets and liabilities designated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted-average method and includes costs incurred in acquiring inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price of inventory, should it be sold at arms length, less estimated selling expenses.

The costs of minor departmental stocks acquired during the year are charged against current income and are not brought into account as inventory at the financial year-end.

1.8 Retirement benefits

The University provides retirement benefits for its employees through a number of defined contribution and defined benefit plans. Liabilities in respect

Notes to the Consolidated Annual Financial Statements

of funded and unfunded obligations are recognised when employees have provided service for benefits to be paid in the future.

Defined contribution plans

Employer contributions to the defined contribution plan funds are charged to the income statement in the year in which they are incurred. The University has no further payment obligations once these contributions have been paid.

Defined benefit plans

The pension accounting costs for the defined benefit plans, are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out full valuations of the plans at least every two years. Pension obligations are measured at the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liabilities. Net differences between expected returns on plan assets and interest arising from discounting the obligations are reflected under other operating expenditure. Resultant liabilities are recognised at the balance sheet date.

Actuarial gains and losses are recognised to the extent that they exceed 10% of the defined benefit obligations, over the expected average future working lives of participants in the plans.

Post-retirement health care obligations

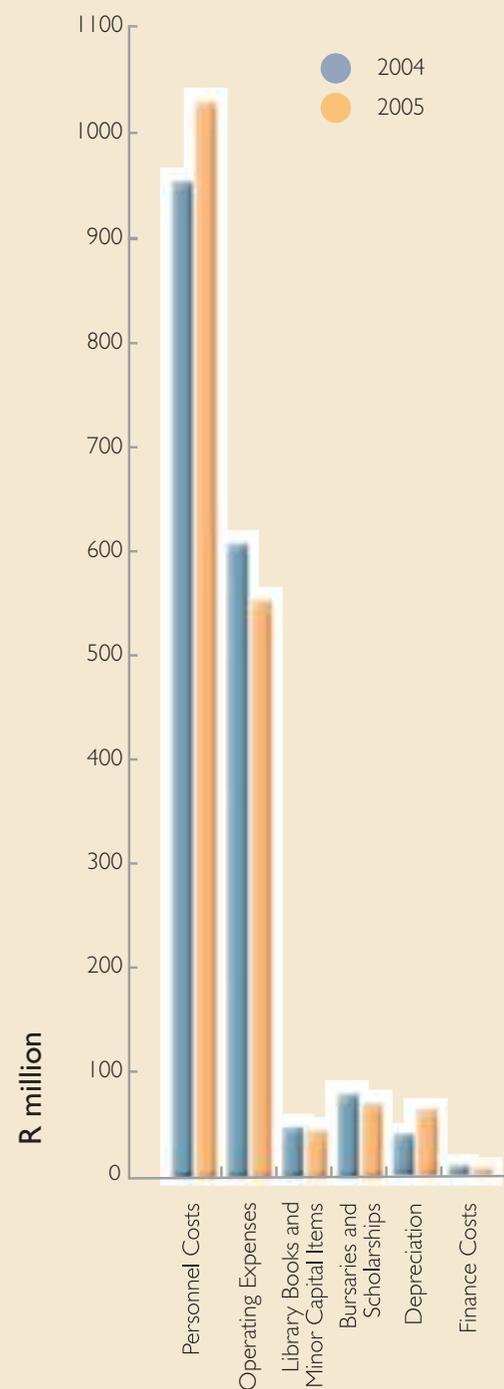
The University provides post-retirement health care benefits for all employees and retirees who were members of the University's medical schemes prior to 1 July 2004. The entitlement to post-retirement health care benefits is based on employees remaining in service up to retirement age. The expected 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. Valuations of these obligations are carried out by independent qualified actuaries at least every two years. Actuarially calculated liabilities are recognised at the balance sheet date.

Actuarial gains and losses are recognised to the extent that they exceed 10% of the defined benefit obligations, over the expected average future working lives of eligible in-service employees.

1.9 Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, except for donated assets which are recorded

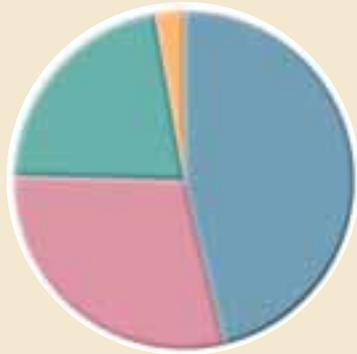
CONSOLIDATED EXPENDITURE 2004 - 2005



Notes to the Consolidated Annual Financial Statements

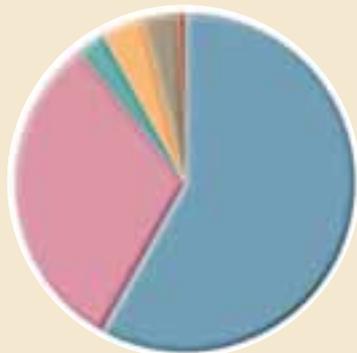
MAIN (OPERATING) FUND - 2005

Income



● Government subsidies	46.2%
● Student fees	29.2%
● Other income	21.8%
● Investment income	2.8%

Expenditure



● Personnel Costs	58.1%
● Operating Expenses	31.2%
● Library Books and Minor Capital Items	2.6%
● Bursaries and Scholarships	4.1%
● Depreciation	3.6%
● Finance Costs	0.4%



at fair value on initial acquisition as determined by management and/or external valuers. Donated assets are subsequently recorded at their fair value on initial recognition, less accumulated depreciation and impairment losses.

Assets costing less than R5 000 are written off in the year of acquisition. Library books, journals and collections are written off in the year in which they are acquired. Land is not depreciated as it is deemed to have an indefinite life.

Interest costs on borrowings to finance the construction of property, plant and equipment, are capitalised as part of the cost of the related assets during the period of time that is required to complete and prepare them for their intended use, in accordance with the requirements of AC 114 (IAS 23) : *Borrowing Costs*.

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:

Buildings	50 years
Motor Vehicles	5 years
Furniture and equipment	5 years
Computer equipment	3 - 5 years
Museum collections	5 years

Routine maintenance costs are charged to income as incurred. Costs of major maintenance or refurbishment of items of property, plant or 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 values of the respective assets at disposal to the proceeds on their disposal and are accounted for in the income statement.

1.10 Accounting for leases

Finance leases

Leases of property, plant and equipment where the University assumes substantially all the benefits and risks of ownership are classified as finance leases. A finance lease is capitalised at the estimated fair value of the leased asset at the inception of the lease, less accumulated depreciation and impairment losses, or, if lower, the present value of the underlying lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant

Notes to the Consolidated Annual Financial Statements

rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charges is charged to the income statement over the lease period. Items of property, plant and equipment acquired under finance leases are depreciated over their estimated useful lives on the same basis as that of owned assets.

Operating leases

Leases of property, plant and equipment in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

1.11 Provisions

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

1.12 Employee benefits

Employee entitlements to annual leave, including academic staff sabbatical leave, are recognised when they accrue. An accrual is made for the estimated liability for accumulated leave as a result of services rendered up to the balance sheet date. An accrual is made in respect of *pro rata* service bonuses paid annually to qualifying employees.

1.13 Financial instruments

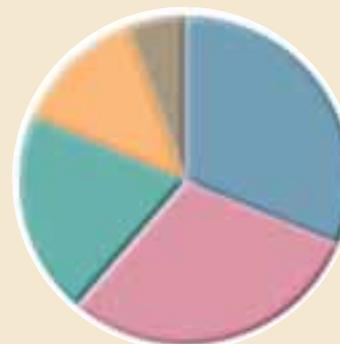
Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, accounts payable, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and the net amounts reported in the balance sheet only when the University has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Upon initial recognition, financial instruments are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability, except instruments at fair value through profit and loss which are recognised at fair value.

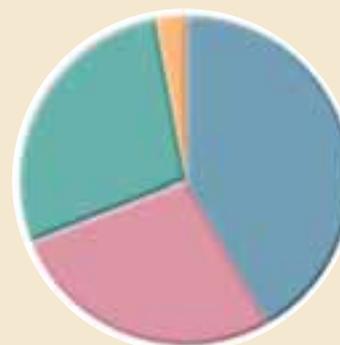
CONSOLIDATED BALANCE SHEET - 2005

Assets



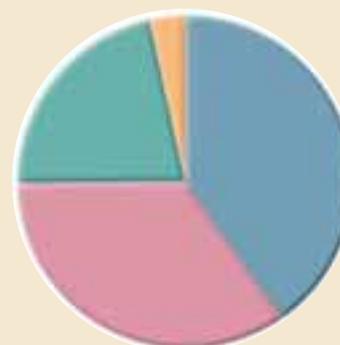
Property, plant and equipment	31.9%
Investments	29.8%
Cash and cash equivalents	19.8%
Other current assets	12.9%
Non-current receivables	5.6%

Funds



Education and General	41.7%
Endowed Funds	28.0%
Revaluation Reserve	27.3%
Student Residences	3.0%

Liabilities



Post-retirement obligations	40.2%
Accounts payable and accrued liabilities	34.7%
Accrued employee benefits	21.7%
Borrowings	3.4%

Notes to the Consolidated Annual Financial Statements



Cash and cash equivalents

For the purposes of the balance sheet and cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and short-term investments in money market instruments, net of bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the University's cash management are included as a component of cash and cash equivalents. Where no legal right of set-off exists against bank deposits, bank overdrafts are disclosed separately under current liabilities in the balance sheet.

Investments

Investments are divided into two categories:

- available-for-sale investments, and
- held-to-maturity investments

"Available-for-sale" investments are stated at market value and are classified as non-current assets. Adjustments to the fair value of available-for-sale investments are recognised in the revaluation reserve until such time as they are sold. On disposal of investments, realised gains or losses are recognised in the income statement.

Where necessary, impairment losses on available-for-sale investments are recognised in the revaluation reserve to the extent that there is a credit balance relating to investments. Excesses, if any, are recognised in the income statement. Gains and losses related to specific restricted endowment or trust funds are recognised by way of adjustments to the appropriate funds.

"Held-to-maturity" investments are investments with fixed or determinable payments and fixed maturity dates. The intention of the University is to hold these investments to maturity. These investments are recognised at amortised cost using the effective interest rate method. Investments in sinking funds to meet certain debt obligations are classified as held-to-maturity and measured accordingly.

All investments, other than held-to-maturity investments, are measured at fair value without any deductions for transaction costs incurred on purchase. The fair value of marketable securities is the market value calculated by reference to securities exchange quoted selling prices at the close of business on the balance sheet date.

Investments exclude those entities that are included in the consolidated financial statements of the University, i.e. subsidiaries, joint ventures and associated entities.

Accounts receivable

Receivables in respect of student loans, fees and other receivables are carried at amortised cost less accumulated impairment losses. Receivables that are likely to be irrecoverable are estimated and impairment losses are raised, based on a review of outstanding amounts at year-end. Actual bad debts are written off through the income statement during the year in which they are identified.

Loans and receivables originated by the institution are created by providing money, goods, or services directly to debtors. Such amounts are classified separately.

Notes to the Consolidated Annual Financial Statements

Accounts payable and accrued liabilities

Trade and other payables are stated at cost.

Borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the cost and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

1.14 Impairment

At each balance sheet 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 income statement, unless the relevant assets are carried at revalued amounts, in which case the impairment losses are reversed against the revaluation reserve.

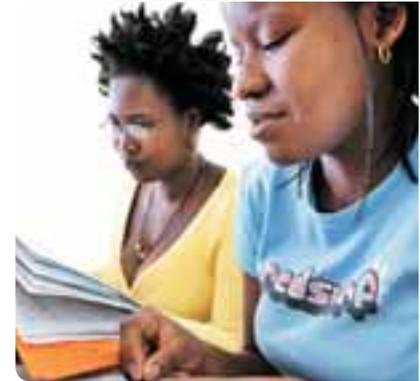
An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

1.15 Research and development expenditure

Research and development expenditures are recognised as expenses in the periods in which they are incurred.

1.16 Computer software development costs

Costs associated with developing computer software programmes are recognised as expenses when incurred.



Zulu ornate milkpail from Enyokeni, Nongoma.
c1960s



Notes to the Consolidated Annual Financial Statements

					2005 R'000	2004 (Restated) R'000
2	PROPERTY, PLANT AND EQUIPMENT					
	Land & Buildings R'000	Furniture & Equipment R'000	Motor Vehicles R'000	Museum Collections R'000	Total	Total
At 31 December						
	Cost or valuation	674 380	497 103	26 901	1 776	1 200 160
	Accumulated depreciation	(307 226)	(356 606)	(18 783)	(1 776)	(684 391)
	Carrying value	367 154	140 497	8 118	-	515 769
Movements for the year						
	Opening carrying value	373 076	145 707	10 859	-	529 642
	Additions	7 972	50 511	1 215	41	59 739
	Disposals	(2 635)	(6 791)	-	-	(9 426)
	Depreciation charge	(11 259)	(48 930)	(3 956)	(41)	(64 186)
	Closing carrying value	367 154	140 497	8 118	-	515 769

A register of land and buildings is available for inspection at the University's business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the prior approval of the Minister of Education. The Edgewood campus properties acquired for a nil consideration in 2001 have been reflected at fair value at date of acquisition, less subsequent depreciation.

Property, plant and equipment includes capitalised finance lease assets (note 9)

3 INVESTMENTS

Available-for-sale

Opening balance at 1 January	337 815	267 450
Additions	53 399	9 215
Reinvestment of realised gains on sale of investments	70 896	15 208
Adjustment to market value realised in funds	20 242	45 942
Closing market value	482 352	337 815

Market value approximates the fair value of available-for-sale investments.

Held-to-maturity

Sinking fund investments	-	10 088
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Various deposits with private sector pension funds, the proceeds of which were used to redeem fixed period loans of R10,90 million. The loans were repaid in 2005.

Total investments	482 352	347 903
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Notes to the Consolidated Annual Financial Statements

	2005 R'000	2004 (Restated) R'000
4 NON-CURRENT RECEIVABLES		
Student loans	305 678	215 870
Accumulated impairment losses	(137 219)	(122 682)
Net student loans	168 459	93 188
Current portion (note 6)	(77 303)	(16 228)
Total non-current receivables	91 156	76 960
The current portion at 31 December 2005 largely represents NSFAS student loan debtors due in 2005, but received only subsequent to the financial year end.		
5 INVENTORIES		
Stationery, technical stores and consumables	1 943	1 770
6 ACCOUNTS RECEIVABLE		
Student debtors for fees	157 539	137 221
Accumulated impairment losses	(86 653)	(58 976)
Net student debtors for fees	70 886	78 245
Current portion of student loans (note 4)	77 303	16 228
Trade and other receivables	44 403	60 344
Loans to employees	6 867	6 015
Interest receivable	6 467	919
Total accounts receivable	205 926	161 751
7 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	11 790	23 388
Short-term bank deposits	330 000	261 869
Bank overdraft	(21 833)	-
Total cash and cash equivalents	319 957	285 257
8 BORROWINGS		
Interest-bearing		
Financial institutions for government-subsidised loans*	25 524	41 901
Finance lease liabilities (note 9)	10 899	16 152
Current portion	(13 772)	(23 274)
-Financial institutions for government-subsidised loans	(7 286)	(17 578)
-Finance lease liabilities (note 9)	(6 486)	(5 696)
Total non-current borrowings	22 651	34 779

*

Government-subsidised loans are subsidised to the extent of either 50% or 85% for both interest and capital repayments, and consist of a number of loans with financial institutions at fixed interest rates, ranging from 5,3% to 18,9% *per annum*, and varying repayment terms. The carrying values of these loans collectively approximate their fair values.

Notes to the Consolidated Annual Financial Statements

	2005 R'000	2004 (Restated) R'000
9 FINANCE LEASES		
Finance lease liabilities		
Total finance lease liability (note 8)	10 899	16 152
Current portion	(6 486)	(5 696)
Non-current portion of finance lease liabilities	4 413	10 456
The capitalised finance lease assets (see below) serve as security for the finance lease liabilities. The interest rates used represent the market-related interest rates at the inception dates of the respective lease agreements.		
Capitalised finance lease assets		
Carrying value at beginning of the year	14 069	16 214
Gross carrying value	25 625	22 094
Accumulated depreciation	(11 556)	(5 880)
Additions	1 464	3 531
Depreciation	(6 271)	(5 676)
Carrying value at end of the year	9 262	14 069
Gross carrying value	27 089	25 625
Accumulated depreciation	(17 827)	(11 556)
Reconciliation of minimum lease payments with present values		
	Due within 1 year R'000	Due within 2-5 years R'000
At 31 December 2005		
Minimum lease payments	8 400	10 557
Finance charges	(1 914)	(1 313)
Present value	6 486	9 244

Notes to the Consolidated Annual Financial Statements

			2005 R'000	2004 (Restated) R'000
10 POST-RETIREMENT OBLIGATIONS				
Defined benefit plans				
Health care benefits	(note 10.1)		399 295	354 294
Pension fund obligations	(note 10.2)		-	585
Provident fund obligations	(note 10.2)		27 343	37 719
Total post-retirement obligations			426 638	392 598
10.1 Health care benefits				
The University's obligations towards post-retirement health care obligations in respect of its two separately administered medical aid schemes were actuarially calculated by Lekana Employee Benefit Solutions as at 31 December 2005 and are disclosed in terms of International Accounting Standard 19 : <i>Employee Benefits</i> (IAS 19), as follows :-				
		UKZN Medical Scheme R'000	Bonitas Medical Scheme R'000	
Present value of unfunded obligations		436 345	108 548	544 893 (145 598)
Net unrecognised actuarial losses (see below)				454 793 (100 499)
Unrecognised actuarial gains		-	16 680	16 680 17 060
Unrecognised actuarial losses		(162 278)	-	(162 278) (117 559)
Amount accrued in respect of funding obligations		274 067	125 228	399 295 354 294
Movement in the liability recognised in the balance sheet				
Balance at beginning of the year		235 448	118 846	354 294 316 076
Contributions paid during the year		(15 146)	(4 813)	(19 959) (16 522)
Expenses recognised : personnel costs (see below)		53 765	11 195	64 960 54 740
Balance at end of the year		274 067	125 228	399 295 354 294
Expenses recognised in the income statement (note 15)				
Current service cost		12 872	3 766	16 638 15 295
Interest cost		30 649	8 447	39 096 36 447
Actuarial losses / (gains) recognised		10 244	(1 018)	9 226 2 998
Total expenses recognised		53 765	11 195	64 960 54 740
Reconciliation of unrecognised actuarial losses / (gains)				
Cumulative unrecognised actuarial losses / (gains)		162 278	(16 680)	145 598 100 499
Corridor, representing 10% of total funding obligation		43 635	10 855	32 780 25 122
Actuarial losses / (gains) to be recognised in future years		118 643	(5 825)	112 818 75 377
Comprising :				
Non-current portion		103 868	(4 968)	98 900 70 947
Current portion		14 775	(857)	13 918 4 430
The principal actuarial assumptions used for accounting purposes are:				
Health care cost inflation (per annum)				6.5% 7.0%
Discount rate (per annum)				8.0% 8.5%
Normal retirement age (years)				60 60
Remaining average working lives of in-service employees (years)		8.0	6.8	8.1/7.1

Notes to the Consolidated Annual Financial Statements

			2005 R'000	2004 (Restated) R'000
10.2 Pension and Provident fund obligations	Pension Fund R'000	Provident Fund R'000		
The University's obligations towards post-retirement pension and provident fund obligations were actuarially calculated by ABSA Consultants and Actuaries as at 31 December 2005 and are disclosed in accordance with International Accounting Standard 19 : <i>Employee Benefits</i> (IAS 19), as follows :-				
Present value of funded obligations	279 064	113 641	392 705	341 789
Fair value of plan assets	(337 719)	(103 973)	(441 692)	(342 642)
Present value of net (surplus) / obligations	(58 655)	9 668	(48 987)	(853)
Unrecognised actuarial gains (see below)	61 016	17 675	78 691	39 157
Surplus not recognised (* : see note below)	(2 361)	-	(2 361)	-
Amount accrued in respect of funding obligations	-	27 343	27 343	38 304
Movement in the net liability recognised in the balance sheet				
Balance at beginning of the year	585	37 719	38 304	38 705
Contributions paid during the year	(19 124)	(8 557)	(27 681)	(24 420)
Transfers between pension and provident funds	9 850	(9 850)	-	-
Expenses recognised : personnel costs (see below)	8 689	8 031	16 720	24 019
Balance at end of the year	-	27 343	27 343	38 304
Expenses recognised in the income statement (note 15)				
Current service cost	14 318	6 688	21 006	21 531
Interest cost	18 853	7 426	26 279	22 784
Expected return on plan assets	(22 121)	(5 764)	(27 885)	(20 296)
Actuarial gains recognised	-	(319)	(319)	-
Net adjustment to unrecognised surplus (* : see note below)	(2 361)	-	(2 361)	-
Total expenses recognised	8 689	8 031	16 720	24 019
Reconciliation of unrecognised actuarial gains				
Cumulative unrecognised actuarial gains	61 016	17 675	78 691	39 157
Corridor, representing 10% of plan assets / funding obligations	33 772	11 364	45 136	36 605
Actuarial gains to be recognised in future years	27 244	6 311	33 555	2 552
Comprising :				
Non-current portion	25 284	5 767	31 051	2 233
Current portion	1 960	544	2 504	319
* Note : The unrecognised surplus in respect of the pension fund arises as a result of the cumulative actuarial gains exceeding the related plan net surplus at 31 December 2005, thereby limiting its recognition, as required by AC 116 (IAS 19) : <i>Employee Benefits</i> . The principal actuarial assumptions used for accounting purposes are :				
Discount rate (per annum)			7,2%	7,6%
Return on assets (per annum)			8,1%	7,2%
Remaining average working lives of in-service employees (years)	13.9	11.6		14.8 / 11.6
Future salary increases (per annum)			5,3%	4,7%

Notes to the Consolidated Annual Financial Statements

			2005 R'000	2004 (Restated) R'000
11 EMPLOYEE BENEFITS				
	Leave Pay R'000	Service Bonuses R'000		
Balances at 31 December 2005	208 837	21 646	230 483	193 519
- Annual leave	125 851			
-Sabbatical leave	82 986			
Current portion	(54 633)	(21 646)	(76 279)	(56 043)
Non-current portion of employee benefits	154 204	-	154 204	137 476
Balances at beginning of the year	174 982	18 537	193 519	102 871
Utilised during the year	(25 299)	(18 537)	(43 836)	(33 087)
Charged to the income statement				
- Recurrent expenditure	59 154	21 646	80 800	46 036
- Non-recurrent expenditure	-	-	-	77 699
Balances at end of the year	208 837	21 646	230 483	193 519
12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				
Trade and other payables			172 952	167 140
Trust and agency monies			32 254	76 837
Ministry of Education - merger grant (note 22)			142 933	-
Total accounts payable and accrued liabilities			348 139	243 977
13 GOVERNMENT SUBSIDIES AND GRANTS				
State subsidy for general purposes			719 965	688 376
State grants and contracts			54 193	35 478
Provincial contributions to Joint Medical Establishment			33 754	29 033
Local government grants			8	14
Grants related to specific expenses			20 870	24 789
Rates subsidy			-	3 931
State grant in respect of merger expenses			11 534	10 566
Subsidy on interest and redemption of state guaranteed loans			9 336	10 292
Total government subsidies and grants			828 790	777 690
14 INVESTMENT INCOME				
Interest income : short-term deposits and call accounts			33 411	36 903
Income from marketable securities				
- Dividends and interest			16 289	12 982
Total investment income			49 700	49 885

Notes to the Consolidated Annual Financial Statements

			2005 R'000	2004 (Restated) R'000
15 PERSONNEL COSTS	Academic Professional R'000	Other Personnel R'000		
Salaries and wages	411 005	427 780	838 785	798 501
Accrual for leave pay:- recurrent expenditure	28 985	30 169	59 154	27 499
- non-recurrent expenditure				77 699
Retirement costs: - defined contribution plans	26 267	27 340	53 607	50 749
- defined benefit plans (note 10.2)	8 193	8 527	16 720	24 019
Post-retirement health care benefits (note 10.1)	31 830	33 130	64 960	54 740
Total personnel costs	506 281	526 945	1 033 226	1 033 207
Average number of persons employed during the year :				
-Full-time			4 271	4 483
-Part-time			4 565	3 616
Total			8 836	8 099
16 OTHER OPERATING EXPENSES				
The following items have been included in other operating expenses :				
Auditors' remuneration				
- for audit services: - current year			1 648	1 316
- prior year under / (over) provision			485	(6)
- for other services			1 663	2 226
Impairment losses on student loans and student debtors for fees			42 214	85 265
Operating leases			2 106	4 193
Computer software costs			5 881	7 942
Library acquisitions			36 994	39 962
Outsourced service costs			50 266	57 884
Repairs and maintenance			37 423	34 960
17 CASH GENERATED FROM OPERATIONS				
Net Surplus / (Deficit)			15 968	(167 593)
Adjustments for :				
Depreciation			64 186	40 978
Loss on disposal of property, plant and equipment			860	945
Investment income			(49 700)	(49 885)
Increase in post-retirement obligations			34 040	37 816
Increase in accruals for leave pay and service bonuses			36 964	90 648
Increase in accumulated impairment losses (student loans)			14 537	75 109
Realised gains on sale of investments			(70 896)	(15 208)
Funds for specific activities received / (utilised)			16 527	(13 304)
Additions to property, plant and equipment funds			10 609	25 118
Finance costs			7 175	9 912
Changes in working capital :				
- Decrease / (increase) in accounts receivable and prepayments			16 900	(22 893)
- Increase in inventories			(173)	(226)
- Increase in accounts payable and accrued liabilities			104 162	70 737
- (Decrease) / increase in student deposits			(3 062)	4 999
Cash generated from operations			198 097	87 153

Notes to the Consolidated Annual Financial Statements

2005

R'000

18 REMUNERATION OF EXECUTIVE AND SENIOR MANAGEMENT

18.1 Annualised Gross Remuneration

The following disclosure relates to compensation paid to members of the Executive, Deans and other senior management staff of the University for the year ended 31 December 2005. Gross remuneration, as defined for the purposes of the Higher Education Act, is based on the cost of employment to the University, comprises flexible remuneration packages, suitably annualised where applicable, and is inclusive of the employer's contributions to health and post-retirement benefits.

Category, Title and Name	Office Held	
Executive Management		
Professor M W Makgoba	Vice-Chancellor and Principal	1 994
Professor A C Bawa	Deputy Vice-Chancellor (Research, Knowledge Production and Partnerships)	1 000
Professor H Staniland	Deputy Vice-Chancellor (Administration and Corporate Governance)	911
Professor P S Pillay	Chief Finance Officer	875
Professor S S Abdool Karim	Pro Vice-Chancellor (Research)	830
Professor R Miller	Deputy Vice-Chancellor (Planning)	829
	Deputy Vice-Chancellors and Heads of Colleges :	
Professor P J K Zacharias	-Agriculture, Engineering & Science	824
Professor F N M Mazibuko	-Humanities	820
Professor L R Uys	-Health Sciences	813
Professor P Msweli-Mbanga	-Law and Management Studies (Acting)	685
Mr T M Wills	Executive Dean (Students)	789
Professor E de Kadt	Executive Director (Access)	650
Ms R Budree	Executive Director (Equity)	659
Professor P P Ntuli	Executive Director (Organizational Culture)	802
Professor D Soni	Executive Director (Outreach)	691
Professor T D Chetty	Executive Director (Public Affairs & Corporate Communications)	712
Dr E Mnene	Registrar	675
Deans		
Professor J A Cooke	Dean : Faculty of Science and Agriculture	622
Professor M G Cowling	Dean : Faculty of Law	654
Professor S Y Essack	Dean : Faculty of Health Sciences	626
Professor N M Ijumba	Dean : Faculty of Engineering	586
Professor DP McCracken	Dean : Faculty of Humanities, Development and Social Sciences	623
Professor G M Mody	Dean : Faculty of Medicine	892
Professor R Vithal	Dean : Faculty of Education	625
Senior Management		
Professor R Bharuthram	Director : Research	641
Mr R H Clarkson	Director : Finance	770
Mr W A de Klerk	Director : Human Resources (Acting)	642
Dr R Kishun	Director : International Office	631
Mr V Moodley	Director : Information and Communications Technology	533
Mr B F van Dyk	Executive Director : University of KwaZulu-Natal Foundation	458

18.2 Exceptional Payments

The following exceptional payments -- each exceeding in annual aggregate R249 999 -- were made to executive and senior management staff of the University for the year ended 31 December 2005. Exceptional payments, as defined for this purpose in terms of the Higher Education Act, include the commutation of leave, special bonuses and exceptional amounts arising on termination of employment with the University. Unless they are recurrent in nature, exceptional payments do not constitute part of the annualised gross remuneration figures disclosed in 18.1 above.

Title and Name	Office Held	Nature of Exceptional Payment	
Professor E de Kadt	Executive Director (Access)	Commutation of leave	373
Dr R Kishun	Director : International Office	Commutation of leave	349
Professor D Soni	Executive Director (Outreach)	Commutation of leave	363

Notes to the Consolidated Annual Financial Statements

		2005 R'000	2004 (Restated) R'000
19 PAYMENTS FOR ATTENDANCE AT MEETINGS OF COUNCIL AND ITS COMMITTEES			
Remuneration paid to members of Council for attendance at meetings of the Council and its committees is disclosed below. Expenses for accommodation and travel to meetings, amounting to R81 240 (2004 : R52 094), were paid on behalf of or to members of Council and its committees during the year.			
	Designation / Category	Number of Members Paid	
		2005	2004
	Chair of Council	-	-
	Chairs of Council Committees	4	5
	Members of Council	9	10
	Members of Council Committees	8	7
	Totals	247	146
20 CONTINGENT LIABILITIES			
	Guarantees issued in respect of housing loans for University staff	1 316	1 567
	Bank guarantees in respect of electricity and water supplies	2 528	1 450
		3 844	3 017

The University is engaged in litigation with the University of South Africa (UNISA) over a dispute regarding subsidy income of R9,36 million arising in 1999 and 2000 from a Bachelor of Education programme undertaken jointly with the former South African College of Teachers Education (SACTE), a UNISA affiliate. The matter was set down for hearing in the High Court during 2005, but was postponed shortly beforehand. A settlement between the parties is currently being investigated. Although the outcome of proceedings cannot be predicted at this stage, it is the opinion of University management, after seeking legal advice, that no material liability is likely to arise and, consequently, no provision has been recognised in these financial statements.

A claim was made against the University for legal fees amounting to R12 million for services rendered in drafting an institutional statute for the former University of Durban-Westville. No formal fee note has yet been submitted and the status of the matter has remained unchanged since the end of the prior year. The University management is of the opinion that no material liability is likely to result from this claim.

The respective City Councils of the Johannesburg Metropolitan Municipality and the Ethekweni Municipality have instituted legal proceedings against the University following disputes arising from the discontinued Adopt-A-Light project and various related street pole advertising agreements. The University has opposed these actions and is in the process of preparing a debatement of account in respect of the Johannesburg Municipality dispute. In the case of the Ethekweni Municipality, the University has filed an affidavit, to which it is awaiting a response. In the opinion of management, adequate provision has been made for the potential legal consequences of the respective cases and no further material liability is likely to arise.

Various other claims against the University are pending. Management is of the opinion that no material losses will arise from these claims.

Notes to the Consolidated Annual Financial Statements

	2005 R'000	2004 (Restated) R'000
21 TAXATION		
The University of KwaZulu-Natal is exempt from South African normal taxation in terms of the Income Tax Act and therefore no provision has been made for taxation.		
22 COMMITMENTS		
22.1 Capital commitments		
Capital expenditure approved at the balance sheet date, but not recognised in the financial statements, is as follows:		
Property, plant and equipment		
- Approved, but not yet contracted for	10 491	2 750
- Contracted	44 754	4 255
Total capital commitments	55 245	7 005
Funds for the respective capital commitments are available from the unexpended balance of R142.9 million of a total grant of R150 million received from the Ministry of Education for the specific purpose of financing merger-related infrastructural projects (note 12).		
22.2 Operating lease commitments		
At the balance sheet date, the University had outstanding commitments under non-cancellable operating leases, which fell due as follows:		
- Within one year	366	11 635
- Within two to five years	140	11 117
Total operating lease commitments	506	22 752
Most of the operating lease commitments at 31 December 2004 were subsequently discharged as a result of the reclassification and capitalisation of such leases (see notes 9 and 23).		
23 PRIOR YEAR ADJUSTMENT - CAPITALISATION OF LEASES		
Certain leases were previously classified as operating leases based on legal ownership criteria. In terms of International Accounting Standard 17 : <i>Leases</i> , (IAS17), those leases have, following review, been reclassified as finance leases and the related assets have been recognised in the balance sheet of the University. The effects of this reclassification, applied retrospectively, are as follows:		
Net increase in the carrying value of property, plant and equipment	1 464	14 069
Net increase in liabilities	1 464	15 730
Decrease in unrestricted Council-controlled funds at beginning of the year	-	(1 189)
Decrease in net surplus for the year	280	-
Increase in net deficit for the year	-	(472)

Notes to the Consolidated Annual Financial Statements

24 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the diverse composition of its stakeholders, the Council takes particular care to avoid conflicts of interest and, accordingly, has adopted a policy requiring declarations of any interests -- actual or potential -- by members of Council and of its committees. In terms of this policy, transactions with third parties in which a Council member has a direct or fiduciary interest are required to be disclosed and, consequently, must be entered into at arm's length and be in accordance with the University's approved procurement policy. During the year under review and subsequently, no transactions were identified with third parties controlled by one or more members of the Council.

25 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and trading operations of the following University-controlled subsidiary entities :

- ☛ Centre for the AIDS Programme of Research in South Africa ("CAPRISA")
- ☛ J W Nelson Endowment Fund Trust
- ☛ KwaZulu-Natal University Health (Pty) Ltd ("NuHealth")
- ☛ The Africa Centre for Health and Population Studies ("Africa Centre")
- ☛ The University of Natal Education and Innovation Foundation ("UNEIF")
- ☛ University of KwaZulu-Natal Foundation Trust ("UKZN Foundation")

No transactions except for loans, leases of premises, the raising and recovery of direct operating expenses incurred at arm's length and, likewise, the recovery of indirect overheads, where applicable, have taken place between the University of KwaZulu-Natal and its subsidiaries. For the purposes of preparing the University's annual financial statements, all intra-group transactions were eliminated on consolidation.

26 GENERALLY ACCEPTED ACCOUNTING PRACTICE : COMPLIANCE DEVIATION

Contrary to the requirements of International Accounting Standard 16 (AC123) : *Property, Plant and Equipment*, depreciation has not been calculated separately for each significant component of items of property, plant and equipment, nor were the useful lives or residual values of such assets reassessed at the financial year-end. The University management is of the opinion that, having regard to the current status of the registers of immovable and movable property, coupled with the ongoing and relatively significant infrastructural development projects, including a number of major capital works in progress pursuant to the merger, it would not be practicable to carry out this exercise at the present time, nor would the costs of obtaining such information be justified.

To date, it has not been possible to quantify the effects of the above instance of non-compliance with South African Statements of Generally Accepted Accounting Practice. Notwithstanding the currently unquantified nature of this compliance deviation -- to which the University's external auditors have drawn attention in their audit report -- management is satisfied that, based on its reliance on the controls exercised over and the records maintained in respect of property, plant and equipment, this does not constitute a serious financial risk to the University at the present time.