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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2011

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(REGISTRATION NUMBER: 2002/024027/08)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2011

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Centre for the Aids Programme of Research in South Africa ("CAPRISA"), comprising the statement of financial position at 31 December 2011, the statement of comprehensive income, statement of changes in accumulated funds, statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

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

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

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

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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2011

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2011 set out on pages 4 to 21 were approved on 17 May 2012 by the CAPRISA Board of Directors and signed on its behalf by:

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

Deloitte.

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South Africa

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

We have audited the annual financial statements of the Centre for the Aids Programme Of Research in South Africa ("CAPRISA") which comprise the directors report, the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in accumulated funds and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 21.

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

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

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

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

Audit Opinion
In our opinion the annual financial statements present fairly, in all material respects, the financial position of CAPRISA as at 31 December 2011 and the financial performance and the cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Deloitte & Touche
Registered Auditor
Per D McArthur
Partner
17 May 2012

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA

DIRECTORS REPORT
for the year ended 31 December 2011

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company for the year ended 31 December 2011.

NATURE OF BUSINESS

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

FINANCAL RESULTS

The financial results for the year ended 31 December 2011 are disclosed in the attached annual financial statements.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the year amounted to R3 236 218 (2010: R2 422 540).

RELATED PARTIES

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

GOING CONCERN

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

AUDITORS

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

DIRECTORS

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

	Resignation Date	Appointment Date
SS Abdool Karim		
JM Van Bever Donker	18 October 2011	
DA Clark		
NM Ijumba		
DP Visser		
L Fried		
AC Bawa		
BD Schoub	13 May 2011	
SA Madhi		1 April 2011
S Naidoo		18 April 2011
JPN Langa		25 August 2011
R Bharuthram		18 October 2011

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA

DIRECTORS REPORT (continued)
for the year ended 31 December 2011

REGISTERED OFFICE

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

PHYSICAL ADDRESS

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

POSTAL ADDRESS

Private Bag X7
CONGELLA
4013

SECRETARY

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

MATERIAL EVENTS AFTER YEAR-END

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

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Notes	2011 R	2010 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	7 517 548	6 949 806
Current assets		114 477 997	58 785 866
Receivables	4	23 566 392	24 541 395
Amount owing by the University of KwaZulu-Natal	13	0	14 303 616
Cash and cash equivalents	5	90 911 605	19 940 855
TOTAL ASSETS		121 995 545	65 735 672
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		17 355 360	16 433 246
Current liabilities		104 640 185	49 302 426
Deferred grant income	6	41 188 733	40 978 592
Payables	7	9 323 551	7 100 627
Provisions	8	1 438 520	1 223 207
Amount owing to UKZN	13	52 689 381	0
TOTAL FUNDS AND LIABILITIES		121 995 545	65 735 672

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Note	2011 R	2010 R
INCOME			
Grants			
- Donations and grants		138 602 608	122 805 279
- Sundry income		1 226 280	406 028
Total income		139 828 888	123 211 307
EXPENDITURE			
Personnel costs		(55 701 476)	(54 471 280)
Rent of premises		(1 150 558)	(954 877)
Other operating expenses		(69 919 799)	(58 193 277)
Depreciation		(2 643 328)	(3 304 295)
Surplus before indirect costs		10 413 727	6 287 578
Indirect costs		(8 684 221)	(6 228 377)
Operating surplus	11	1 729 506	59 201
Foreign exchange (loss)/gains		(1 296 102)	684 992
Finance income		1 624 819	1 967 621
Net surplus for the year		2 058 223	2 711 814

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

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2011

	Total
	R
Opening balance at 1 January 2010	13 721 432
Net surplus for the year	2 711 814
Closing balance at 31 December 2010	16 433 246
Net surplus for the year	2 058 223
Transfer of P3 Platform funds	(1 136 109)
Closing balance at 31 December 2011	17 355 360

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Notes	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	A	6 675 113	(2 340 650)
Finance income		1 624 819	1 967 621
Foreign exchange (losses)/gains		(1 296 102)	684 992
Net cash flow generated from operating activities		7 003 830	311 963
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3 236 218)	(2 422 540)
Proceeds from sale of assets		0	144 963
Net cash flow utilised in investing activities		(3 236 218)	(2 277 577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase /(Decrease) in deferred grant income		210 141	(13 123 708)
Increase/(Decrease) in amount owing to the University of KwaZulu-Natal		66 992 997	(9 883 581)
Net cash flow generated from financing activities		67 203 138	(23 007 289)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		70 970 750	(24 972 903)
Cash and cash equivalents at beginning of the year		19 940 855	44 913 758
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	90 911 605	19 940 855

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

NOTES TO THE STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	2011 R	2010 R
A CASH UTILISED IN OPERATIONS		
Net surplus/(deficit) for the year	2 058 223	2 711 814
Transfer of P3 Platform funds	(1 136 109)	0
Adjusted for non-cash items		
Depreciation	2 643 328	3 304 295
Loss/(Profit) on disposal of asset	25 148	(116 103)
	3 590 590	5 900 006
Adjusted for separately distributable items:		
Finance income	(1 624 819)	(1 967 621)
Foreign exchange losses/(profit)	1 296 102	(684 992)
Movements in working capital		
Decrease/(increase) in receivables	975 003	(5 448 808)
Increase/(decrease) in payables	2 438 237	(139 235)
Cash utilised in operations	6 675 113	(2 340 650)
B NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Cash in bank	90 821 405	19 903 412
Cash on hand	90 200	37 443
	90 911 605	19 940 855

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. ACCOUNTING POLICIES

1.1 Statement of compliance

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

1.2 Basis of preparation

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

1.3 Income recognition

Grants are recognised as income in the financial year to which they relate. Grants for specific purposes are brought into the appropriate fund as income at the time that they are available to finance the expenditure for the purpose provided. However, if funding is provided in advance of the specified requirement, the relevant amounts are disclosed as current liabilities.

1.4 Foreign currency transactions

Foreign currency transactions are accounted for at spot rates, being the exchange rates prevailing at the dates of the respective transactions. Gains and losses arising from the settlement of such transactions are recognised in the statement of comprehensive income in the year in which they arise. Assets and liabilities designated in foreign currencies at the statement of financial position date are translated at exchange rates ruling at the statement of financial position date.

1.5 Financial instruments

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

Derecognition

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

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

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

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

1.6 Accounting for Leases

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

1.7 Property, plant and equipment

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

Assets costing less than R10 000 are written off in the year of acquisition, 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, computer and office equipment	5 years
Office furniture	5 years
Motor vehicles	5 years
Leasehold improvements	
- Vulindlela Clinic	10 years
- CDC Clinic	5 years

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

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

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

1. ACCOUNTING POLICIES (continued)

1.8 Impairment

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

1.9 Cash and cash equivalents

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

1.10 Provisions

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

1.11 Key sources of estimation uncertainty

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

1.12 Judgements made by management

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

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
	R	R	R
2011			
Leasehold improvements	8 647 521	(6 519 251)	2 128 270
Motor vehicles	2 872 272	(1 686 217)	1 186 055
Furniture and equipment	14 907 396	(10 704 171)	4 203 223
	26 427 189	(18 919 639)	7 517 548
2010			
Leasehold improvements	7 873 023	(6 001 078)	1 871 945
Motor vehicles	3 184 923	(1 468 452)	1 716 471
Furniture and equipment	13 308 262	(9 946 872)	3 361 390
	24 366 208	(17 416 402)	6 949 806

Reconciliation of property, plant and equipment:

	Opening net book value	Additions	Disposals	Depreciation	Closing net book value
	R	R	R	R	R
2011					
Leasehold improvement	1 871 945	774 499	0	(518 174)	2 128 270
Motor vehicles	1 716 471	0	0	(530 416)	1 186 055
Furniture and equipment	3 361 390	2 461 719	(25 148)	(1 594 738)	4 203 223
	6 949 806	3 236 218	(25 148)	(2 643 328)	7 517 548
2010					
Leasehold improvements	2 860 610	296 710	-	(1 285 375)	1 871 945
Motor vehicles	937 949	1 249 877	-	(471 355)	1 716 471
Furniture equipment	4 061 862	875 953	(28 860)	(1 547 565)	3 361 390
	7 860 421	2 422 540	(28 860)	(3 304 295)	6 949 806

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

4. RECEIVABLES

	2011 R	2010 R
Consortium funds	10 150 602	16 117 314
Other receivables	13 415 790	8 424 081
	23 566 392	24 541 395

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

Receivables - credit risk

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

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

5. CASH AND CASH EQUIVALENTS

	2011 R	2010 R
Cash in bank	90 821 405	19 903 412
Cash on hand	90 200	37 443
	90 911 605	19 940 855

6. DEFERRED GRANT INCOME

	2011 R	2010 R
Opening balance	40 978 592	54 102 300
Grants received	41 188 733	21 054 110
Grants utilised	(40 978 592)	(34 177 818)
	41 188 733	40 978 592

7. PAYABLES

	2011 R	2010 R
Payables	9 323 551	7 100 627

	2011 R	2010 R
8. PROVISIONS		
Leave pay provision	1 438 520	1 223 207

Key management judgement

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

9. RELATED PARTY TRANSACTIONS

The company takes care to avoid conflicts of interest and, accordingly, has adopted a policy requiring declarations of interest – actual or potential - by members of its Board, senior management and other permanent staff. In terms of this policy, transactions with third parties in which a Board or staff member has a direct or fiduciary interest are required to be disclosed and, consequently, must be entered at arm's length and be in accordance with approved procurement policy. During the year under review and subsequently, no transactions were identified with third parties controlled by one or more Board or staff members.

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

10. FINANCIAL RISK MANAGEMENT

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

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

Exchange rate risk

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

10. 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.

	2011 R	2010 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	63 451 452	8 323 834
Less: Cash and cash equivalents	(90 911 605)	(19 940 855)
Net variable rate exposure	27 460 153	11 617 021

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.

10. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

Exposure to credit risk

	2011 R	2010 R
Cash and cash equivalents	90 911 605	19 940 855
Receivables	23 566 392	24 541 395
	114 477 997	44 482 250

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
2011			
Financial assets			
Receivables	10 150 602	13 415 790	23 566 392
Cash and cash equivalents	56 084 163	34 827 442	90 911 605
Financial liabilities			
Deferred grant income	0	41 188 733	41 188 773
Payables	3 632 590	5 690 961	9 323 551
2010			
Financial assets			
Receivables	8 424 081	16 117 314	24 541 395
Cash and cash equivalents	19 940 855	-	19 940 855
Financial liabilities			
Deferred grant income	19 106 266	21 872 326	40 978 592
Payables	7 100 627	-	7 100 627

11. OPERATING SURPLUS

Operating surplus is arrived at after taking into account the following items:

	2011 R	2010 R
Auditors' remuneration		
- External audit	193 780	209 000
- Tax services	457 619	390 427
Loss/(Profit) on sale of fixed assets	25 149	(116 103)
Legal and other professional fees	342 287	756 133
Repairs and maintenance	1 697 904	1 857 641

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:

	2011 R	2010 R
Microbicide	0	586 643
Clinical Trials Unit	4 973 388	2 854 491
CAPRISA Aids Treatment Programme	1 668 451	1 866 507
TRAPS	778 253	640 387
RHIVA	554 023	212 366
Other	710 106	67 983
Total indirect costs	8 684 221	6 228 377

Summary of indirect costs

	2011 R	2010 R
University (UKZN) administration fees	4 342 110	3 114 188
CAPRISA administration and finance related expenses	4 342 111	3 114 189
Total indirect costs	8 684 221	6 228 377

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. AMOUNTS OWING TO THE UNIVERSITY OF KWAZULU-NATAL

	2011 R	2010 R
Amount owing to the University of KwaZulu-Natal	(52 689 381)	(7 559 200)
Short-term deposits	0	21 862 816
Closing balance	(52 689 381)	14 303 616

14. COMMITMENTS

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

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

	2011 R	2010 R
Within 1 year	1 150 000	1 150 000
Later than 1 year but within 5 years	0	525 000
Later than 5 years	0	0