CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2010

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for the year ended 31 December 2010

Contents

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Centre for the Aids Programme of Research in South Africa ("CAPRISA"), comprising the statement of financial position at 31 December 2010, the statement of comprehensive income, statement of changes in accumulated funds, statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these annual financial statements that are free from material misstatement, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of CAPRISA's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
REGISTRATION NUMBER: 2002/024027/08

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2010

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2010 set out on pages 4 to 20 were approved on 30 September 2011 by the CAPRISA Board of Directors and signed on its behalf by:

Professor SS Abdool Karim
Director CAPRISA
Pro Vice Chancellor (Research), UKZN

Deloitte.

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South Africa

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA

We have audited the annual financial statements of the Centre for the Aids Programme Of Research in South Africa ("CAPRISA") which comprise the directors report, the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in accumulated funds and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 20.

Directors' responsibility for the annual financial statements
The Directors of CAPRISA are responsible for the preparation and fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa, and for such internal contrrol as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual financial statement 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 annual financial statements.

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

Audit Opinion

In our opinion the annual financial statements present fairly, in all material respects, the financial position of CAPRISA as at 31 December 2010 and the financial performance and the 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 Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per M Luthuli
Partner
29 November 2011

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA

DIRECTORS REPORT
for the year ended 31 December 2010

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company for the year ended 31 December 2010.

NATURE OF BUSINESS

During the year the company continued to conduct HIV Research, financed by grants received from various donors both local and International. The grants are received through the University of KwaZulu-Natal.

FINANCAL RESULTS

The financial results for the year ended 31 December 2010 are disclosed in the attached annual financial statements.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the year amounted to R 2 422 540 (2009: R 2 317 405).

RELATED PARTIES

Related party relationships exist between the company, and the University of KwaZulu-Natal, and all fellow subsidiaries of the University. Related party transactions have been disclosed in note 9 to the annual financial statements.

GOING CONCERN

The directors consider that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the company's financial statements. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient funding facilities to meet its foreseeable cash requirements.

AUDITORS

Deloitte & Touche will continue in office in accordance with Section 90(6) of the Companies Act (No.71) of 2008.

DIRECTORS

The directors in office at the year end and at the date of this report are:

SS Abdool Karim
JM Van Bever Donker
DA Clark
NM Ijumba
DP Visser
L Fried
AC Bawa
BD Schoub

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA

DIRECTORS REPORT
for the year ended 31 December 2010

REGISTERED OFFICE

Doris Duke Medical Research Institute
University of KwaZulu-Natal
719 Umbilo Road
Congella
4013

PHYSICAL ADDRESS

Doris Duke Medical Research Institute
University of KwaZulu-Natal
719 Umbilo Road
Congella
4013

POSTAL ADDRESS

Private Bag X7
CONGELLA
4013

SECRETARY

KPMG (Pty) Ltd
20 Kingsmead Boulevard
Marriot Building
Kingsmead Office Park
Durban
4001

MATERIAL EVENTS AFTER YEAR-END

No material events have taken place in the affairs of the company between the end of the financial year and the date of this report which require disclosure in the annual financial statements.

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/04027/08)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	Note	2010 R	2009 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	6 949 806	7 860 421
Current assets		58 785 866	68 426 380
Receivables	4	24 541 395	19 092 587
Funds held in trust by the University of KwaZulu-Natal	13	14 303 616	4 420 035
Cash and cash equivalents	5	19 940 855	44 913 758
TOTAL ASSETS		65 735 672	76 286 801
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		16 433 246	13 721 432
Current liabilities		49 302 426	62 565 369
Deferred grant income	6	40 978 592	54 102 300
Payables	7	7 100 627	6 779 926
Provisions	8	1 223 207	1 683 143
TOTAL FUNDS AND LIABILITIES		65 735 672	76 286 801

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Note	2010 R	2009 R
INCOME			
Grants			
- Donations and grants		122 805 279	104 263 642
- Sundry income		406 028	700 000
Total income		123 211 307	104 963 642
EXPENDITURE			
Personnel costs		(54 471 280)	(51 646 373)
Rent of premises		(954 877)	(1 653 096)
Other operating expenses		(58 193 277)	(48 229 110)
Depreciation		(3 304 295)	(3 292 719)
Surplus before indirect costs		6 287 578	142 344
Indirect costs		(6 228 377)	(7 195 682)
Operating surplus/(deficit)	11	59 201	(7 053 338)
Foreign exchange gains		684 992	273 885
Finance income		1 967 621	415 291
Net surplus/(deficit) for the year		2 711 814	(6 364 162)

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2010

	Total R
Opening balance at 1 January 2009	20 085 594
Net deficit for the year	(6 364 162)
Closing balance at 31 December 2009	13 721 432
Net surplus for the year	2 711 814
Closing balance at 31 December 2010	16 433 246

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Notes	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	A	(2 340 650)	(834 686)
Finance income		1 967 621	415 291
Foreign exchange gains		684 992	273 885
Net cash flow generated from/(utilised in) operating activities		311 963	(145 510)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2 422 540)	(2 317 405)
Proceeds from sale of assets		144 963	-
Net cash flow utilised in investing activities		(2 277 577)	(2 317 405)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in deferred grant income		(13 123 708)	45 137 638
Increase in amount owing by the University of KwaZulu-Natal		(9 883 581)	(7 457 527)
Net cash flow generated from financing activities		(23 007 289)	37 680 111
NET DECREASE IN CASH AND CASH EQUIVALENTS		(24 972 903)	35 217 196
Cash and cash equivalents at beginning of the year		44 913 758	9 696 562
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	19 940 855	44 913 758

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)

NOTES TO THE STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

		2010	2009
		R	R
A	**Cash utilised in operations**		
	Net surplus/(deficit) for the year	2 711 814	(6 364 162)
	Adjusted for non-cash items		
	Depreciation	3 304 295	3 292 719
	Profit on disposal of asset	(116 103)	-
		5 900 006	(3 071 443)
	Adjusted for separately distributable items:		
	Finance income	(1 967 621)	(415 291)
	Foreign exchange losses	(684 992)	(273 885)
	Movements in working capital		
	(Increase)/Decrease in receivables	(5 448 808)	1 529 340
	(Decrease)/Increase in payables	(139 235)	1 396 593
	Cash utilised in operations	(2 340 650)	(834 686)
B	**NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR**		
	Cash in bank	19 903 412	44 800 348
	Cash on hand	37 443	113 410
		19 940 855	44 913 758

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. They have been prepared under the historic cost except for certain financial instruments that are stated at fair value.

1.2 Basis of preparation

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The basis of preparation is consistent with prior years.

1.3 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 amounts are disclosed as current liabilities.

1.4 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 statement of comprehensive income in the year in which they arise. Assets and liabilities designated in foreign currencies at the statement of financial position date are translated at exchange rates ruling at the statement of financial position date.

1.5 Financial instruments

Financial assets and liabilities are recognised in the company's statement of financial position when the company has become a party to the contractual provision of the instrument.The company's principal financial assets are bank balances and cash, trade and other receivables.

Receivables are stated at their nominal values reduced by appropriate allowances for estimated irrecoverable amounts.

Significant financial liabilities include finance lease obligations, interest-bearing bank loans, interest-bearing shareholders' loans, overdrafts and payables.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities, other than trading financial liabilities and derivatives, are subsequently measured at amortised cost being the original obligation less principal payments and amortisations. Trading financial liabilities are subsequently measured at fair value.

Payables are stated at their nominal values. Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Long-term borrowings are initially recorded at the fair value of the consideration received, net of issue costs. They are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs or any discount or premium on settlement. Gains and losses are recognised in net profit and loss when the liabilities are extinguished.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1. ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

Derecognition

Financial instruments are initially measured at cost, including transaction costs, when the company becomes a party to their contractual arrangements. The subsequent measurement of financial instruments is dealt with below.

A financial instrument or a portion of a financial instrument will be derecognised and a gain or loss recognised when the company loses the contractual rights or extinguishes the obligations associated with such an instrument.

On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in income.

On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in income.

1.6 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 statement of comprehensive income on a straight-line basis over the respective periods of the leases.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Assets costing less than R10 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 leasehold 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 annually at the reporting date.

No business economic changes occurred during the year to lead management to believe that the useful lives and residual values of the plant and equipment had changed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year end 31 December 2010

1. ACCOUNTING POLICIES (continued)

1.8 Impairment

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

1.10 Provisions

Provisions are recognised when the company 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 obligations and a reliable estimate of the amount of the obligation can be made.

1.11 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of financial position date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

1.12 Judgements made by management

The preparation of annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice requires estimates and assumptions that affect reported amounts and related disclosures. No accounting policies have been identified as involving particularly complex or subjective judgements or assessments.

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Management has assessed the impact of the revised standards/interpretations that were effective for the current year and that the adoption of these revised standards/interpretations had no material impact on the results presented.

At the date of authorisation of the financial statements, the following statements and interpretations were issued but not yet effective.

New standard/interpretation	Description of change	Effective date
AC 146 (IFRS 9) - Financial Instruments	Financial instruments	1 January 2013
IFRS 10: Consolidated financial statements	The new IFRS also considers "de facto" control, an area where limited guidance has been previously available.	1 January 2013
IFRS 12: Disclosure of interests in other entities	The IFRS requires disclosure of the nature, risks, and financial impact of consolidated and unconsolidated entities.	1 January 2013
IFRS 13: Fair Value measurement	This IFRS consolidates fair value guidance throughout IFRS into a single cohesive standard on the principles of fair value measurement and disclosures for financial reporting.	1 January 2013
AC 102 (IAS 12): Recovery of underlying assets	The amendments introduce a rebuttable presumption that the carrying amount of investment property measured using the fair value model in terms of IAS 40 will be recovered entirely through sale.	1 January 2012
AC 116 (IAS 19): Employee benefits	The removal of the corridor method will require entities to recognise changes in defined obligations and plan assets immediately through Other Comprehensive Income.	1 January 2013
AC 132 (IAS 27): Separate financial statements	Removal of consolidation principles.	1 January 2013
AC 110 (IAS 28): Investments in associates and joint ventures	Removal of comsolidation principles.	1 January 2013

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
	R	R	R
2010			
Leasehold improvements	7 873 023	(6 001 078)	1 871 945
Motor vehicles	3 184 923	(1 468 452)	1 716 471
Furniture and equipment	13 308 262	(9 946 872)	3 361 390
	24 366 208	(17 416 402)	6 949 806
2009			
Leasehold improvements	7 576 314	(4 715 703)	2 860 611
Motor vehicles	1 935 046	(997 097)	937 949
Furniture and equipment	12 461 168	(8 399 307)	4 061 861
	21 972 528	(14 112 107)	7 860 421

Reconciliation of property, plant and equipment:

	Opening net Book Value	Additions	Disposals	Depreciation	Closing net book value
	R	R	R	R	R
2010					
Leasehold improvement	2 860 610	296 710	-	(1 285 375)	1 871 945
Motor vehicles	937 949	1 249 877	-	(471 355)	1 716 471
Furniture and equipment	4 061 862	875 953	(28 860)	(1 547 565)	3 361 390
	7 860 421	2 422 540	(28 860)	(3 304 295)	6 949 806
2009					
Leasehold improvements	3 669 891	484 714	-	(1 293 995)	2 860 610
Motor vehicles	923 791	330 207	-	(316 049)	937 949
Furniture equipment	4 242 053	1 502 484	-	(1 682 675)	4 061 862
	8 835 735	2 317 405	-	(3 292 719)	7 860 421

4. RECEIVABLES

	2010 R	2009 R
Consortium funds	16 117 314	15 883 430
Other receivables	8 424 081	3 209 157
	24 541 395	19 092 587

The carrying amount of receivables is considered to approximate fair value.

Receivables - credit risk

The entity does not have any trade receivables, but the receivables recorded relate to accrued grants that had not been received at year-end. Therefore, its exposure to the credit risk is limited to these receivables.

To the extent that the receivables amounts are estimated to be less than their associated carrying values, impairment changes have been recorded and the carrying values have been written down to their recoverable amounts.

5. CASH AND CASH EQUIVALENTS

	2010 R	2009 R
Cash in bank	19 903 412	44 800 348
Cash on hand	37 443	113 410
	19 940 855	44 913 758

6. DEFERRED GRANT INCOME

Opening balance	54 102 300	8 964 662
Grants received	21 054 110	51 489 103
Grants utilised	(34 177 818)	(6 351 465)
	40 978 592	54 102 300

7. PAYABLES

Payables	7 100 627	6 779 926

8. PROVISIONS

	2010 R	2009 R
Leave pay provision	1 223 207	1 683 143

Key management judgement

Leave pay provision: the provision is based on the number of days leave owing to the employees multiplied by the total cost of employment daily rate.

9. RELATED PARTY TRANSACTIONS

The company 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 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.

All transactions with the University of KwaZulu-Natal are defined as related party transactions. Details of the amounts transacted with UKZN are contained in note 11 and note 13.

10. FINANCIAL RISK MANAGEMENT

The company's operating activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the company's financial performance.

The company does not take positions on derivative contracts speculatively and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

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.

Market risk

The company activities are exposed to primarily foreign exchange and cash flow interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of various CFC accounts. Although the company's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. Consequently, the company is not substantively exposed to commodity price risk.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the company's financial assets and financial liabilities at the reporting dates presented. The sensitivity analysis provides an indication of the impact on the company's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the company operates in. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near term future volatility.

10. FINANCIAL RISK MANAGEMENT (continued)

Cash flow interest rate risk

The company holds cash and cash equivalents. Consequently, it is exposed to cash flow interest rate risk. The company's accounting policy stipulates that all borrowings are held at amortised cost.

Management of cash and cash equivalents

Cash comprises cash on hand, and short term deposits. Arrangements are in place, to ensure that cash is utilised most efficiently for the ongoing working capital needs of the company and that the company earns the most advantageous rates of interest available.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the statement of comprehensive income.

Cash flow interest rate risk exposures and sensitivities	2010 R	2009 R
Total debt	8 323 834	8 463 069
Less: Cash and cash equivalents	(19 940 855)	(44 913 758)
Net variable rate exposure	11 617 021	36 450 689

Net variable rate debt represents variable rate debt (which excludes deferred grant liabilities) less cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate debt, in order to provide an indication of the possible impact on the company's statement of comprehensive income.

Credit risk

Credit risk is the risk that a contractual counterparty will default on its contractual obligations to the company and that the company would suffer financial loss as a consequence of such a default. The company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits is deemed to be insignificant on the basis that all relevant counterparties are investment grade entities. Full disclosure of the company's maximum exposure to credit risk is presented in the following table.

Exposure to credit risk

	2010 R	2009 R
Cash and cash equivalents	19 940 855	44 913 758
Receivables	24 541 395	19 092 587
	44 482 250	64 006 345

10. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the company could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The company manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the business and by maintaining sufficient reserves and committed borrowing facilities.

The maturity profile of the financial instruments is summarised as follows:

2010	Between 1 – 3 months R	< 1 year R	Total R
Financial assets			
Receivables	8 424 081	16 117 314	24 541 395
Cash and cash equivalents	19 940 855	-	19 940 855
Financial liabilities			
Deferred grant income	19 106 266	21 872 326	40 978 592
Payables	7 100 627	-	7 100 627
2009			
Financial assets			
Receivables	3 209 157	15 883 430	19 092 587
Cash and cash equivalents	44 913 758	-	44 913 758
Financial liabilities			
Deferred grant income	54 102 300	-	54 102 300
Payables	6 779 926	-	6 779 926

11. OPERATING SURPLUS/(DEFICIT)

	2010 R	2009 R
Operating surplus/(deficit) is arrived at after taking into account the following items		
Auditors' remuneration		
- External audit	209 000	334 000
- Tax services	390 427	188 118
Profit on sale of fixed assets	(116 103)	-
Legal and other professional fees	756 133	941 020
Repairs and maintenance	1 857 641	1 597 242

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2010

11. OPERATING SURPLUS/(DEFICIT) (continued)

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:

	2010 R	2009 R
Microbicide	586 643	2 370 227
Clinical Trials Unit	2 854 491	1 536 022
CHAVI	-	60 214
CAPRISA Aids Treatment Programme	1 866 507	2 337 250
TRAPS	640 387	-
Other	280 349	891 969
Total indirect costs	6 228 377	7 195 682

Summary of indirect costs

	2010 R	2009 R
University (UKZN) administration fees	3 114 188	3 597 841
CAPRISA administration and finance related expenses	3 114 189	3 597 841
Total indirect costs	6 228 377	7 195 682

12. TAXATION

The company is registered as an "association not for gain" in terms of section 21 of the Companies Act of South Africa, and is exempt from taxation in terms of section 10(1)(cN) of the Income Tax Act. Accordingly, no provision for current taxation has been raised.

13. FUNDS HELD IN TRUST BY THE UNIVERSITY OF KWAZULU-NATAL

	2010 R	2009 R
Amount owing to the University of KwaZulu-Natal	(7 559 200)	(40 380 313)
Short-term deposits	21 862 816	44 800 348
Closing balance	14 303 616	4 420 035

14. COMMITMENTS

The company rents their office premises and laboratories under operating leases. The lease agreements expire in 2012.

At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:

	2010 R	2009 R
Within 1 year	1 150 000	1 366 404
Later than 1 year but within 5 years	525 000	1 994 742
Later than 5 years	-	-