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 2014

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
(REGISTRATION NUMBER: 2002/024027/08)
(Non-Profit Company)

General Information

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 JM Blackledge (University of KwaZulu-Natal)- appointed 21/10/2014 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
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 Inc
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).

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
(REGISTRATION NUMBER: 2002/024027/08)
(Non-Profit Company)

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2014

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 5 to 25 have been approved by the directors on and are hereby signed on their behalf by:

Professor SS Abdool Karim

14 April 2015

Date

pwc

INDEPENDENT AUDITOR'S REPORT FOR THE CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH ARFICA NPC (CAPRISA)

We have audited the financial statements of the Centre For The AIDS Programme Of Research In South Africa NPC (CAPRISA) set out on pages 5 to 25, which comprise the statement of financial position as at 31 December 2014, 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.

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T: +27 (33) 343 8600, F: +27 (33) 347 5957, www.pwc.co.za

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CAPRISA as at 31 December 2014, 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 2014, 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 respective preparers. 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.

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
Pietermaritzburg
3201

Date: 14 April 2015

REPORT OF THE DIRECTORS
for the year ended 31 December 2014

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 R 7 127 711 (2013: R 7 625 361)

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 2014

	Notes	2014 R	2013 R
Revenue		**137 304 578**	128 347 424
Other income	4	**749 861**	584 921
Operating expenses		**(123 206 696)**	(115 840 313)
Operating Surplus before indirect costs		**14 847 743**	13 092 032
Indirect costs	2	**(7 891 795)**	(7 430 368)
Operating Surplus for the year	2	**6 955 948**	5 661 664
Finance income	3	**2 502 421**	2 437 031
Forex gain		**2 074 374**	-
Prior year forex gain reclassified to profit/(loss)		**4 424 014**	-
Net surplus for the year		**15 956 757**	8 098 695
Prior year forex gain reclassified to profit/(loss)		**(4 424 014)**	-
Forex gain		**-**	4 424 014
Total comprehensive income for the year		**11 532 743**	12 522 709

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2014

	Notes	2014 R	2013 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	**14 591 639**	12 269 371
Current assets			
Trade and other receivables	6	**20 212 103**	11 645 946
Amount owing by UKZN	10	**4 711 092**	-
Cash and cash equivalents	7	**11 584 321**	16 572 348
Financial assets	8	**42 123 834**	36 153 304
		78 631 351	64 371 598
TOTAL ASSETS		**93 222 990**	76 640 969
EQUITY AND LIABILITIES			
Funds			
Accumulated funds		**40 026 833**	28 494 090
Current liabilities			
Trade and other payables	9	**7 713 020**	5 200 334
Amount owing to UKZN	10	**-**	2 078 702
Deferred Income	11	**45 483 137**	40 867 843
		53 196 157	48 146 879
TOTAL EQUITY AND LIABILITIES		**93 222 990**	76 640 969

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Accumulated Funds R
Balance at January 1, 2013	**15 971 381**
Net surplus for the year	12 522 709
Balance at December 31, 2013	**28 494 090**
Net surplus for the year	11 532 743
Balance at December 31, 2014	**40 026 833**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	2014 R	2013 R
Cash flows from operating activities			
Cash generated by operations	15.1	**5 439 900**	8 371 068
Cash generated from operations			
Finance income		**2 502 421**	2 437 031
Net cash inflow from operating activities		**7 942 321**	10 808 099
Cash flows from investing activities			
Proceeds on sale of asset		**267 020**	-
Acquisition of property, plant and equipment		**(7 126 711)**	(7 625 361)
Net cash outflow from investing activities		**(6 859 691)**	(7 625 361)
Cash flows from financing activities			
Increase in deferred grant liability		**4 615 293**	16 982 558
(Decrease) in amount owing to UKZN		**(6 789 794)**	(34 629 560)
Net cash outflow from financing activities		**(2 174 501)**	(17 647 002)
Net increase/(decrease) in cash and cash equivalents		**(1 091 871)**	(14 464 264)
Cash and cash equivalents at beginning of year		**52 725 652**	62 765 902
Exchange gains on cash and cash equivalents		**2 074 374**	4 424 014
Cash and cash equivalents at end of year	7,8	**53 708 155**	52 725 652

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 2014 were approved by the directors on 14 April 2015.

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

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, to nil residual values 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.

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 fulfilment 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 fulfilment 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

Unless another standard permits the expenditure to be added to the cost of an asset 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.

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 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

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.

Impairment of financial assets

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

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

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.

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.

1.11 Standards and Interpretations in issue not yet effective

The following new and revised accounting standards that will impact on the financial statements of the company, or may affect the accounting for future transactions or arrangements, have not yet become effective and have not been adopted prior to their commencement:

- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 15 Revenue from contracts with customers (1 January 2017)

These new and revised standards are not expected to have a significant impact to the current accounting treatment.

1.12 Standards and Interpretations effective for the current year

IFRS 13 – Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

This standard is not expected to have a significant impact to the accounting treatment applied in prior years.

	2014 R	2013 R
2. Operating surplus for the year		
Net operating surplus is arrived at after taking into account the following items:		
Salaries	**69 711 310**	69 748 428
Directors remuneration	**780 469**	1 069 275
Auditors' remuneration		
- External and donor audit	**449 151**	325 062
Legal and other professional fees	**1 638 445**	1 674 300
Repairs and maintenance	**2 987 150**	1 987 311
Depreciation	**4 804 443**	2 959 973
Profit on sale of asset	**267 020**	-
Operating lease costs	**382 123**	512 627
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	**1 842 290**	2 325 209
Magee Women's Research Institute	**1 086 360**	-
CAP008 – CONRAD	**2 607 601**	4 274 448
Other	**2 355 544**	830 711
Total indirect costs	**7 891 795**	7 430 368
Summary of indirect costs		
University (UKZN) administration fees	**3 975**	233 127
CAPRISA administration and finance related expenses	**7 887 820**	7 197 241
Total indirect costs	**7 891 795**	7 430 368
Directors remuneration		
Executive Directors	**780 469**	1 069 275
Salim Safurdeen Abdool Karim		
3. Finance income		
Interest received on:		
Bank balances	**2 502 421**	2 437 031

	2014 R	2013 R

4. Other income

	2014 R	2013 R
Profit on sale of asset	**267 020**	-
Sundry income	**482 841**	584 921
	749 861	584 921

5. Property, plant and equipment

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2014				
Beginning of year cost	12 900 387	3 602 008	18 975 777	35 478 172
- Accumulated depreciation	7 890 914	2 656 299	12 661 588	23 208 801
Net book value	**5 009 413**	**945 709**	**6 314 189**	**12 269 371**
Movements during the year				
- Additions	133 332	1 957 734	5 035 645	7 126 711
- Disposals	-	-	-	-
- Cost		(637 798)		(637 798)
- Accumulated depreciation		637 798		637 798
- Depreciation	1 930 416	582 450	2 291 577	4 804 443
Balance at end of year	**3 212 389**	**2 320 993**	**9 058 257**	**14 591 639**
Made up at end of year				
- Cost	13 033 719	4 921 944	24 011 422	42 604 883
- Accumulated depreciation	9 821 330	2 600 951	14 953 165	28 013 244
Net book value	**3 212 389**	**2 320 993**	**9 058 257**	**14 591 639**

5. Property, plant and equipment (continued)

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2013				
Beginning 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	**2 208 132**	**1 180 029**	**4 215 821**	**7 603 982**
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	818 000	457 320	1 684 652	2 959 972
Balance at end of year	**5 009 473**	**9 45 709**	**6 314 189**	**12 269 371**
Made up at end of year				
- Cost	12 900 387	3 602 008	18 975 777	35 478 172
- Accumulated depreciation	7 890 914	2 656 299	12 661 588	23 208 801
Net book value	**5 009 473**	**945 709**	**6 314 189**	**12 269 371**

	2014 R	2013 R

6. Trade and other receivables

	2014 R	2013 R
Donor reimbursement receivable	**18 629 486**	10 594 582
VAT receivable	**1 582 617**	704 122
Prepaid expenses	**-**	347 242
	20 212 103	11 645 946

7. Cash and cash equivalents

	2014 R	2013 R
Cash in bank	**11 473 174**	16 478 200
Cash on hand	**111 147**	94 148
	11 584 321	16 572 348

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

8. Financial assets

	2014 R	2013 R
Fixed term call deposits with maturities greater than three months but less than 12 months	**42 123 834**	36 153 304

9. Trade and other payables

	2014 R	2013 R
Trade payables	**5 697 486**	2 811 385
Accruals	**209 000**	209 000
Leave pay provision	**1 806 534**	2 179 949
	7 713 020	5 200 334

10. Amount owing by/ to UKZN

	2014 R	2013 R
Amount owing by UKZN	**4 711 092**	-
Amount owing to UKZN	**-**	2 078 702
	4 711 092	2 078 702

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

11. Deferred income

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
2014	**40 867 843**	**39 758 501**	**35 143 207**	**45 483 137**
2013	23 885 285	39 254 490	22 271 932	40 867 843

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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). 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.

13.3 Classification of financial instruments

	Loans and receivables 2014 R	Loans and receivables 2013 R
Current assets		
Trade and other receivables	**20 212 103**	11 645 946
Cash and cash equivalents	**11 584 321**	16 572 348
Financial assets	**42 123 834**	36 153 304
Total	**73 920 058**	64 371 598

	Financial liability at amortised cost 2014 R	Financial liability at amortised cost 2013 R
Current liabilities		
Trade and other payables	**5 906 486**	3 020 385
Total	**5 906 486**	3 020 385

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.

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. A 5% weakening of the Rand against the US Dollar would have increased or decreased profit/loss by R127 629, assuming that all other variables remain constant

Foreign Denominated balances:	**2014**
ABSA USD CFC Account:	216 403
Exchange rate at year end	11.6017
5% change in exchange rate	0.580085
	125 532
ABSA Euro CFC Account	2 975
Exchange rate	14.0997
5% change in exchange rate	0.704985
	2 097

Impact on total comprehensive income is R 127 629.

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

14. Financial risk management (continued)

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.

	2014 R	2013 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	**7 713 020**	7 279 035
Less: Cash and cash equivalents and financial assets	**(53 708 155)**	(52 725 652)
Net variable rate exposure	**(45 995 135)**	(45 446 617)

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.

Interest income per statement of comprehensive income	2 502 421
Financial Assets per the Financial Statements	42 123 834
Effective rate:	5.94%
Therefore a 1% movement would equate to	421 238

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.

14. Financial risk management (continued)

	2014 R	2013 R
Exposure to credit risk		
Trade and other receivables	**20 212 103**	11 645 946
Cash and cash equivalents	**11 584 321**	16 572 348
Financial assets	**42 123 834**	36 153 304
	73 920 258	64 371 598

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.

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
2014			
Financial assets			
Trade and other receivables	**20 212 103**	**-**	**20 212 103**
Cash and cash equivalents	**11 584 321**	**-**	**11 584 321**
Financial assets	**-**	**42 123 834**	**42 123 834**
Financial liabilities			
Deferred grant income	**-**	**45 483 137**	**45 483 137**
Payables	**5 209 892**	**2 503 128**	**7 713 020**
2013			
Financial assets			
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
Financial liabilities			
Deferred grant income	-	40 867 843	40 867 843
Payables	3 020 385	2 179 949	5 200 334

	2014 R	2013 R

15. Notes to the statement of cash flows

15.1 Cash generated from operations

	2014 R	2013 R
Total Comprehensive Income	**11 532 743**	12 522 709
Adjusted for non-cash items:		
Profit on sale of asset	**(267 020)**	-
Depreciation	**4 804 443**	2 959 972
	16 070 166	15 482 681
Adjusted for separately distributable		
- Finance income	**(2 502 421)**	(2 437 031)
- Foreign exchange gains	**(2 074 374)**	(4 424 014)
Changes in working capital		
(Increase)/decrease in receivables	**(8 566 157)**	4 302 453
Increase/(decrease) in payables	**2 512 686**	(4 553 021)
Cash generated from operations	**5 439 900**	8 371 068

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 Blackledge 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 10. The amount owing from UKZN represents income received by UKZN on behalf of CAPRISA.

In the current year, CAPRISA also committed R 1 000 000 in rental to UKZN. An amount of R4 711 092 is owing from UKZN (refer note 10).

DETAILED INCOME STATEMENT, OPERATING EXPENSES AND SUPPORT GRANTED
for the year ended 31 December 2014

	2014 R	2013 R
Income		
Grants received	**137 304 578**	128 347 424
Interest and forex gain	**4 576 795**	6 861 046
Sundry income	**482 841**	584 921
Profit on sale of asset	**267 020**	
	142 631 234	135 793 391
***Expenses**	**131 098 491**	123 270 682
Audit fees	**449 151**	325 062
Chemicals and gases	**411 593**	643 180
Computer supplies	**581 870**	520 923
Depreciation	**4 804 443**	2 959 973
Directors remuneration	**780 469**	1 069 275
Electricity	**133 545**	95 013
Fellowships	**1 629 562**	439 314
(Decrease)/Increase in leave pay provision	**(373 415)**	468 406
Indirect cost allocation to UKZN	**3 975**	596 517
Insurance	**682 680**	534 369
Laboratory costs	**16 235 859**	15 241 367
Legal and other professional fees	**1 638 445**	1 674 300
Meeting costs	**2 176 194**	2 683 361
Participant refreshments	**271 129**	224 871
Participant reimbursements	**1 528 130**	1 542 916
Recruitment costs	**35 891**	28 565
Rental – buildings	**1 034 574**	1 271 231
Rental – office equipment	**402 601**	658 898
Repairs and maintenance	**2 987 150**	1 987 311
Salaries	**69 711 310**	69 748 428
Security	**568 754**	663 542
Stationery and printing	**1 033 909**	1 397 854
Subcontract costs	**11 932 219**	9 120 224
Subscriptions	**516 754**	350 887
Sundry expenses	**2 677 854**	2 916 566
Telephone, postage and courier	**1 720 209**	1 436 134
Toxic waste disposal	**131 875**	135 697
Training and development	**1 609 948**	1 479 378
Travel	**5 781 813**	3 057 121
Net surplus for the year	**11 532 743**	12 522 709

*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.