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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008

Audit . Tax . Consulting . Financial Advisory . Corporate Finance.

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

ANNUAL FINANCIAL STATEMENTS
for the period ended 31 December 2008

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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 balance sheet at 31 December 2008, the income statement, statement of changes in accumulated funds, the cash flow statement for the period 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 International Financial Reporting Standards (IFRS).

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.

UNIVERSITY OF KWAZULU-NATAL
CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
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ANNUAL FINANCIAL STATEMENTS
for the period ended 31 December 2008

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the period ended 31 December 2008 set out on pages 5 to 20 were approved on the 17^{th} **of May 2010** by the CAPRISA Board of Control and signed by the Chief Finance Officer and the Pro Vice-Chancellor (Research) of the University of KwaZulu-Natal.

Mr R H Clarkson
UKZN Chief Finance Officer

Professor S S Abdool Karim
Pro Vice-Chancellor (Research)

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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 balance sheet as at 31 December 2008, the income statement, the statement of changes in accumulated funds and cash flow statement for the 12 months year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 20.

Directors' Responsibility for the Annual financial statements
The Directors of CAPRISA are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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.

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

Audit Opinion

In our opinion the annual financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2008 and the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per M Luthuli
Partner

17 May 2010

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2008

	Note	2008 R	Restated 2007 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	8 835 735	10 510 545
Current assets		30 318 489	24 635 491
Receivables	4	20 621 927	22 041 010
Cash and cash equivalents	5	9 696 562	2 594 481
TOTAL ASSETS		39 154 224	35 146 036
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		20 085 594	10 234 154
Current liabilities		19 068 630	24 911 882
Deferred grant liability	6	8 964 662	5 275 955
Payables	7	5 490 204	4 864 091
Provisions	8	1 576 272	1 411 733
University of KwaZulu-Natal current account	13	3 037 492	13 360 103
TOTAL FUNDS AND LIABILITIES		39 154 224	35 146 036

UNIVERSITY OF KWAZULU-NATAL
CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA
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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2008

	Note	2008 R	Restated 2007 R
INCOME			
Grants			
- Donations and grants		108 859 647	111 535 281
- Sundry income		321 182	2 125
Total income		109 180 829	111 537 406
EXPENDITURE			
Personnel costs		(44 051 019)	(42 293 144)
Rent of premises		(1 152 098)	(1 742 870)
Other operating expenses		(44 484 986)	(52 494 785)
Depreciation		(3 711 264)	(3 629 484)
Surplus before indirect costs		15 817 462	11 377 123
Indirect costs		(5 708 684)	(6 402 803)
Operating surplus	11	10 108 778	4 947 320
Foreign exchange losses		(350 890)	(98 594)
Net finance income/(costs)		93 552	(187 936)
Net surplus for the year		9 851 440	4 687 790

UNIVERSITY OF KWAZULU-NATAL
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STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the period ended 31 December 2008

	Note	Total R
Opening balances at 1 January 2007		
As previously reported		3 698 435
Prior year adjustment	14	1 847 929
Restated opening balance at 1 January 2007		5 546 364
Net deficit as previously reported		(3 005 797)
Prior year adjustment	14	7 693 587
Restated net surplus for 2007		4 687 790
Restated closing balance at 31 December 2007		10 234 154
Net surplus for 2008		9 851 440
Closing balance 31 December 2008		20 085 594

UNIVERSITY OF KWAZULU-NATAL
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STATEMENT OF CASH FLOWS
for the period ended 31 December 2008

	Notes	2008 R	Restated 2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	5 354 527	5 848 770
Interest received/(paid)		93 552	(187 936)
Net cash flow generated from operating activities		5 448 079	5 660 834
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2 096 109)	(8 266 285)
Proceeds from sale of assets		61 405	-
Net cash outflow to investing activities		(2 034 704)	(8 266 285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in deferred grant liability		3 688 707	(2 417 633)
Adjustment to accumulated funds		-	7 603 074
Net cash inflow from financing activities		3 688 707	5 185 441
NET INCREASE IN CASH AND CASH EQUIVALENTS		7 102 082	2 579 990
Cash and cash equivalents at beginning of the year		2 594 481	14 491
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	9 696 562	2 594 481

UNIVERSITY OF KWAZULU-NATAL
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NOTES TO THE CASH FLOW STATEMENT
for the period ended 31 December 2008

		2008 R	Restated 2007 R
A	**Cash generated from operations**		
	Net surplus for the period	9 851 440	4 687 790
	Adjusted for non-cash items		
	Depreciation	3 711 264	3 629 484
	Loss on disposal of asset	27 538	38 187
	Profit on disposal of asset	(29 286)	
		13 560 956	8 355 461
	Adjusted for finance (income)/costs	(93 552)	187 936
	Movements in working capital		
	Decrease/(increase) in receivable	1 419 083	(22 022 267)
	(Decrease)/increase in payable	(9 531 960)	19 327 640
		5 354 527	5 848 770
B	NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
	Cash in bank	9 623 671	2 485 098
	Cash on hand	72 891	109 383
		9 696 562	2 594 481

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 December 2008

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) for the IASB that are relevant to its operations.

At the date of authorisation of these annual financial statements, the following relevant Standards and Interpretations were considered but are not yet applicable:

- IFRS 2 (revised) — Share-based payment (amendments): Vesting conditions and cancellations
- IFRS 3 (revised) — Business combinations (amendments)
- IFRS 5 — Non-current assets held for sale and discontinued operations
- IFRS 7 — Financial instrument disclosures
- IFRS 8 — Operating segments
- IAS 1 (revised) — Presentation of Financial Statements
- IAS 23 (revised) — Borrowing costs
- IAS 27 (revised) — Consolidated and separate financial statements (amendments)
- IAS 28 (revised) — Investment in associate
- IAS 31 (revised) — Interest in joint ventures
- IAS 32 — Financial instruments: Presentation – amendments relating to potable instruments and obligations arising on liquidation
- IAS 39 (revised) — Financial Instruments: Recognition and Measurement
- IFRIC 13 — Customer Loyalty Programs
- IFRIC 15 — Agreements for the Construction of Real Estate
- IFRIC 16 — Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 — Distributions of Non-cash Assets to Owners
- SAICA ED 265 — Exposure Draft on Proposed Circular in respect of Headline Earnings

The company is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the company's results and disclosures.

2. ACCOUNTING POLICIES

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Financial Reporting Board using historic cost except for certain financial instruments that are stated at fair value.

2.2 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, except for new and revised standards and interpretations adopted during the period.

2.3 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.

2.4 Capital grants

When a grant is received to finance, or part finance, the purchase, construction or development of an asset, and the asset is capitalised, the grant is credited to a deferred capital grant (a liability). An annual transfer is made to accumulated funds over the useful economic life of the asset in proportion to the depreciation charge on the asset for which the grant was awarded.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period end 31 December 2008

2. ACCOUNTING POLICIES (continued)

2.5 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.

2.6 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 income statement in the year in which they arise. Assets and liabilities designated in foreign currencies at the balance sheet date are translated at exchange rates ruling at the balance sheet date.

2.7 Financial instruments

Financial assets and liabilities are recognised in the company's balance sheet 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 trade and other 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.

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.

2. ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

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.

2.8 Receivables

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

2.9 Payables

Payables are stated at fair value.

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

2.11 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 R5 000 are written off in the year of acquisition.

Depreciation is calculated on the straight-line method, at rates calculated to write off the cost of assets over their estimated useful lives, or in the case of leasehold improvements over the terms of the lease, as follows:

Laboratory, computer and office equipment	5 years
Office furniture	5 years
Motor vehicles	5 years
Leasehold improvements	
- Vulindlela Clinic	10 years
- CDC Clinic	5 years

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

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

2. ACCOUNTING POLICIES (continued)

2.11 Property, plant and equipment (continued)

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

2.12 Impairment

At each balance sheet 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.

2.13 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.

2.14 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.

2.15 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

2.16 Judgements made by management

The preparation of annual financial statements in accordance with IFRS 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
	R	R	R
2008			
Leasehold improvements	7 091 599	(3 421 708)	3 669 891
Motor vehicles	1 604 840	(681 048)	923 792
Furniture and equipment	10 958 684	(6 716 632)	4 242 052
	19 655 123	(10 819 388)	8 835 735
2007			
Leasehold improvements	6 703 040	(2 273 011)	4 430 029
Motor vehicles	1 245 450	(388 885)	856 565
Furniture and equipment	9 887 342	(4 663 391)	5 223 951
	17 835 832	(7 325 287)	10 510 545

Reconciliation of property, plant and equipment

	Opening Net Book Value	Additions	Disposals	Depreciation	Closing net book value
	R	R	R	R	R
2008					
Leasehold improvement	4 430 028	388 560	-	(1 148 697)	3 669 891
Motor vehicles	856 566	359 390	-	(292 165)	923 791
Furniture and equipment	5 223 951	1 348 159	(59 655)	(2 270 402)	4 242 053
	10 510 545	2 096 109	(59 655)	(3 711 264)	8 835 735
2007					
Leasehold improvements	2 674 789	3 199 103	-	(1 443 864)	4 430 029
Motor vehicles	46 933	1 089 000	-	(279 369)	856 566
Furniture equipment	3 190 209	3 978 182	(38 187)	(1 906 251)	5 223 951
	5 911 931	8 266 285	(38 187)	(3 629 484)	10 510 545

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the period ended 31 December 2008

4. RECEIVABLES

	2008 R	Restated 2007 R
Consortium funds	19 487 685	21 027 221
Other receivables	1 134 242	1 013 789
	20 621 927	22 041 010

The carrying amount of accounts receivable is considered to approximate fair value.

(a) 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.

As the entity does not have any trade receivables, no assessment of past due receivable balances recoverability has been performed.

5. CASH AND CASH EQUIVALENTS

	2008 R	Restated 2007 R
Cash in bank	9 623 671	2 485 098
Cash on hand	72 891	109 383
	9 696 562	2 594 481

6. DEFERRED GRANT LIABILITY

Opening balance	5 275 955	7 693 587
Capital grant utilised	(49 263)	(1 770 740)
Grants received	8 637 651	5 275 954
Supplemental grant utilised	(4 899 681)	(5 922 847)
	8 964 662	5 275 955

7. PAYABLES

Trade payables	5 490 204	853 560
Other creditors	-	4 010 531
	5 490 204	4 864 091

8. PROVISIONS

	2008 R	Restated 2007 R
Provision for audit fees	235 000	-
Leave pay provision	1 341 272	1 411 733
	1 576 272	1 411 733

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 twelve months under review and subsequently, no transactions were identified with third parties controlled by one or more Board or staff members.

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.

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 as defined in IFRS 7.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the period ended 31 December 2008

10. 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 income statement.

Cash flow interest rate risk exposures and sensitivities	2008 R	Restated 2007 R
Total debt	10 103 967	19 635 927
Less: Cash and cash equivalents	(9 696 562)	(2 594 481)
Net variable rate exposure	407 405	17 041 446

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 income statement.

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

	2008 R	Restated 2007 R
Cash and cash equivalents	9 696 562	2 594 481
Receivables	20 621 927	22 041 010
	30 318 489	24 635 491

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the period ended 31 December 2008

10. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

	Between 1 – 3 months R	< 1 year R	Total R
2008			
Financial assets			
Receivables	1 134 242	19 487 685	20 621 927
Cash and cash equivalents	9 696 562	-	9 696 562
Financial liabilities			
Deferred grant liability	8 964 662	-	8 964 662
Payables	5 490 204	-	5 490 204
2007			
Financial assets			
Receivables	1 013 788	21 027 222	22 041 010
Cash and cash equivalents	2 594 481	-	2 594 481
Financial liabilities			
Deferred grant liability	5 275 955	-	5 275 955
Payables	4 864 091	-	4 864 091

11. OPERATING SURPLUS

	2008 R	2007 R
Operating surplus is arrived at after taking into account the following items		
Auditors' remuneration	216 708	230 330
Loss on disposal of fixed assets	27 538	38 187
Profit on sale of fixed assets	29 286	
Legal and other professional fees	672 681	1 271 704
Repairs and maintenance	905 615	1 629 043

11. OPERATING SURPLUS (continued)

Indirect costs have been funded by the following grants, to the extent that related grant funding has been recognised in terms of the stated accounting policy:

	2008 R	Restated 2007 R
Core operating grant - CIPRA	-	3 180 813
Supplemental grant - PEPFAR	668 152	-
Microbicide	1 195 041	1 178 645
Clinical Trials Unit	1 431 269	594 718
CHAVI	437 401	537 440
CAPRISA Aids Treatment Programme	862 513	222 222
Other	1 114 308	688 965
Total indirect costs	5 708 684	6 402 803

Summary of indirect costs

	2008 R	Restated 2007 R
University (UKZN) Administration fees	2 854 342	3 201 401
CAPRISA administration and finance related expenses	2 854 342	3 201 401
Total indirect costs	5 708 684	6 402 803

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. UNIVERSITY OF KWAZULU-NATAL CURRENT ACCOUNT

	2008 R	Restated 2007 R
Amount owing to the University	12 661 163	15 845 201
Short-term deposits	(9 623 671)	(2 485 098)
Closing balance	3 037 492	13 360 103

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the period ended 31 December 2008

14. RESTATEMENT OF INCOME STATEMENT AND ACCUMULATED FUNDS

During the current financial year an adjustment was required to be made to the 2007 income statement and accumulated funds. The effects are as follows:

	Total R
Income statement	
Donations and grants – as previously reported	103 841 694
Adjustment	(7 693 587)
Restated donations and grants	96 148 107
Net deficit – as previously reported	(3 005 797)
Adjustment	7 693 587
Restated net surplus	4 687 790
Accumulated funds	
Accumulated funds – as previously reported	-
Adjustment	(1 847 929)
Restated accumulated funds	(1 847 929)