CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
(REGISTRATION NUMBER: 2002/024027/08)
(Non Profit Company)
ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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) Justice PN Langa 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)
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	Ernst & Young 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

CONTENTS

PREPARER OF ANNUAL FINANCIAL STATEMENTS

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 26 have been approved by the directors on 10 September 2013 and are hereby signed on their behalf by:

S. S. Abdool

Professor SS Abdool Karim
Durban

Building a better
working world

Ernst & Young Incorporated
1 Pencarrow Crescent
La Lucia Ridge Office Park
PO Box 859
Durban 4000

Tel: +27 (0) 31 576 8000
Fax: +27 (0) 31 576 8300
Docex 117 Durban
Co. Reg. No. 2005/002308/21
www.ey.com

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA (Non-profit Company) (REGISTRATION NUMBER: 2002/024027/08)

Report on the Financial Statements

We have audited the financial statements of Centre for the AIDS Programme of Research in South Africa set out on pages 4 to 26, which comprise the statement of financial position as at 31 December 2012, 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 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.

Building a better working world

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 at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with 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 2012, 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.

Ernst & Young Inc.

Ernst & Young Inc.
Director - Merisha Kassie
Registered Auditor
Chartered Accountant (SA)

10 September 2013

Durban

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012

NATURE OF BUSINESS

During the year the company continued to conduct HIV Research, financed 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.

RESTATEMENT OF VAT

Per note 18 there has been a restatement of VAT balances as previously reflected in the prior year annual financial statements. CAPRISA employed an independent firm of professionals to assist with the completion of arrear VAT returns. The fieldwork for the preparation of the VAT returns was only completed in May 2013 and a final report for the period 2008 to 2012 was then issued. Upon comparison of the amounts to the Statement of Financial Position figures as previously reported it was discovered that the VAT receivable figure from the South African Revenue Service was overstated in prior years. The cumulative effect of the restatement as at 31 December 2012 is overstated by R 210,168. The prior year's figures have accordingly been adjusted.

The Directors are satisfied that cumulatively there has been no material loss to the company

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the year amounted to R 2 674 660 (2011: R 3 236 218)

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.

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	*2012* *R*	*Restated 2011* *R*
INCOME		**122 068 070**	**139 828 888**
Grants, donations received		121 805 031	138 602 608
Sundry income		263 039	1 226 280
Operating expenses		(115 180 936)	(131 007 359)
Surplus before indirect costs		**6 887 134**	**8 821 529**
Indirect Costs	2	(6 186 978)	(8 684 221)
Operating surplus/(deficit) for the year	2	**700 156**	**137 308**
Finance Income		3 624 356	1 624 819
Foreign Exchange Loss		(1 550 311)	(1 296 102)
Net surplus for the year		**2 774 201**	**466 025**

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

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012

	Note	*2012* *R*	*Restated 2011* *R*	*Restated 2010* *R*
ASSETS				
Non-current assets				
Property, plant and equipment	5	7 603 982	7 517 548	6 949 806
		7 603 982	7 517 548	6 949 806
Current assets				
Receivables	6	15 948 399	19 408 212	21 975 414
Amount held in trust by UKZN		-	-	14 303 616
Cash and cash equivalents	7	62 765 902	90 911 605	19 940 855
		78 714 301	110 319 817	56 219 885
TOTAL ASSETS		**86 318 283**	**117 837 365**	**63 169 691**
EQUITY AND LIABILITIES				
Funds				
Accumulated Funds		15 971 381	13 197 180	13 867 264
		15 971 381	13 197 180	13 867 264
Current liabilities				
Payables	8	8 041 812	9 323 551	7 100 627
Amount owing to UKZN	9	36 708 262	52 689 381	-
Deferred Income	10	23 885 285	41 188 733	40 978 592
Provisions	11	1 711 543	1 438 520	1 223 208
		70 346 902	104 640 185	49 302 427
TOTAL EQUITY AND LIABILITIES		**86 318 283**	**117 837 365**	**63 169 691**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Retained Earnings R
Balance at January 1, 2011	16 433 246
Prior period error (note 18)	(2 565 982)
Restated Balance at January 1, 2011	**13 867 264**
Transfer of P3 Platform funds	(1 136 109)
Restated net surplus for the year	466 025
Restated Balance at December 31, 2011	**13 197 180**
Net surplus for the year	2 774 201
Balance at December 31, 2012	**15 971 381**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 R	*Restated* 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	**16.1**	5 739 479	6 675 113
CASH GENERATED FROM OPERATIONS			
Finance income		3 624 356	1 624 819
Foreign exchange (loss)		(1 550 311)	(1 296 102)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**7 813 524**	**7 003 830**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2 674 660)	(3 236 218)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(2 674 660)**	**(3 236 218)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in deferred grant liability		(17 303 448)	210 141
(Increase)/Decrease in amount owing to UKZN		(15 981 119)	66 992 997
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(33 284 567)**	**67 203 138**
NET (DECREASE)/INCREASE in cash and cash equivalents		(28 145 703)	70 970 750
CASH AND CASH EQUIVALENTS at beginning of year		90 911 605	19 940 855
CASH AND CASH EQUIVALENTS at end of year	7	**62 765 902**	**90 911 605**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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 2012 were approved by the directors on 10 September 2013.

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 27 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, 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, plants 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 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 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

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 AC 133 (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

These are classified as loans and receivables originated by the association and are subsequently measured at amortised cost. 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 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.

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.

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 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial years except as follows:

IAS 24 Related Party Disclosure

This Interpretation addresses changes to the definition of a related party with the intent to simplify the definition and remove certain inconsistencies to ensure that symmetrical treatment in related party relationships is achieved. The standard now explicitly requires disclosures of commitments with related parties which covers executory contracts as well.
A key new feature is the addition of a partial exemption for government-related entities to exempt these entities from the general disclosure requirements of IAS 24, paragraph 18. Instead, alternative disclosure requirements have been introduced which focus on the disclosure of individually (or collectively) significant transactions.

1.12 Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the company's financial statements are listed below:

Standard	Subject	Effective date
IFRS 9	Financial instruments	1 January 2015
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

The above are not expected to have a material effect on the financial position and performance of the company in the current year.

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

		2012	*2011*
		R	*R*
2.	**OPERATING SURPLUS FOR THE YEAR**		
	Net operating surplus is arrived at after taking into account the following items:		
	Salaries	56 291 191	55 701 476
	Directors remuneration	1 641 906	-
	Auditors' remuneration		
	- External audit	208 510	193 780
	- Tax services	633 523	457 619
	Loss on sale of fixed assets	-	25 148
	Legal and other professional fees	551 462	342 287
	Repairs and maintenance	2 246 621	1 697 904
	Depreciation	2 588 226	2 643 328
	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	3 306 798	4 973 388
	CAPRISA Aids Treatment Programme	-	1 668 451
	TRAPS	339 812	778 253
	RHIVA	187 538	554 023
	CAP008 - TIA	967 472	-
	CAP008 -CONRAD	568 771	-
	Other	816 587	710 106
	Total indirect costs	**6 186 978**	**8 684 221**
	Summary of indirect costs		
	University (UKZN) administration fees	3 093 489	4 342 110
	CAPRISA administration and finance related expenses	3 093 489	4 342 111
	Total indirect costs	**6 186 978**	**8 684 221**

DIRECTORS REMUNERATION

Executive Directors		
Salim Safurdeen Abdool Karim	Salary	1 541 577
	Bonus	100 329
		1 641 906

		2012	2011
3.	**FINANCE INCOME**		
	Interest received on:		
	Bank Balances	3 624 356	1 624 819
4.	**OTHER INCOME**		
	Sundry Income	263 039	1 226 280

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	*Motor vehicles*	*Furniture and equipment*	*Total*
	R	*R*	*R*	*R*
2012				
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	**2 128 270**	**1 186 055**	**4 203 223**	**7 517 548**
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	**2 208 132**	**1 180 029**	**4 215 821**	**7 603 982**
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	**2 208 132**	**1 180 029**	**4 215 821**	**7 603 982**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

2011	*Land and buildings*	*Motor vehicles* *R*	*Furniture and equipment* *R*	*Total* *R*
Beginning of year				
- Cost	7 873 023	3 184 923	13 308 262	24 366 208
- Accumulated depreciation	(6 001 078)	(1 468 452)	(9 946 872)	(17 416 402)
Net book value	**1 871 945**	**1 716 471**	**3 361 390**	**6 949 806**
Movements during the year				
- Additions	774 499	-	2 461 719	3 236 218
- Disposals	-	-	(25 148)	(25 148)
- Cost	-	(312 651)	(862 585)	(1 175 236)
- Accumulated depreciation	-	312 651	837 437	1 150 088
- Depreciation	(518 174)	(530 416)	(1 594 738)	(2 643 328)
Balance at end of year	**2 128 270**	**1 186 055**	**4 203 223**	**7 517 548**
Made up at end 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	**2 128 270**	**1 186 055**	**4 203 223**	**7 517 548**

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

		2012 R	2011 R
6.	**RECEIVABLES**		
	Donor reimbursement receivable	3 325 848	10 150 602
	VAT receivable	12 444 349	8 984 435
	Other receivables	178 202	273 175
		15 948 399	**19 408 212**

Other receivables relates to prepaid expenses amounting to R178 202 (2011: R 273 175).

		2012 R	2011 R
7.	**CASH AND CASH EQUIVALENTS**		
	Cash in bank	62 727 531	90 821 405
	Cash on hand	38 371	90 200
		62 765 902	**90 911 605**

R30,000,000 is in an investment with ABSA Bank and is not available for current use. This investment will mature on 31 May 2013. Interest was earned at a rate of 6.13% p.a.

For the purposes of the cash flow statement, the period end cash and cash equivalent are as stated above.

		2012 R	2011 R
8.	**TRADE AND OTHER PAYABLES**		
	Trade payables		
	Accruals	7 832 812	9 114 551
	Other payables	209 000	209 000
		8 041 812	**9 323 551**

Trade payables and accruals are non-interest bearing and are generally settled on 30 day terms. Other payables includes the audit fee provision of R209 000 (2011: R209 000).

		2012 R	2011 R
9.	**AMOUNT OWING TO UKZN**		
	Amount owing to UKZN	36 708 262	52 689 381
		36 708 262	**52 689 381**

10. DEFERRED INCOME*

	Opening Balance R	*Donor funds received R*	*Grants Utilised R*	*Closing Balance R*
2011	40 978 592	41 188 733	40 978 592	41 188 733
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.

11. PROVISIONS

Provision for leave pay

	2012 R	*2011 R*
Opening Balance as at 1 January	1 438 520	1 223 207
Increase in leave pay provision	273 023	215 313
Closing Balance as at 31 December	1 711 543	1 438 520

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

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. FINANCIAL INSTRUMENTS (continued)

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.

13.3 Classification of financial instruments

	Loans and receivables 2012 R	*Loans and receivables 2011 R*
Current assets		
Receivables	3 504 050	10 423 777
Cash and cash equivalents	62 765 902	90 911 605
Total	66 269 952	101 335 382

	Financial liability at amortised cost 2012 R	*Financial liability at amortised cost 2011 R*
Current liabilities		
Trade and other payables	8 041 512	9 323 551
Total	8 041 512	9 323 551

13. FINANCIAL INSTRUMENTS (continued)

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.

13.5 Capital management

The primary objective of the Company's capital management is to maintain a healthy asset base so as to fund the operations of the arks. Management considers capital to consist of accumulated funds.

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.

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.

14. 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.

	2012 *R*	*2011* *R*
Cash flow interest rate risk exposures and sensitivities		
Total debt	46 461 617	63 451 452
Less: Cash and cash equivalents	(62 765 902)	(90 911 605)
Net variable rate exposure	(16 304 285)	(27 460 153)

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.

14. FINANCIAL RISK MANAGEMENT (continued)

	2012 *R*	*2011* *R*
Exposure to credit risk		
Cash and cash equivalents	62 765 902	90 911 605
Receivables	3 504 050	10 423 777
	66 269 952	**101 335 382**

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:

	Between 1 - 3 months *R*	*< 1 year* *R*	*Total* *R*
2012			
Financial assets			
Receivables	3 325 848	178 202	3 504 050
Cash and cash equivalents	29 794 386	32 971 516	62 765 902
Financial liabilities			
Deferred grant income	-	23 885 285	23 885 285
Payables	6 877 229	1 164 283	8 041 512
2011			
Financial assets			
Receivables	10 150 602	273 175	10 423 777
Cash and cash equivalents	56 084 163	34 827 442	90 911 605
Financial liabilities			
Deferred grant income	-	41 188 733	41 188 773
Payables	3 632 590	5 690 961	9 323 551

15. OPERATING LEASE COMMITMENTS

	2012 *R*	*2011* *R*
Future minimum rentals under non-cancellable property leases at 31 December 2013 are as follows:		
Within one year	-	1 150 000
After one year less than five years	-	-
	-	1 150 000

16. NOTES TO THE STATEMENT OF CASH FLOWS

16.1 Cash utilised in operations

	2012	2011
Net surplus before working capital changes	2 774 201	466 025
Transfer of surplus	-	(1 136 109)
Adjusted for non-cash items:		
Depreciation	2 588 226	2 643 328
Loss on disposal of property, plant and equipment	-	25 148
	5 362 427	1 998 392
Adjusted for separately distributable items:		
Finance income	(3 624 356)	(1 624 819)
Foreign exchange losses	1 550 311	1 296 102
Changes in working capital		
Decrease in receivables	3 459 813	2 567 202
(Decrease)/Increase in payables	(1 008 716)	2 438 236
Cash generated from operations	**5 739 479**	**6 675 113**

17. 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 R583,333 in rental to UKZN.
An amount of R36 708 262 is owing to UKZN(refer Note 9)

18. PRIOR PERIOD RESTATEMENT

CAPRISA employed a professional services firm to assist with the completion of arrear VAT returns. The professional services firm has engaged with SARS to obtain rulings with regard to the classification of funding received. The fieldwork for the preparation of the vat returns was completed in May 2013 and a final report for the period 2008 to 2012 was issued by the professional services firm. Upon comparison of the professional services firm figures to the Statement of Financial Position figures previously reported, it was discovered that the VAT Receivable figure from the South African Revenue Service was overstated. VAT receivable of R8 424 082 was recognised in 2010, R 13 142 616 in 2011 and R12 654 517 in 2012. Vat receivable of R 5 858 100 should have been recognised in 2010, R 8 984 435 in 2011 and R 12 444 349 in 2012.

	2011 *R*
Impact on the statement of comprehensive income	
Grants, donations received	-
Sundry Income	-
Total Income	-
Operating expenses	(1 592 199)
Net surplus	(1 592 199)

Impact on the statement of financial performance	2011	2010
(Decrease)/Increase in VAT Receivables	(4 158 181)	(2 565 982)
Decrease/(Increase) in retained earnings	4 158 181	2 565 982

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

DETAILED STATEMENT OF INCOME, OPERATING EXPENSES AND SUPPORT GRANTED FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	*2011*
	R	*R*
INCOME	**125 692 426**	**141 453 707**
Donations received	121 805 031	138 602 608
Interest received	3 624 356	1 624 819
Sundry Income	263 039	1 226 280
EXPENSES*	**122 918 225**	**140 987 682**
Audit fees	842 033	651 399
Chemicals and gases	1 502 074	942 676
Computer supplies	381 011	806 500
Depreciation	2 588 226	2 643 328
Directors remuneration	1 641 906	-
Electricity	93 484	66 164
Fellowships	1 988 434	1 380 088
Foreign exchange loss	1 550 311	1 296 102
Increase in leave pay provision	273 023	215 313
Indirect allocation to UKZN	1 920 517	2 307 915
Insurance	291 764	206 567
Laboratory costs	17 226 432	25 096 250
Legal and other professional fees	551 462	342 287
Loss on disposal of asset	-	25 148
Meeting costs	1 189 827	1 606 819
Participant refreshments	713 108	315 881
Participant reimbursements	1 179 172	1 127 324
Recruitment costs	253 933	288 138
Rental – buildings	614 693	1 150 558
Rental – office equipment	250 056	259 567
Repairs and maintenance	2 246 621	1 697 904
Salaries	56 291 191	55 701 476
Security	417 380	319 003
Stationery and printing	1 142 863	1 508 423
Subcontract costs	23 658 909	31 488 967
Subscriptions	267 012	290 099
Sundry expenses	1 991 213	367 039
Telephone, postage and courier	1 245 798	1 215 178
Toxic waste disposal	73 375	42 544
Training and development	1 700 607	2 220 866
Travel	2 779 802	3 815 960
VAT receivable adjustment	(3 948 012)	1 592 199
Net surplus for the year	2 774 201	466 025

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