

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

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**DIRECTORS**

Prof A Bawa Chairperson (Durban University of Technology)  
Prof R Bharuthram (University of the Western Cape)  
Dr D Clark (Aurum Research Institute)  
Prof LP Fried (Columbia University, New York)  
Prof NM Ijumba (University of KwaZulu-Natal)- resigned  
6/2/2014  
Mr S Naidoo (Pierian SA)  
Prof SA Madhi (National Institute of Communicable Diseases)  
Prof DP Visser (University of Cape Town)  
Prof SS Abdool Karim (Director: CAPRISA)  
Justice MZ Yacoob – appointed 29/01/2014

**NATURE OF BUSINESS**

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

**AUDITOR**

PricewaterhouseCoopers

**BANKERS**

ABSA  
The Standard Bank of SA Limited

**REGISTERED OFFICE**

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

**REGISTRATION NUMBER**

2002/024027/08

**DOMICILE AND  
COUNTRY OF  
INCORPORATION**

Republic of South Africa

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**PREPARER OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements have been prepared under the supervision of the Financial Manager, N Amla CA (SA).

STATEMENT OF DIRECTORS' RESPONSIBILITY  
for the year ended 31 December 2013

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The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Centre for the Aids Programme of Research in South Africa NPC. The financial statements presented on pages 4 to 25 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

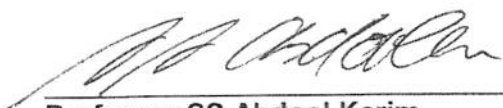
The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable, have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at year end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company.

The company's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 3.

The annual financial statements set out on pages 4 to 25 have been approved by the directors on 13 May 2014 and are hereby signed on their behalf by:



**Professor SS Abdool Karim**



## CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC (CAPRISA)

We have audited the financial statements of Centre For The Aids Programme Of Research In South Africa NPC (Caprisa) set out on pages 5 to 24, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre For The Aids Programme Of Research In South Africa NPC (Caprisa) as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Other reports required by the Companies Act*

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

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Africa Senior Partner: S P Kana  
Management Committee: H Boegman, T P Blandin de Chalaïn, B M Deegan, J G Louw, P J Mothibe, T D Shango, S Subramoney, A R Tilakdari, F Tonelli  
The Company's principal place of business is at 2 Eglïn Road, Sunninghill where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.



*Other matter*

The supplementary information set out on page 25 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.  
Director: B Soorajdin  
Registered Auditor  
Block C  
21 Cascades Crescent  
Cascades  
3201**

**Date: 13 May 2014**

REPORT OF THE DIRECTORS  
for the year ended 31 December 2013

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**NATURE OF BUSINESS**

During the year the company continued to conduct HIV Research, funded by grants received from various donors both local and International.

**RESULTS OF OPERATIONS**

The results of operations for the year under review are set out in the financial statements and detailed in the annexed statement of income, operating expenses and support granted.

**PROPERTY, PLANT AND EQUIPMENT**

Additions to property, plant and equipment for the year amounted to R7 625 361 (2012: R2 674 660.)

**DIRECTORS**

Particulars of the present directors are given on page 1.

**EVENTS SUBSEQUENT TO YEAR END**

No material fact or circumstance has occurred between the accounting date and the date of this report.

**GOING CONCERN**

The directors considered 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 requirement.

**AUDITORS**

PricewaterhouseCoopers Inc. have been appointed as auditors in terms of section 90 of the Companies Act 71 of 2008.

STATEMENT OF COMPREHENSIVE INCOME  
 for the year ended 31 December 2013

	Notes	2013 R	2012 R
<b>Revenue</b>		128 347 424	121 805 031
Other income		584 921	263 039
Operating expenses		<u>(115 840 313)</u>	<u>(115 180 936)</u>
<b>Operating profit before indirect costs</b>		13 092 032	6 887 134
Indirect costs	2	<u>(7 430 368)</u>	<u>(6 186 978)</u>
<b>Operating profit for the year</b>	2	5 661 664	700 156
Investment revenue		<u>2 437 031</u>	<u>3 624 356</u>
<b>Surplus for the year</b>		8 098 695	4 324 512
Other comprehensive income		4 424 014	(1 550 311)
<b>Total comprehensive income for the year</b>		<u>12 522 709</u>	<u>2 774 201</u>

STATEMENT OF FINANCIAL POSITION  
 for the year ended 31 December 2013

	Notes	2013 R	2012 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	12 269 371	7 603 982
<b>Current assets</b>			
Trade and other receivables	6	11 645 946	15 948 399
Cash and cash equivalents	7	16 572 348	32 765 902
Financial assets	8	36 153 304	30 000 000
		<u>64 371 598</u>	<u>78 714 301</u>
<b>TOTAL ASSETS</b>		<u><b>76 640 969</b></u>	<u><b>86 318 283</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Accumulated funds		28 494 090	15 971 381
<b>Current liabilities</b>			
Trade and other payables	9	5 200 334	9 753 355
Amount owing to UKZN	10	2 078 702	36 708 262
Deferred Income	11	40 867 843	23 885 285
		<u>48 146 879</u>	<u>70 346 902</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>76 640 969</b></u>	<u><b>86 318 283</b></u>



STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2013

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	<b>Retained earnings R</b>
<b>Balance at January 1, 2012</b>	<b>13 197 180</b>
Net surplus for the year	<u>2 774 201</u>
<b>Balance at December 31, 2012</b>	<b>15 971 381</b>
Net surplus for the year	<u>12 522 709</u>
<b>Balance at December 31, 2013</b>	<b><u>28 494 090</u></b>

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2013

	Notes	2013 R	2012 R
<b>Cash flows from operating activities</b>			
Cash generated by operations	15.1	<u>8 371 068</u>	<u>5 739 479</u>
<b>Cash generated from operations</b>			
Finance income		2 437 031	3 624 356
Foreign exchange gain/(loss)		4 424 014	(1 550 311)
<b>Net cash inflow from operating activities</b>		<u>15 232 113</u>	<u>7 813 524</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		<u>(7 625 361)</u>	<u>(2 674 660)</u>
<b>Net cash outflow from investing activities</b>		<u>(7 625 361)</u>	<u>(2 674 660)</u>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in deferred grant liability		16 982 558	(17 303 448)
(Decrease) in amount owing to UKZN		<u>(34 629 560)</u>	<u>(15 981 119)</u>
<b>Net cash outflow from financing activities</b>		<u>(17 647 002)</u>	<u>(33 284 567)</u>
Net decrease in cash and cash equivalents		(10 040 250)	(28 145 703)
<b>Cash and cash equivalents</b> at beginning of year		<u>62 765 902</u>	<u>90 911 605</u>
<b>Cash and cash equivalents</b> at end of year	7,8	<u>52 725 652</u>	<u>62 765 902</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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## 1. ACCOUNTING POLICIES

### 1.1 Corporate information

The financial statements of Centre for the AIDS Programme of Research in South Africa for the year ended 31 December 2013 were approved by the directors on 13 May 2014.

Centre for the AIDS Programme of Research in South Africa is a Non Profit Company in terms of the Companies Act 2008.

### 1.2 Basis of preparation

The financial statements set out on pages 4 to 25 have been prepared on the historical cost basis except where otherwise stated, and incorporate the following principal accounting policies which conform to International Financial Reporting Standards and which are consistent with those applied in the previous year.

### 1.3 Significant accounting judgments and estimates

The preparation of the annual financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### *Judgments*

There are no judgments that have been made by management that have a significant effect on the amounts recognised in the financial statements.

#### *Estimation and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- *Depreciation rates*

At the beginning of each financial period management reviews the useful lives and residual values of property and equipment, and adjusts these if appropriate.

### 1.4 Revenue 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 requirements, the relevant amounts are disclosed as current liabilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**1. ACCOUNTING POLICIES** (continued)

**1.4 Revenue recognition** continued)

*Grants*

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

*Interest income*

Revenue is recognised as the interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.)

**1.5 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 R 10 000 are written off in the year of acquisition, except for computers which are capitalised and depreciated.

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, computers and office equipment	5 years
Office furniture	5 years
Motor Vehicles	5 years
Leasehold improvements	
- Vulindlela Clinic	10 years
- CDC Clinic	5 years
- Umlazi Clinic	5 years
- DDMRI Building	10 years

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 assessed 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 ended 31 December 2013

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**1. ACCOUNTING POLICIES (continued)**

**1.6 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependant on a specified asset, or;
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment of scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

**1.7 Expenditure recognition**

Expenditure is recognised in profit and loss as incurred.

**1.8 Financial instruments**

Financial instruments recognised on the statement of financial position include cash and cash equivalents, other receivables and trade and other payables. Financial instruments are initially measured at cost, which is the fair value of the consideration given or received including transaction costs when the association becomes a party to the contractual provisions of the instrument and any subsequent measurement adjustments are made in accordance with the specific instrument related provisions of IAS 39) - Financial Instruments - Recognition and Measurement as follows:

*Other receivables*

Other receivables are classified as loans and receivables originated by the association and are subsequently measured at amortised cost (using the effective interest rate method) less any impairment thereon. Other receivables being short term in nature, are carried at cost as the effect of imputing interest is considered immaterial.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and cash on hand.

Cash and cash equivalents amounts disclosed in the statement of cash flows comprise of cash on hand and balances with banks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**1. ACCOUNTING POLICIES** (continued)

**1.8 Financial instruments** (continued)

*Trade and other payables*

Trade and other payables are classified as financial liabilities and are subsequently carried at amortised cost using the effective interest rate method. Trade payables, being short term in nature, are carried at cost as the effect of imputing interest is considered to be insignificant.

*Derecognition of financial assets and liabilities*

*a) Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the association has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the association has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the enterprise's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the enterprise could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the enterprise's continuing involvement is the amount of the transferred asset that the enterprise may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the enterprise's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*b) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**1. ACCOUNTING POLICIES** (continued)

**1.8 Financial instruments** (continued)

*Impairment of financial assets*

The association assesses at each reporting date whether a financial asset or group of financial assets is impaired.

*a) Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the statement of comprehensive income.

The association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**1.9 Provisions**

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

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**1. ACCOUNTING POLICIES** (continued)

**1.10 Taxation**

*Current income tax*

The association is exempt from tax in terms of the income Tax Act.

*Value added tax*

Expenses and assets are recognised net of the amount of value added tax.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 for the year ended 31 December 2013

	2013 R	2012 R
<b>2. Operating surplus for the year</b>		
Net operating surplus is arrived at after taking into account the following items:		
Salaries	69 748 428	56 291 191
Directors remuneration	1 069 275	1 641 906
Auditors' remuneration		
- External and donor audit	325 062	208 510
Legal and other professional fees	1 674 300	1 184 985
Repairs and maintenance	1 987 311	2 246 621
Depreciation	2 959 973	2 588 226
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:		
Clinical Trials Unit	2 325 209	3 306 798
TRAPS	-	339 812
RHIVA	-	187 538
CAP008 – TIA	-	967 472
CAP008 – CONRAD	4 274 448	568 771
Other	830 711	816 587
Total indirect costs	<u>7 430 368</u>	<u>6 186 978</u>
Summary of indirect costs		
University (UKZN) administration fees	233 127	3 093 489
CAPRISA administration and finance related expenses	7 197 241	3 093 489
Total indirect costs	<u>7 430 368</u>	<u>6 186 978</u>
<b>Directors remuneration</b>		
Executive Directors	1 069 275	1 641 906
Salim Safurdeen Abdool Karim		
<b>3. Finance income</b>		
Interest received on:		
Bank balances	<u>2 437 031</u>	<u>3 624 356</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

	<b>2013</b>		<b>2012</b>	
	<b>R</b>		<b>R</b>	
<b>4. Other income</b>				
Sundry income	<u>584 921</u>		<u>263 039</u>	
<b>5. Property, plant and equipment</b>				
	<b>Land and buildings R</b>	<b>Motor vehicles R</b>	<b>Furniture and equipment R</b>	<b>Total R</b>
<b>2013</b>				
Beginning of year cost	9 281 046	3 379 008	16 374 845	29 034 899
- Accumulated depreciation	<u>7 072 914</u>	<u>2 198 979</u>	<u>12 159 024</u>	<u>21 430 917</u>
Net book value	<u><b>2 208 132</b></u>	<u><b>1 180 029</b></u>	<u><b>4 215 821</b></u>	<u><b>7 603 982</b></u>
Movements during the year				
- Additions	3 619 341	223 000	3 783 020	7 625 361
- Disposals	-	-	-	-
- Cost	-	-	(1 182 088)	(124 451)
- Accumulated depreciation	-	-	1 182 088	124 451
- Depreciation	<u>818 000</u>	<u>457 320</u>	<u>1 684 652</u>	<u>2 959 972</u>
Balance at end of year	<u><b>5 009 473</b></u>	<u><b>9 45 709</b></u>	<u><b>6 314 189</b></u>	<u><b>12 269 371</b></u>
Made up at end of year				
- Cost	12 900 387	3 602 008	18 975 777	35 478 172
- Accumulated depreciation	<u>7 890 914</u>	<u>2 656 299</u>	<u>12 661 588</u>	<u>23 208 801</u>
Net book value	<u><b>5 009 473</b></u>	<u><b>945 709</b></u>	<u><b>6 314 189</b></u>	<u><b>12 269 371</b></u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

**5. Property, plant and equipment (continued)**

	Land and buildings R	Motor vehicles R	Furniture and equipment R	Total R
<b>2012</b>				
Beginning of year cost	8 647 522	2 872 272	14 907 396	26 427 190
- Accumulated depreciation	(6 519 252)	(1 686 217)	(10 704 173)	(18 909 642)
Net book value	<u>2 128 270</u>	<u>1 186 055</u>	<u>4 203 223</u>	<u>7 517 548</u>
Movements during the year				
- Additions	633 524	506 736	1 534 400	2 674 660
- Disposals	-	-	-	-
- Cost	-	-	(66 951)	(66 951)
- Accumulated depreciation	-	-	66 951	66 951
- Depreciation	(553 662)	(512 762)	(1 521 802)	(2 588 226)
Balance at end of year	<u>2 208 132</u>	<u>1 180 029</u>	<u>4 215 821</u>	<u>7 603 982</u>
Made up at end of year				
- Cost	9 281 046	3 379 008	16 374 845	29 034 899
- Accumulated depreciation	(7 072 914)	(2 198 979)	(12 159 024)	(21 430 917)
Net book value	<u>2 208 132</u>	<u>1 180 029</u>	<u>4 215 821</u>	<u>7 603 982</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

	2013 R	2012 R
<b>6. Trade and other receivables</b>		
Donor reimbursement receivable	10 594 582	3 325 848
VAT receivable	704 122	12 444 349
Prepaid expenses	347 242	178 202
	<u>11 645 946</u>	<u>15 948 399</u>
<b>7. Cash and cash equivalents</b>		
Cash in bank	16 478 200	32 727 531
Cash on hand	94 148	38 371
	<u>16 572 348</u>	<u>32 765 902</u>
Details of the total facilities the date for review thereof are as follows: Details : Forward Exchange Contract (FEC/PFE – R 750,000 Settlement: (FEC)/PFE – R 4 500 000 Fleet Card – R 60,000 AVMS – R 7000		
<b>8. Financial assets</b>		
Fixed term call deposits with maturities greater than three months	<u>36 153 304</u>	<u>30 000 000</u>
<b>9. Trade and other payables</b>		
Trade payables	2 811 385	7 832 812
Accruals	209 000	209 000
Leave pay provision	2 179 949	1 711 543
	<u>5 200 334</u>	<u>9 753 355</u>
<b>10. Amount owing to UKZN</b>		
Amount owing to UKZN	<u>2 078 702</u>	<u>36 708 262</u>

This amount is interest-free, unsecured and there are no fixed terms of repayment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**11. Deferred income**

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
<b>2013</b>	<b>23 885 285</b>	<b>39 254 490</b>	<b>22 271 932</b>	<b>40 867 843</b>
2012	41 188 733	20 713 045	38 016 493	23 885 285

The deferred income refers to income received, but not realised until all contractual grant obligations have been fulfilled, or the time period of the grant has lapsed.

**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. Financial instruments**

The association's principal financial instruments comprise cash and short-term deposits. The association has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the year under review, the association's policy that no trading in financial instruments shall be undertaken. Other receivable balances are monitored on an ongoing basis with the result that the associations' exposure to bad debts is not significant.

**13.1 Liquidity management**

Liquidity risk is defined as the risk that the association would not be able to settle or meet its obligations on time or at a reasonable price.

The association has minimised its liquidity risk by ensuring that it has adequate banking facilities. The association's financial liabilities are all short-term in nature and hence no further maturity analysis has been performed. The company expects to meet its obligations from existing cash reserves and from operating cash flows.

**13.2 Fair value of financial instruments**

Fair value is defined as the amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arms-length transaction, other than in a forced or liquidation sale. The fair values of the association's financial instruments, which principally comprise bank and cash balances, receivables and accounts payable approximate their balance sheet carrying values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**13.3 Classification of financial instruments**

	<b>Loans and receivables 2013 R</b>	<b>Loans and receivables 2012 R</b>
<b>Current assets</b>		
Trade and other receivables	11 645 946	15 948 399
Cash and cash equivalents	16 572 348	32 765 902
Financial assets	36 153 304	30 000 000
Total	<u>64 371 598</u>	<u>78 714 301</u>
	<b>Financial liability at amortised cost 2013 R</b>	<b>Financial liability at amortised cost 2012 R</b>
<b>Current liabilities</b>		
Trade and other payables	3 020 385	8 041 512
Total	<u>3 020 385</u>	<u>8 041 512</u>

**13.4 Credit risk management**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss. The association is not exposed to credit risk as it does not have trade receivables.

**14. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

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**14. Financial risk management (continued)**

**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.

**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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2013

**14. Financial risk management (continued)**

	2013 R	2012 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	7 279 035	46 461 617
Less: Cash and cash equivalents and financial assets	(52 725 652)	(62 765 902)
Net variable rate exposure	(45 446 617)	(16 304 285)

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.

	2013 R	2012 R
<b>Exposure to credit risk</b>		
Trade and other receivables	11 645 946	15 948 399
Cash and cash equivalents	16 572 348	32 765 902
Financial assets	36 153 304	30 000 000
	<u>64 371 598</u>	<u>78 714 301</u>

**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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 for the year ended 31 December 2013

**14. Financial risk management (continued)**

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

	Between 1 – 3 months R	< 1 year R	Total R
<b>2013</b>			
<b>Financial assets</b>			
Trade and other receivables	11 298 704	347 242	11 645 946
Cash and cash equivalents	16 572 348	-	16 572 348
Financial assets	-	36 153 304	36 153 304
<b>Financial liabilities</b>			
Deferred grant income	-	40 867 843	40 867 843
Payables	3 020 385	2 179 949	5 200 334
<b>2012</b>			
<b>Financial assets</b>			
Receivables	3 325 848	178 202	3 504 050
Cash and cash equivalents	29 794 386	2 971 516	32 765 902
Financial assets	-	30 000 000	30 000 000
<b>Financial liabilities</b>			
Deferred grant income	-	23 885 285	23 885 285
Payables	6 877 229	1 164 283	8 041 512

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
 for the year ended 31 December 2013

	2013 R	2012 R
<b>15. Notes to the statement of cash flows</b>		
<b>15.1 Cash generated from operations</b>		
Net surplus before working capital changes	12 522 709	2 774 201
Adjusted for non-cash items		
Depreciation	2 959 972	2 588 226
	<u>15 482 681</u>	<u>5 362 427</u>
Adjusted for separately distributable Items: Finance income	(2 437 031)	(3 624 356)
Foreign exchange income/losses	(4 424 014)	1 550 311
Changes in working capital		
Decrease in receivables	4 302 453	3 459 813
(Decrease)/increase in payables	(4 553 021)	(1 008 716)
<b>Cash generated from operations</b>	<u><u>8 371 068</u></u>	<u><u>5 739 479</u></u>

**16. Related parties**

**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 (UKZN) are defined as related party transactions since Prof NM Ijumba is a director at CAPRISA as well as the Deputy Vice Chancellor of Research at UKZN.

Details of the amounts transacted with UKZN are contained in note 2 and note 9. The amount owing to UKZN represents expenses paid by UKZN on behalf of CAPRISA. The general ledger is maintained by UKZN.

In the current year, CAPRISA also paid over R 1 017 584 in rental to UKZN. An amount of R 2 078 702 owing to UKZN (refer note 9).

DETAILED INCOME STATEMENT, OPERATING EXPENSES AND SUPPORT GRANTED  
for the year ended 31 December 2013

	2013 R	2012 R
<b>Income</b>		
Grants received	128 347 424	121 805 031
Interest and forex gain	6 861 046	3 624 356
Sundry income	584 921	263 039
	<u>135 793 391</u>	<u>125 692 426</u>
<b>*Expenses</b>	<b>123 270 682</b>	<b>122 918 225</b>
Audit fees	325 062	208 510
Chemicals and gases	643 180	1 502 074
Computer supplies	520 923	381 011
Depreciation	2 959 973	2 588 226
Directors remuneration	1 069 275	1 641 906
Electricity	95 013	93 484
Fellowships	439 314	1 988 434
Foreign exchange loss	-	1 550 311
Increase in leave pay provision	468 406	273 023
Indirect cost allocation to UKZN	596 517	1 920 517
Insurance	534 369	291 764
Laboratory costs	15 241 367	17 226 432
Legal and other professional fees	1 674 300	1 184 985
Meeting costs	2 683 361	1 189 827
Participant refreshments	224 871	713 108
Participant reimbursements	1 542 916	1 179 172
Recruitment costs	28 565	253 933
Rental – buildings	1 271 231	614 693
Rental – office equipment	658 898	250 056
Repairs and maintenance	1 987 311	2 246 621
Salaries	69 748 428	56 291 191
Security	663 542	417 380
Stationery and printing	1 397 854	1 142 863
Subcontract costs	9 120 224	23 658 909
Subscriptions	350 887	267 012
Sundry expenses	2 916 566	1 991 213
Telephone, postage and courier	1 436 134	1 245 798
Toxic waste disposal	135 697	73 375
Training and development	1 479 378	1 700 607
Travel	3 057 121	2 779 802
VAT receivable adjustment	-	(3 948 012)
<b>Net surplus for the year</b>	<u><b>12 522 709</b></u>	<u><b>2 774 201</b></u>

\*Indirect costs are included in the individual line items above.

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