



**University of KwaZulu-Natal Centre
for the Aids Programme of Research
in South Africa**

Grant number: 1 U19 A151794-03

Annual financial statements
for the year ended 30 June 2006

**Annual Financial Statements
for the year ended 30 June 2006**

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CAPRISA Board's Responsibility Statement

The Board of the Centre for the Aids Programme of Research in South Africa ("CAPRISA") is responsible for the preparation, integrity and fair presentation of its annual financial statements and related supplementary financial information included in this report. These annual financial statements comprise the balance sheet at 30 June 2006, the income statement, statement of changes in funds, the cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. They have been prepared in accordance with CAPRISA's stated accounting policies and in the manner required by the National Institutes of Health ("NIH") grant policy statement.


The responsibilities of the Board include the design, implementation and maintenance of systems of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement; the selection and application of appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Board's responsibility also includes the maintenance of adequate accounting records and an effective system of risk management.


The Board has made an assessment of the Centre's ability to continue as a going concern and has no reason to believe that the business will not be a going concern in the year ahead. Notwithstanding the accumulated net deficit of R3,9 million at 30 June 2006, to which reference is made in note 10 to the attached financial statements, the Centre was restored to a financially solvent position during the subsequent financial year for reasons set out in the notes.

The financial statements have been audited by the independent auditing firm, KPMG Inc. The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework. Their report is presented on page 2.

Approval of the Annual Financial Statements

The annual financial statements for the year ended 30 June 2006 set out on pages 4 to 18, and the supplementary financial information on pages 19 and 20, were approved by the Board on 18 November 2008 and are signed by the Chief Finance Officer and Pro Vice-Chancellor (Research) of the University of KwaZulu-Natal.


Mr R H Clarkson
Chief Finance Officer


Professor S S Abdool Karim
Pro Vice-Chancellor (Research)



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Independent Auditor's Report

To the Board of the Centre for the Aids Programme of Research in South Africa

We have audited the accompanying financial statements of the Centre for the Aids Programme of Research in South Africa (CAPRISA), Grant Number: 1 U19 A151794-03 and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 18

Board's Responsibility for the Financial Statements

The Board of CAPRISA are responsible for the preparation and fair presentation of these financial statements in accordance with Stated Accounting Policies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Policy Board
Chief Executive RM Kgosane
Executive Directors TH Bashall*, DC Duffield, A Hari, TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden
Other Directors LP Fourie, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice

KPMG Inc is a company incorporated under the South African Companies Act and a member of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.
Registration number 1999/021543/21

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

* British



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Centre for the Aids Programme of Research in South Africa, Grant Number: 1 U19 A151794-03 at 30 June 2006, and its financial performance and cash flows for the year then ended in accordance with Stated Accounting Policies.

Other Matters

The supplementary schedules set out on page 19 and 20 do not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

KPMG Inc.

Per J Datadin
Chartered Accountant (SA)
Registered Auditor
Director
18 November 2008

UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

**Balance Sheet
as at 30 June 2006**

	Notes	2006 R	2005 Restated R
ASSETS			
Non-current assets			
Property, plant and equipment	1	5,911,931	6,572,298
Current assets			
		33,235	1,156,405
Accounts receivable	2	18,694	1,154,690
Cash and cash equivalents	3	14,541	1,715
Total assets		<u>5,945,166</u>	<u>7,728,703</u>
FUNDS AND LIABILITIES			
Funds			
Deferred capital grant		1,770,740	2,318,877
Deferred supplemental grant : PEPFAR	5	5,922,847	4,366,775
Accumulated deficit	10	(3,904,676)	(2,837,795)
Total funds		<u>3,788,911</u>	<u>3,847,857</u>
Current liabilities			
		2,156,255	3,880,846
Accounts payable and accrued liabilities	4	1,526,814	2,927,191
Owing to the University of KwaZulu-Natal		629,441	953,655
Total funds and liabilities		<u>5,945,166</u>	<u>7,728,703</u>

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UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

Income Statement
for the year ended 30 June 2006

	Notes	2006 R	2005 Restated R
INCOME			
Grants			
- Core operating grant		9,982,860	8,237,223
- On behalf of consortium		4,307,560	3,974,063
- Supplemental grant - START		1,867,774	-
- Supplemental grant - PEPFAR	5	14,249,094	6,432,907
- Supplemental grant - AI		-	5,190,196
Total income		30,407,288	23,834,389
EXPENDITURE			
Personnel costs		10,909,207	11,776,947
Rent of premises		1,161,256	1,166,070
Laboratory and testing costs		5,901,454	2,319,507
Nursing and counselling services		2,189,970	857,244
Consortium costs		4,680,383	4,651,047
Other operating expenses	8	2,058,537	1,711,830
Travelling expenses		254,130	204,879
Training costs		639,963	644,011
Depreciation		1,627,809	1,502,447
Indirect costs	9	2,223,592	1,866,522
Total expenditure		31,646,301	26,700,504
Operating deficit		(1,239,013)	(2,866,115)
Foreign exchange (losses) / gains		(376,005)	516,445
Net (deficit) for the year		(1,615,018)	(2,349,670)

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UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

Statement of changes in funds
for the year ended 30 June 2006

	Notes	Deferred capital grant R	Deferred supplemental grant - PEPFAR R	Accumulated funds / (deficit) R	Total funds R
Fund balances at 1 July 2004		2,855,347	10,799,682	(763,368)	12,891,661
Capital grant utilised		(536,470)		536,470	-
Supplemental grant (PEPFAR) utilised	5		(6,432,907)		(6,432,907)
Net deficit for the year				(2,349,670)	(2,349,670)
Fund balances at 30 June 2005		2,318,877	4,366,775	(2,576,568)	4,109,084
Prior year adjustments	7.1				
- software costs previously capitalised, written off				(211,227)	(211,227)
- prior year rental due, raised in current year				(50,000)	(50,000)
Restated fund balances at 30 June 2005		2,318,877	4,366,775	(2,837,795)	3,847,857
Capital grant utilised		(548,137)		548,137	-
Supplemental grant (PEPFAR) : funds received	5		15,805,166		15,805,166
Supplemental grant (PEPFAR) utilised	5		(14,249,094)		(14,249,094)
Net deficit for the year				(1,615,018)	(1,615,018)
Fund balances at 30 June 2006		1,770,740	5,922,847	(3,904,676)	3,788,911

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UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa
Grant number: 1 U19 AI51794-03

Cash Flow Statement
for the year ended 30 June 2006

	Notes	2006 R	2005 Restated R
Operating activities			
Cash generated from operations	3.1	1,419,842	2,043,946
Foreign exchange (losses) / gains		(376,005)	516,445
Net cash flow from operating activities		1,043,837	2,560,391
Investing activities			
Acquisition of property, plant and equipment	1	(1,031,011)	(2,559,176)
Net increase in cash and cash equivalents		12,826	1,215
Cash and cash equivalents at beginning of year		1,715	500
Cash and cash equivalents at end of year	3.2	14,541	1,715

**Accounting policies
for the year ended 30 June 2006**

Statement of compliance

The annual financial statements are prepared in accordance with Stated Accounting Policies and with the National Institutes of Health (NIH) grant policy statement.

Basis of preparation

The financial statements are presented in South African rands and United States dollars. They are prepared under the historical cost basis. The principal accounting policies adopted in the preparation of these financial statements are set out below and are in all material respects consistent with those of the previous year.

Income recognition

Grants are recognised as income in the financial year to which they relate. Grants for specific purposes are brought into the appropriate fund as income 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, the relevant amount is deferred and recognised in the applicable period.

Capital grants

When a grant is received to finance, or partly finance, the purchase, construction or development of an asset, and the asset is capitalised, the grant is credited to a deferred capital grant. An annual transfer is made to accumulated funds over the useful economic life of the asset in proportion to the depreciation charge on the asset for which the grant was awarded.

Exchange rate risk

Foreign currency transactions constitute a risk, especially as the entire grant is denominated in United States Dollars, the receipt of which, by way of a series of tranches, is spread over an extended period of time.

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 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 exchange rates ruling at the balance sheet date.

Financial instruments

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

Upon initial recognition, financial instruments are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or liability.

Accounts receivable

Receivables are stated at fair value.

Accounts payable and accrued liabilities

Trade and other payables are stated at fair value.

For the purpose of the balance sheet and cash flow statement, cash and cash equivalents comprise cash on hand only.

Accounting for leases

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Assets costing less than R5 000 are written off in the year of acquisition.

Depreciation is calculated on the straight-line method, at rates calculated to write off the cost of assets over their estimated useful lives or, in the case of lease improvements over the terms of the lease, as follows:

Laboratory, computer and office equipment	5 years
Office furniture	5 years
Motor vehicles	5 years
Leasehold improvements	
- Vulindlela Clinic	10 years
- CDC Clinic	5 years

No depreciation is charged on capital work in progress in respect of leasehold improvements.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Impairment

At the balance sheet date, an assessment of the carrying amounts of property, plant and equipment, and other assets is made to determine whether there is any indication of impairment.

Notes to the annual financial statements
 for the year ended 30 June 2006

2006

1 Property, plant and equipment

	Leasehold Improvements	Laboratory Equipment	Furniture & Equipment	Motor Vehicles	Computer Equipment	Total
	R	R	R	R	R	R
At 30 June 2006						
Cost	3 503 937	3 299 467	1 200 383	156 449	1 447 498	9 607 734
Accumulated depreciation	(829 148)	(1 536 819)	(609 967)	(109 516)	(610 353)	(3 695 803)
Carrying value	<u>2 674 789</u>	<u>1 762 648</u>	<u>590 416</u>	<u>46 933</u>	<u>837 145</u>	<u>5 911 931</u>

Movements for the year ended 30 June 2006

Opening carrying value	2 635 791	2 197 618	839 984	78 224	820 681	6 572 298
Additions	560,743	207,281	-	-	262 987	1 031 011
Disposals	(33,731)	(21,044)	(8,525)	-	(269)	(63 569)
Depreciation charge	(488,014)	(621,207)	(241,043)	(31,291)	(246 254)	(1 627 809)
Closing carrying value	<u>2 674 789</u>	<u>1 762 648</u>	<u>590 416</u>	<u>46 933</u>	<u>837 145</u>	<u>5 911 931</u>

At 30 June 2005

Cost	2 978 699	3 115 569	1 209 856	156 449	1 184 811	8 645 384
Accumulated depreciation	(342 908)	(917 951)	(369 872)	(78 225)	(364 130)	(2 073 086)
Carrying value	<u>2 635 791</u>	<u>2 197 618</u>	<u>839 984</u>	<u>78 224</u>	<u>820 681</u>	<u>6 572 298</u>

Movements for the year ended 30 June 2005

Opening carrying value	968 735	2 728 771	851 326	109 514	1 068 450	5 726 796
Additions	1,959,518	83,601	207 585	-	308 472	2 559 176
Disposals	-	-	-	-	(211,227)	(211 227)
Depreciation charge	(292,462)	(614,754)	(218,927)	(31,290)	(345 014)	(1 502 447)
Closing carrying value	<u>2 635 791</u>	<u>2 197 618</u>	<u>839 984</u>	<u>78 224</u>	<u>820 681</u>	<u>6 572 298</u>

2 Accounts receivable

	2006	2005 Restated
	R	R
Consortium funds	-	1,154,690
Other receivables	18,694	-
Total receivables	<u>18,694</u>	<u>1,154,690</u>

The carrying amount of accounts receivable is considered to approximate fair value

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UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

**Notes to the Annual Financial Statements (continued)
for the year ended 30 June 2006**

	2006 R	2005 Restated R
3 Notes to the Cash Flow Statement		
3.1 Cash generated from operations		
Operating deficit	(1,239,013)	(2,866,115)
Adjustments for :		
Increase / (decrease) in deferred supplemental grant	1,556,072	(6,432,907)
Depreciation	1,627,809	1,502,447
Loss on disposal of property, plant and equipment	63,569	-
Cash generated / (utilised) before working capital changes	<u>2,008,437</u>	<u>(7,796,575)</u>
Changes in working capital :		
Decrease in accounts receivable	1,135,996	7,146,090
(Decrease) / increase in accounts payable and accrued liabilities	<u>(1,724,591)</u>	<u>2,694,431</u>
Cash generated from operations	<u><u>1,419,842</u></u>	<u><u>2,043,946</u></u>
3.2 Cash and cash equivalents		
Cash on hand	<u>14,541</u>	<u>1,715</u>
4 Accounts payable and accrued liabilities		
Trade payables	954,423	2,637,191
Other creditors and provisions	572,391	290,000
Total accounts payable and accrued liabilities	<u><u>1,526,814</u></u>	<u><u>2,927,191</u></u>
5 Deferred Supplemental Grant : PEPFAR		
Unexpended balance at beginning of the year	4,366,775	10,799,682
Grant received during the year	<u>15,805,166</u>	-
Sub-total	<u>20,171,941</u>	10,799,682
Amount recognised in income statement	<u>(14,249,094)</u>	<u>(6,432,907)</u>
Unexpended balance at end of the year	<u><u>5,922,847</u></u>	<u><u>4,366,775</u></u>

6 Related party transactions

The Centre takes care to avoid conflicts of interest and, accordingly, has adopted a policy requiring declarations of interest -- actual or potential -- by members of its Board, senior management and other permanent staff. In terms of this policy, transactions with third parties in which a Board or staff 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 approved procurement policy. During the year under review and subsequently, no transactions were identified with third parties controlled by one or more Board or staff members.

UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

Notes to the Annual Financial Statements
for the year ended 30 June 2006

	2006 R	2005 Restated R
7 Prior year adjustments and change in accounting policy		
7.1 Prior year adjustments		
Certain software costs were previously capitalised. In terms of the current accounting policy, such costs are charged to the income statement in the year of acquisition. Property rental due in respect of the prior year was accounted for only in the current year. The effects of these items, applied retrospectively, are as follows:		
(Decrease) in accumulated funds at beginning of year		(261,227)
(Increase) in net deficit for the year		(261,227)
7.2 Change in accounting policy		
During the year, CAPRISA changed its accounting policy in respect of specific purpose grants received in advance of their intended utilisation. Previously, such amounts were disclosed as current liabilities. With effect from the current year, grants received in advance are disclosed as funds, but their recognition as income is deferred until the applicable period when utilised to finance the expenditure for which they have been provided.		
The effect of this change, applied retrospectively, is as follows :		
Increase in total funds at the end of the year	5,922,847	4,366,775
(Decrease) in current liabilities at the end of the year	(5,922,847)	(4,366,775)
The change has no effect on the reported deficit/surplus for the year.		
8 Other Operating Expenses		
The following items have been included in other operating expenses :		
Auditors' remuneration	97,900	50,000
Current year provision	55,000	40,000
Prior year under-provision	2,900	10,000
Prior year provision	40,000	
Legal and other professional fees	367,715	212,239
Repairs and maintenance	25,308	109,457
9 Indirect costs		
Indirect costs have been funded by the following grants, to the extent that related grant funding has been recognised in terms of the stated accounting policy:		
Core operating grant - CIPRA	1,235,164	1,405,482
Supplemental grant - PEPFAR	988,428	461,040
Total indirect costs	2,223,592	1,866,522
<u>Summary of indirect costs</u>		
University (UKZN) Administration fees	1,111,796	933,261
CAPRISA administration and finance related expenses	1,111,796	933,261
	2,223,592	1,866,522
10 Accumulated funds - deficit at year-end		
The operating deficit of R3 904 676 at 30 June 2006 was extinguished during the following financial year, due to the release of the deferred supplemental and capital grants and the recognition, in terms of the stated accounting policy, of the net income from the core and supplemental grants.		

UNIVERSITY OF KWAZULU-NATAL
Centre for the Aids Programme of Research in South Africa
Grant number: 1 U19 AI51794-03

Balance Sheet
as at 30 June 2006

	Notes	2006 USD	2005 Restated USD
ASSETS			
Non-current assets			
Property, plant and equipment	1	865,572	967,946
Current assets			
		4,571	173,013
Accounts receivable	2	2,571	172,754
Cash and cash equivalents	3	2,000	259
Total assets		870,143	1,140,959
FUNDS AND LIABILITIES			
Funds			
Deferred capital grant		229,349	314,617
Deferred supplemental grant : PEPFAR	5	936,723	653,318
Foreign currency translation deficit		(82,842)	(5,387)
Accumulated deficit	10	(509,679)	(402,208)
Total Funds		573,551	560,340
Current liabilities			
		296,592	580,619
Accounts payable and accrued liabilities	4	210,013	437,940
Owing to the University of KwaZulu-Natal		86,579	142,679
Total funds and liabilities		870,143	1,140,959

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UNIVERSITY OF KWAZULU-NATAL
 Centre for the Aids Programme of Research in South Africa
 Grant number: 1 U19 AI51794-03

Income Statement
 for the year ended 30 June 2006

	Note	2006 USD	2005 Restated USD
INCOME			
Grants			
- Core operating grant		1,552,938	1,434,278
- On behalf of consortium		670,086	632,661
- Supplemental grant - START		290,552	-
- Supplemental grant - PEPFAR		2,216,595	1,067,747
- Supplemental grant - AI		-	849,691
Total income		<u>4,730,171</u>	<u>3,984,377</u>
EXPENDITURE			
Personnel costs		1,697,040	1,892,831
Rent of premises		180,646	187,414
Laboratory and testing costs		918,033	372,797
Nursing and counselling services		340,673	137,778
Consortium costs		728,083	747,532
Other operating expenses	8	320,226	275,134
Travelling expenses		39,533	32,930
Training costs		99,552	103,508
Depreciation		253,221	241,478
Indirect costs	9	345,903	299,994
Net (deficit) for the year		<u><u>(192,739)</u></u>	<u><u>(307,019)</u></u>

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UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

Grant number: 1 U19 AI51794-03

**Statement of changes in funds
for the year ended 30 June 2006**

	Notes	Deferred capital grant	Deferred supplemental grant - PEPFAR	Foreign currency translation reserve / deficit	Accumulated funds / (deficit)	Total funds
		USD	USD	USD	USD	USD
Fund balances at 1 July 2004		394,879	1,721,065	19,826	(136,235)	1,999,535
Capital grant utilised		(80,262)			80,262	-
Net change in foreign currency translation reserve				(25,768)		(25,768)
Supplemental grant (PEPFAR) utilised	5		(1,067,747)			(1,067,747)
Net deficit for the year					(307,019)	(307,019)
Fund balances at 30 June 2005		314,617	653,318	(5,942)	(362,992)	599,001
Prior year adjustments	7.1			555	-	555
- software costs previously capitalised, written off					(31,180)	(31,180)
- prior year rental due, raised in current year					(8,036)	(8,036)
Restated fund balances at 30 June 2005		314,617	653,318	(5,387)	(402,208)	560,340
Capital grant utilised		(85,268)			85,268	-
Supplemental grant (PEPFAR) : funds received	5		2,500,000			2,500,000
Supplemental grant (PEPFAR) utilised	5		(2,216,595)			(2,216,595)
Net change in foreign currency translation deficit				(77,455)		(77,455)
Net deficit for the year					(192,739)	(192,739)
Fund balances at 30 June 2006		229,349	936,723	(82,842)	(509,679)	573,551

UNIVERSITY OF KWAZULU-NATAL

Centre for the Aids Programme of Research in South Africa

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**Cash Flow Statement
for the year ended 30 June 2006**

	Notes	2006 USD	2005 Restated USD
Operating activities			
Cash generated from operations	3.1	239,580	408,828
Net cash flow from operating activities		<u>239,580</u>	<u>408,828</u>
Investing activities			
Acquisition of property, plant and equipment	1	(160,384)	(382,881)
Financing activities			
Net movement in foreign currency translation reserve		(77,455)	(25,768)
Net increase in cash and cash equivalents		<u>1,741</u>	<u>179</u>
Cash and cash equivalents at beginning of year		259	80
Cash and cash equivalents at end of year	3.2	<u><u>2,000</u></u>	<u><u>259</u></u>

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Notes to the annual financial statements
 for the year ended 30 June 2006

1 Property, Plant and Equipment

	Leasehold Improvements	Laboratory Equipment	Furniture & Equipment	Motor Vehicles	Computer Equipment	Total
	USD	USD	USD	USD	USD	USD
At 30 June 2006						
Cost	513 402	481 060	180 018	14 725	213 897	1 403 102
Accumulated depreciation	(121 488)	(224 067)	(91 475)	(10 308)	(90 192)	(537 530)
Carrying value	391 914	256 993	88 543	4 417	123 705	865 572
Movements for the year ended 30 June 2006						
Opening carrying value	385 661	324 541	127 319	9 285	121 140	967 948
Additions	87,229	32,245	-	-	40,910	160 384
Disposals	(5,060)	(3,158)	(1,279)	-	(40)	(9 537)
Depreciation charge	(75,916)	(96,635)	(37,497)	(4,868)	(38,305)	(253 223)
Closing carrying value	391 914	256 993	88 543	4 417	123 705	865 572
At 30 June 2005						
Cost	439 977	467 287	184 092	14 725	167 183	1 273 264
Accumulated depreciation	(54 316)	(142 746)	(56 773)	(5 440)	(46 043)	(305 318)
Carrying value	385 661	324 541	127 319	9 285	121 140	967 946
Movements for the year ended 30 June 2005						
Opening carrying value	139 501	410 838	131 449	14 314	130 441	826 543
Additions	293,165	12,508	31,057	-	46 151	382 881
Disposals	-	-	-	-	-	-
Depreciation charge	(47,005)	(98,805)	(35,187)	(5,029)	(55 452)	(241 478)
Closing carrying value	385 661	324 541	127 319	9 285	121 140	967 946

2 Accounts receivable

	2006	2005
	R	Restated R
Consortium funds	-	172,754
Other receivables	2,571	-
Total receivables	2,571	172,754

The carrying amount of accounts receivable is considered to approximate fair value

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Notes to the Annual Financial Statements (continued)
 for the year ended 30 June 2006

	2006 USD	2005 Restated USD
3 Notes to the Cash Flow Statement		
3.1 Cash generated from operations		
Operating deficit	(192,739)	(307,019)
Adjustments for :		
Increase / (decrease) in deferred supplemental grant	283,405	(1,067,747)
Depreciation	253,223	241,478
Loss on disposal of property, plant and equipment	9,537	-
Cash generated / (utilised) before working capital changes	<u>353,426</u>	<u>(1,133,288)</u>
Changes in working capital :		
Decrease in account receivable	170,183	1,150,079
(Decrease) / increase in accounts payable	(284,029)	392,037
Cash generated from operations	<u><u>239,580</u></u>	<u><u>408,828</u></u>
3.2 Cash and cash equivalents		
Cash on hand	<u>2,000</u>	<u>259</u>
4 Accounts payable and accrued liabilities		
Trade payables	131,281	394,553
Other creditors and provisions	78,732	43,387
Total accounts payable and accrued liabilities	<u><u>210,013</u></u>	<u><u>437,940</u></u>
5 Deferred Supplemental Grant : PEPFAR		
Unexpended balance at beginning of the year	653,318	1,721,065
Grant received during the year	2,500,000	-
Sub-total	<u>3,153,318</u>	<u>1,721,065</u>
Amount recognised in income statement	(2,216,595)	(1,067,747)
Unexpended balance at end of the year	<u><u>936,723</u></u>	<u><u>653,318</u></u>
6 Related party transactions		

The Centre takes care to avoid conflicts of interest and, accordingly, has adopted a policy requiring declarations of interest -- actual or potential -- by members of its Board, senior management and other permanent staff. In terms of this policy, transactions with third parties in which a Board or staff 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 approved procurement policy. During the year under review and subsequently, no transactions were identified with third parties controlled by one or more Board or staff members.

Notes to the Annual Financial Statements
 for the year ended 30 June 2006

	2006 USD	2005 Restated USD
7 Prior year adjustments and change in accounting policy		
7.1 Prior year adjustments		
Certain software costs were previously capitalised. In terms of the current accounting policy, such costs are charged to the income statement in the year of acquisition. Property rental due in respect of the prior year was accounted for only in the current year. The effects of these items, year. The effects of these items, applied retrospectively, are as follows :		
(Decrease) in Accumulated Funds at beginning of year		(39,216)
(Increase) in net deficit for the year		(39,216)

7.2 Change in accounting policy

During the year, CAPRISA changed its accounting policy in respect of specific purpose grants received in advance of their intended utilisation. Previously, such amounts were disclosed as current liabilities. With effect from the current year, grants received in advance are disclosed as funds, but their recognition as income is deferred until the applicable period when utilised to finance the expenditure for which they have been provided.

The effect of this change, applied retrospectively, is as follows :

Increase in total funds at the end of the year	814,686	653,318
(Decrease) in current liabilities at the end of the year	(814,686)	(653,318)

The change has no effect on the reported deficit/surplus for the year.

8 Other Operating Expenses

The following items have been included in Other operating expenses :

Auditors' remuneration	15,229	8,036
Current year provision	8,556	6,429
Prior year under-provision	451	1,607
Prior year provision	6,222	
Legal and other professional fees	57,202	34,111
Repairs and maintenance	3,937	17,592

9 Indirect costs

Indirect costs have been funded by the following grants, to the extent that related grant funding has been recognised in terms of the stated accounting policy:

Core operating grant - CIPRA	192,143	225,894
Supplemental grant - PEPFAR	153,760	74,100
Total indirect costs	345,903	299,994
<u>Summary of indirect costs</u>		
University (UKZN) Administration fees	172,951	149,997
CAPRISA administration and finance related expenses	172,952	149,997
	345,903	299,994

10 Accumulated funds - deficit at year-end

The operating deficit of \$509,679 at 30 June 2006 was extinguished during the following financial year, due to the release of the deferred supplemental and capital grants and the recognition, in terms of the stated accounting policy, of the net income from the core and supplemental grants.

Detailed Income statement
for the year ended 30 June 2006

	2006	2005
	R	Restated R
INCOME		
Grants	30,407,288	23,834,389
Core operating grant	9,982,860	8,237,223
On behalf of consortium	4,307,560	3,974,063
Supplemental grant - START	1,867,774	-
Supplemental grant - PEPFAR	14,249,094	6,432,907
Supplemental grant - AI	-	5,190,196
TOTAL INCOME	30,407,288	23,834,389
EXPENDITURE		
Personnel costs	10,909,207	11,776,947
Salaries and wages	10,789,358	11,592,901
Staff compensation	69,360	136,132
Recruitment costs	50,489	47,914
Office supplies	3,142,580	2,766,534
Computer Supplies	332,936	398,284
Legal & Professional Fees	465,615	262,239
Meetings & Workshops	27,823	50,468
Photocopying	76,703	45,031
Postages & Courier	9,289	9,911
Printing & Stationery	327,039	224,049
Rent of premises	1,161,256	1,166,070
Small assets	125,118	31,802
Sundry Items	211,996	306,515
Telephone	404,785	272,165
Travelling expenses	254,130	204,879
Local travel	8,748	38,647
Overseas travel	110,079	148,884
Vehicle running	135,303	17,348
Other expenses	8,168,657	3,288,117
Laboratory and testing costs	5,901,454	2,319,507
Nursing and counselling services	2,189,970	857,244
Occupational safety	51,925	1,909
Renovations and refurbishments	25,308	109,457
Training costs	639,963	644,011
Books and Manuals	3,548	30,849
Conference and workshops	186,783	131,504
General training cost	238,765	30,313
Scholarship/bursary	94,510	256,900
Stipends	116,357	194,445
Consortium costs	4,680,383	4,651,047
Columbia University	649,680	1,008,868
NICD	1,992,609	1,187,906
University of Cape Town	700,386	1,281,280
University of Western Cape	570,689	414,593
Duke University	59,059	27,440
HSRC (MRC)	58,222	174,018
Yale University	43,388	114,407
Aurum Health	261,152	94,017
HSRC	-	50,617
Nell and Shapiro	345,198	297,901
Depreciation	1,627,809	1,502,447
Surplus / (Deficit) before indirect costs and foreign exchange (losses) / gains	984,579	(999,593)
Indirect costs	(2,223,592)	(1,866,522)
Foreign exchange (losses) / gains	(376,005)	516,445
Net (deficit) for the year	(1,615,018)	(2,349,670)

Receipts and Payments Statement
 for the year ended 30 June 2006

	2006	2005
	R	Restated R
RECEIPTS		
Grants	31,963,362	17,917,928
Core operating grant	16,158,196	17,917,928
PEPFAR	15,805,166	-
TOTAL RECEIPTS	31,963,362	17,917,928
PAYMENTS		
Personnel costs	10,906,807	11,776,947
Office supplies	3,018,792	829,835
Travelling expenses	251,830	201,267
Other expenses	7,547,321	2,423,548
Training costs	604,499	635,994
Consortium costs	4,680,383	4,651,047
Capital expenditure	861,858	2,559,178
Net Receipts / (Payments) for the year	4,091,872	(5,159,888)
RECONCILIATION TO INCOME STATEMENT		
receipts / (payments) for the year	4,091,872	(5,159,888)
Less :		
Expenditure accruals	954,423	2,877,191
Depreciation	1,627,809	1,502,447
Indirect costs	2,223,592	1,866,522
Unspent Funds - PEPFAR : net increase	1,556,072	-
Add :		
Capital expenditure payments	861,858	2,559,176
Capital expenditure accrual	169,153	16,814
Foreign exchange loss	(376,005)	-
Commitment to other departments	-	47,481
Unspent Funds - PEPFAR	-	6,432,907
Net (deficit) for the year	(1,615,018)	(2,349,670)